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

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2010

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 0-19311

BIOGEN IDEC INC.

(Exact name of registrant as specified in its charter)

Delaware	**33-0112644**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

133 Boston Post Road, Weston, MA 02493
(781) 464-2000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☑ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files): Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes o No ☑

The number of shares of the issuer's Common Stock, $0.0005 par value, outstanding as of October 22, 2010, was 238,302,269 shares.

BIOGEN IDEC INC.

FORM 10-Q — Quarterly Report
For the Quarterly Period Ended September 30, 2010

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this report contains forward-looking statements that are based on our current beliefs and expectations. These forward-looking statements do not relate strictly to historical or current facts and they may be accompanied by such words as “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “may,” “plan,” “will” and other words and terms of similar meaning. Reference is made in particular to forward-looking statements regarding:

- the anticipated level, mix and timing of future product sales, royalty revenues or obligations, milestone payments, expenses, liabilities, contractual obligations, currency hedges, effective tax rate and amortization of intangible assets;
- the growth trends for TYSABRI and our ability to improve the benefit-risk profile of TYSABRI;
- the assumed remaining life of the core technology relating to AVONEX and expected lifetime revenue of AVONEX;
- the incidence, timing, outcome and impact of litigation, proceedings related to patents and other intellectual property rights, tax audits and assessments and other legal proceedings;
- the timing and impact of accounting standards;
- the impact of healthcare reform and other measures designed to reduce healthcare costs;
- the impact of the global macroeconomic environment and the deterioration of the credit and economic conditions in Europe;
- our ability to finance our operations and business initiatives and obtain funding for such activities;
- the status, intended use and financial impact of our manufacturing facilities and other properties; and
- the drivers for growing our business, including our plans to pursue external business development and research opportunities, and the impact of competition.

These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements, including those discussed in the “Risk Factors” section of this report and elsewhere in this report. You should not place undue reliance on these statements. Forward-looking statements, like all statements in this report, speak only as of the date of this report, unless another date is indicated. Unless required by law, we do not undertake any obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise.

REFERENCES

Throughout this report, “Biogen Idec,” the “Company,” “we,” “us” and “our” refer to Biogen Idec Inc. and its consolidated subsidiaries. References to “RITUXAN” refer to both RITUXAN (the trade name for rituximab in the U.S., Canada and Japan) and MabThera (the trade name for rituximab outside the U.S., Canada and Japan), and “ANGIOMAX” refers to both ANGIOMAX (the trade name for bivalirudin in the U.S., Canada and Latin America) and ANGIOX (the trade name for bivalirudin in Europe).

AVONEX® and RITUXAN® are registered trademarks of Biogen Idec. FUMADERM™ is a common law trademark of Biogen Idec. TYSABRI® is a registered trademark of Elan Pharmaceuticals, Inc. The following are trademarks of the respective companies listed: ANGIOMAX® and ANGIOX® — The Medicines Company; ARZERRA™ — Glaxo Group Limited; BETASERON® — Bayer Schering Pharma AG; EXTAVIA® — Novartis AG; and REBIF® — Ares Trading, S.A.

PART I FINANCIAL INFORMATION

BIOGEN IDEC INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(unaudited, in thousands, except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues:				
Product	$ 876,850	$ 801,689	$ 2,560,305	$ 2,326,067
Unconsolidated joint business	257,981	283,919	819,281	838,307
Other	40,958	34,910	117,765	85,918
Total revenues	1,175,789	1,120,518	3,497,351	3,250,292
Costs and expenses:				
Cost of sales, excluding amortization of acquired intangible assets	95,918	93,486	299,958	282,404
Research and development	319,054	304,055	957,759	999,986
Selling, general and administrative	244,160	226,755	755,147	669,415
Collaboration profit sharing	63,991	60,697	190,240	152,608
Amortization of acquired intangible assets	53,531	51,347	155,568	233,830
Acquired in-process research and development	205,000	—	244,976	—
Total costs and expenses	981,654	736,340	2,603,648	2,338,243
Income from operations	194,135	384,178	893,703	912,049
Other income (expense), net	(6,945)	9,360	(14,318)	30,886
Income before income tax expense	187,190	393,538	879,385	942,935
Income tax expense	75,011	113,936	252,564	271,869
Net income	112,179	279,602	626,821	671,066
Net income (loss) attributable to noncontrolling interest, net of tax	(141,936)	1,939	(138,174)	6,571
Net income attributable to Biogen Idec Inc.	$ 254,115	$ 277,663	$ 764,995	$ 664,495
Net income per share:				
Basic earnings per share attributable to Biogen Idec Inc.	$ 1.06	$ 0.96	$ 2.98	$ 2.30
Diluted earnings per share attributable to Biogen Idec Inc.	$ 1.05	$ 0.95	$ 2.95	$ 2.28
Weighted-average shares used in calculating:				
Basic earnings per share attributable to Biogen Idec Inc.	239,864	288,917	256,586	288,416
Diluted earnings per share attributable to Biogen Idec Inc.	242,313	291,037	258,906	290,368

See accompanying notes to these unaudited consolidated financial statements

BIOGEN IDEC INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands, except per share amounts)

	As of September 30, 2010	As of December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 626,757	$ 581,889
Marketable securities	197,835	681,835
Accounts receivable, net	616,697	551,208
Due from unconsolidated joint business	221,618	193,789
Inventory	269,313	293,950
Other current assets	198,911	177,924
Total current assets	2,131,131	2,480,595
Marketable securities	560,006	1,194,080
Property, plant and equipment, net	1,641,791	1,637,083
Intangible assets, net	1,715,342	1,871,078
Goodwill	1,138,621	1,138,621
Investments and other assets	207,256	230,397
Total assets	$ 7,394,147	$ 8,551,854
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 143,699	$ 118,534
Taxes payable	115,689	75,891
Accrued expenses and other	553,796	500,755
Current portion of notes payable and line of credit	11,296	19,762
Total current liabilities	824,480	714,942
Notes payable and line of credit	1,068,776	1,080,207
Long-term deferred tax liability	174,615	240,618
Other long-term liabilities	256,075	254,205
Total liabilities	2,323,946	2,289,972
Commitments and contingencies (Notes 9, 14, 16, 17 and 18)		
Shareholders' equity:		
Preferred stock, par value $0.001 per share	—	—
Common stock, par value $0.0005 per share	124	144
Additional paid-in capital	3,855,690	5,781,920
Accumulated other comprehensive income	(9,161)	50,496
Retained earnings	1,646,852	1,068,890
Treasury stock, at cost	(462,810)	(679,920)
Total Biogen Idec Inc. shareholders' equity	5,030,695	6,221,530
Noncontrolling interest	39,506	40,352
Total shareholders' equity	5,070,201	6,261,882
Total liabilities and shareholders' equity	$ 7,394,147	$ 8,551,854

See accompanying notes to these unaudited consolidated financial statements

BIOGEN IDEC INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	For the Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Net income	$ 626,821	$ 671,066
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization of property, plant and equipment and intangible assets	260,089	334,761
Acquired in-process research and development	271,376	—
Share-based compensation	134,594	119,902
Non-cash interest (income) expense and foreign exchange remeasurement loss (gain), net	1,124	(12,861)
Deferred income taxes	(61,244)	(72,580)
Realized gain on sale of marketable securities and strategic investments	(16,113)	(17,185)
Write-down of inventory to net realizable value	9,918	13,431
Loss on disposal of property, plant and equipment, net	1,748	—
Impairment of marketable securities, investments and other assets	19,319	9,866
Excess tax benefit from share-based compensation	(6,284)	(3,194)
Changes in operating assets and liabilities, net:		
Accounts receivable	(72,719)	(96,215)
Due from unconsolidated joint business	(27,829)	13,646
Inventory	16,311	(25,195)
Other assets	(22,435)	8,555
Accrued expenses and other current liabilities	17,377	(37,733)
Other liabilities and taxes payable	41,564	(110,706)
Net cash flows provided by operating activities	1,193,617	795,558
Cash flows from investing activities:		
Purchases of marketable securities	(1,371,769)	(3,001,156)
Proceeds from sales and maturities of marketable securities	2,490,363	2,334,093
Acquisitions	(39,976)	—
Acquisition of a variable interest entity, net	(84,952)	—
Purchases of property, plant and equipment	(124,220)	(110,129)
Purchases of other investments	(5,499)	(36,519)
Proceeds from the sale of a strategic equity investment	—	6,067
Collateral received under securities lending	—	29,991
Net cash flows provided by (used in) investing activities	863,947	(777,653)
Cash flows from financing activities:		
Purchases of treasury stock	(2,077,579)	(57,631)
Proceeds from issuance of stock for share-based compensation arrangements	80,447	33,236
Change in cash overdraft	2,586	7,497
Net distributions to noncontrolling interest	(6,401)	(2,832)
Excess tax benefit from share-based compensation	6,284	3,194
Repayment of borrowings	(16,182)	(10,867)
Obligation under securities lending	—	(29,991)
Net cash flows used in financing activities	(2,010,845)	(57,394)
Net increase in cash and cash equivalents	46,719	(39,489)
Effect of exchange rate changes on cash and cash equivalents	(1,851)	2,892
Cash and cash equivalents, beginning of the period	581,889	622,385
Cash and cash equivalents, end of the period	$ 626,757	$ 585,788

See accompanying notes to these unaudited consolidated financial statements.

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Overview

Biogen Idec is a global biotechnology company that discovers, develops, manufactures and commercializes innovative therapies for human health care. We currently have four marketed products: AVONEX, RITUXAN, TYSABRI, and FUMADERM. Our marketed products are used for the treatment of multiple sclerosis (MS), non-Hodgkin's lymphoma (NHL), rheumatoid arthritis (RA), Crohn's disease, chronic lymphocytic leukemia (CLL) and psoriasis.

Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of our financial statements for interim periods in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The information included in this quarterly report on Form 10-Q should be read in conjunction with our consolidated financial statements and the accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Form 10-K). Our accounting policies are described in the "Notes to Consolidated Financial Statements" in our 2009 Form 10-K and updated, as necessary, in this Form 10-Q. The year-end consolidated balance sheet data presented for comparative purposes was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. The results of operations for the three and nine months ended September 30, 2010 are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

Consolidation

Our consolidated financial statements reflect our financial statements, those of our wholly-owned subsidiaries and those of certain variable interest entities in which we are the primary beneficiary. For such consolidated entities in which we own less than a 100% interest, we record net income (loss) attributable to noncontrolling interest in our consolidated statements of income equal to the percentage of the economic or ownership interest retained in the collaborative arrangement or joint venture by the respective noncontrolling parties. All material intercompany balances and transactions have been eliminated in consolidation.

In determining whether we are the primary beneficiary of an entity, we consider a number of factors, including our ability to direct the activities that most significantly affect the entity's economic success, our contractual rights and responsibilities under the arrangement and the significance of the arrangement to each party. These considerations impact the way we account for our existing collaborative and joint venture relationships and determines the consolidation of companies or entities with which we have collaborative or other arrangements.

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and judgments that may affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition and related allowances, marketable securities, derivatives and hedging activities, inventory, impairments of long-lived assets including intangible assets, impairments of goodwill, the consolidation of variable interest entities, income taxes including the valuation allowance for deferred tax assets, valuation of investments, research and development expenses, contingencies and litigation, and share-based payments. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Subsequent Events

We did not have any material recognizable subsequent events. However, we did have the following nonrecognizable subsequent events:

- On October 1, 2010, we sold our San Diego campus for cash proceeds of approximately $128.0 million. As part of this transaction, we have also agreed to leaseback all of the San Diego facilities for a period of 15 months. We will account for this transaction as a financing arrangement. For a more detailed description of these transactions, please read Note 9, *Property, Plant and Equipment*.
- On October 19, 2010, we and Genentech, Inc., a member of the Roche Group (Genentech), amended and restated our Amended and Restated Collaboration Agreement dated June 19, 2003 with regard to the development of ocrelizumab, a humanized anti-CD20 antibody, and agreed to terms for the development of GA101, a next-generation anti-CD20 antibody. For a more detailed description of this transaction and its effect on our collaboration with Genentech, please read Note 17, *Collaborations.*

2. Acquisitions and Dispositions

Biogen Idec Hemophilia Inc. (formerly Syntonix Pharmaceuticals, Inc.)

In connection with our acquisition of Biogen Idec Hemophilia Inc. (BIH), formerly Syntonix Pharmaceuticals, Inc. (Syntonix), in January 2007, we agreed to make additional future consideration payments based upon the achievement of certain milestone events associated with the development of BIH's lead product, long-acting recombinant Factor IX, a product for the treatment of hemophilia B. In January 2010, we initiated patient enrollment in a registrational stage study for Factor IX which resulted in the achievement of one of those milestone events. As a result of the achievement of this milestone, we paid approximately $40.0 million to the former shareholders of Syntonix. As the acquisition of BIH occurred prior to our January 1, 2009 adoption of a new accounting standard for business combinations, this acquisition continues to be accounted for under previously issued guidance. Accordingly, we recorded this payment as a charge to acquired in-process research and development (IPR&D) within our consolidated statements of income. For a more detailed description of this acquisition, please read Note 2, *Acquisitions and Dispositions* to our consolidated financial statements included within our 2009 Form 10-K.

3. Revenue Recognition

We recognize revenue when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller's price to the buyer is fixed or determinable; and collectability is reasonably assured.

Product Revenues

Revenues from product sales are recognized when title and risk of loss have passed to the customer, which is typically upon delivery. However, sales of TYSABRI in the U.S. are recognized on the "sell-through" model, that is, upon shipment of the product by Elan Pharma International, Ltd. (Elan), an affiliate of Elan Corporation, plc, to its third party distributor rather than upon shipment to Elan.

Product revenues are recorded net of applicable reserves for trade term discounts, wholesaler incentives, Medicaid rebates, Veterans Administration (VA) and Public Health Service (PHS) discounts, managed care rebates, product returns and other applicable allowances.

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited, continued)

Revenues from Unconsolidated Joint Business

We collaborate with Genentech on the development and commercialization of RITUXAN. Revenues from unconsolidated joint business consist of (1) our share of pre-tax co-promotion profits in the U.S.; (2) reimbursement of our selling and development expense in the U.S.; and (3) revenue on sales of RITUXAN in the rest of world, which consists of our share of pretax co-promotion profits in Canada and royalty revenue on sales of RITUXAN outside the U.S. and Canada by F. Hoffmann-La Roche Ltd. (Roche) and its sublicensees. Pre-tax co-promotion profits are calculated and paid to us by Genentech in the U.S. and by Roche in Canada. Pre-tax co-promotion profits consist of U.S. and Canadian sales of RITUXAN to third-party customers net of discounts and allowances less the cost to manufacture RITUXAN, third-party royalty expenses, distribution, selling and marketing, and joint development expenses incurred by Genentech, Roche and us. We record our royalty and co-promotion profit revenue on sales of RITUXAN in the rest of world on a cash basis.

Royalty Revenues

We receive royalty revenues on sales by our licensees of other products covered under patents that we own. There are no future performance obligations on our part under these license arrangements. We record these revenues based on estimates of the sales that occurred during the relevant period. The relevant period estimates of sales are based on interim data provided by licensees and analysis of historical royalties that have been paid to us, adjusted for any changes in facts and circumstances, as appropriate. We maintain regular communication with our licensees in order to assess the reasonableness of our estimates. Differences between actual royalty revenues and estimated royalty revenues are adjusted for in the period in which they become known, typically the following quarter. Historically, adjustments have not been material when compared to actual amounts paid by licensees. If we are unable to accurately estimate revenue, then we record revenues on a cash basis.

Milestone Revenues

Under the terms of our collaboration agreement with Elan, once sales of TYSABRI exceeded specific thresholds, Elan was required to make milestone payments to us in order to continue sharing equally in the collaboration's results. These amounts, totaling $125.0 million, were recorded as deferred revenue upon receipt and are recognized as revenue in our consolidated statements of income based on the ratio of units shipped in the current period over the total units expected to be shipped over the remaining term of the collaboration agreement.

Multiple-Deliverable Revenue Arrangements

During the third quarter of 2010, we elected to early adopt Accounting Standards Update (ASU) No. 2009-13, *Multiple-Deliverable Revenue Arrangements* (ASU 2009-13). ASU 2009-13, amends existing revenue recognition accounting pronouncements and provides accounting principles and application guidance on whether multiple deliverables exist, how the arrangement should be separated, and the consideration allocated. This guidance eliminates the requirement to establish the fair value of undelivered products and services and instead provides for separate revenue recognition based upon management's estimate of the selling price for an undelivered item when there is no other means to determine the fair value of that undelivered item. Previous accounting principles required that the fair value of the undelivered item be the price of the item either sold in a separate transaction between unrelated third parties or the price charged for each item when the item is sold separately by the vendor. The early adoption of this standard requires the disclosure of the effect of this guidance as applied to all previously reported interim periods in the fiscal year of adoption. Our adoption of this standard did not have a material impact our financial position or results of

operations as through the third quarter of 2010, we had not recorded any revenue in accordance with revenue recognition rules for multiple deliverables as described in ASU 2009-13 or its predecessor pronouncements.

Bad Debt Reserves

Bad debt reserves are based on our estimated uncollectible accounts receivable. Given our historical experiences with bad debts, combined with our credit management policies and practices, we do not presently maintain significant bad debt reserves.

Concentrations of Credit Risk

The majority of our accounts receivable arise from product sales in the United States and Europe and are primarily due from wholesale distributors, large pharmaceutical companies and public hospitals. We monitor the financial performance and credit worthiness of our large customers so that we can properly assess and respond to changes in their credit profile. We continue to monitor economic conditions, including the volatility associated with international economies, and associated impacts on the relevant financial markets and our business, especially in light of the global economic downturn. The credit and economic conditions within Greece, Italy, Spain, Portugal and Ireland, among other members of the European Union, have deteriorated throughout 2010. These conditions have resulted in, and may continue to result in, an increase in the average length of time that it takes to collect on our accounts receivable outstanding in these countries. As of September 30, 2010, our accounts receivable in Greece, Italy, Spain, Portugal and Ireland totaled approximately $250.4 million. To date, we have not experienced any significant losses with respect to the collection of our accounts receivable.

Reserves for Discounts and Allowances

We establish reserves for trade term discounts, wholesaler incentives, Medicaid rebates, VA and PHS discounts, managed care rebates, product returns and other applicable allowances. Reserves established for these discounts and allowances are classified as reductions of accounts receivable (if the amount is payable to our customer) or a liability (if the amount is payable to a party other than our customer). In addition, we distribute no-charge product to qualifying patients under our patient assistance and patient replacement goods program. This program is administered through one of our distribution partners, which ships product for qualifying patients from its own inventory purchased from us. Gross revenue and the related reserves are not recorded on product shipped under this program and cost of sales is recorded when the product is shipped.

Product revenue reserves are categorized as follows: discounts, contractual adjustments and returns. An analysis of the amount of, and change in, reserves is summarized as follows:

(In millions)	Discounts	Contractual Adjustments	Returns	Total
Balance, as of December 31, 2009	$ 13.9	$ 70.3	$ 18.9	$ 103.1
Current provisions relating to sales in current year	58.0	204.7	12.3	275.0
Adjustments relating to prior years	(2.4)	(2.2)	(1.8)	(6.4)
Payments/returns relating to sales in current year	(45.9)	(110.3)	(0.5)	(156.7)
Payments/returns relating to sales in prior years	(9.5)	(60.7)	(9.5)	(79.7)
Balance, as of September 30, 2010	$ 14.1	$ 101.8	$ 19.4	$ 135.3

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited, continued)

The total reserves above, included in our consolidated balance sheets, are summarized as follows:

(In millions)	As of September 30, 2010	As of December 31, 2009
Reduction of accounts receivable	$ 34.7	$ 43.3
Current liability	100.6	59.8
Total reserves	$ 135.3	$ 103.1

Healthcare Reform

In March 2010, healthcare reform legislation was enacted in the U.S. This legislation contains several provisions that affect our business.

Although many provisions of the new legislation did not take effect immediately, several provisions became effective in the first quarter of 2010. These include (1) an increase in the minimum Medicaid rebate to states participating in the Medicaid program from 15.1% to 23.1% on our branded prescription drugs; (2) the extension of the Medicaid rebate to Managed Care Organizations that dispense drugs to Medicaid beneficiaries; and (3) the expansion of the 340(B) Public Health Services drug pricing program, which provides outpatient drugs at reduced rates, to include additional hospitals, clinics, and healthcare centers.

Beginning in 2011, the new law also requires drug manufacturers to provide a 50% discount to Medicare beneficiaries whose prescription drug costs cause them to be subject to the Medicare Part D coverage gap (i.e. the “donut hole”). Also, in 2011, a new fee will be payable by branded prescription drug manufacturers and importers. This fee will be calculated based upon each organization’s percentage share of total branded prescription drug sales to qualifying U.S. government programs (such as Medicare, Medicaid and VA and PHS discount programs) made during the previous year. The aggregated industry wide fee is expected to total $28 billion through 2019, of which $2.5 billion is payable in 2011.

This new legislation contains a number of provisions that affect existing government programs and has required the creation of new programs, policies and processes, many of which remain under development and have not been fully implemented. For example, we do not yet fully know the extent of additional entities eligible to participate under the 340(B) program or when and how discounts will be provided to these entities. In addition, the operation of the Medicare Part D coverage gap remains uncertain, though, as noted above, this program and others will not be effective until 2011.

4. Inventory

Inventory is stated at the lower of cost or market with cost determined under the first-in, first-out (FIFO) method. Included in inventory are raw materials used in the production of pre-clinical and clinical products, which are charged to research and development expense when consumed.

The components of inventory are summarized as follows:

(In millions)	As of September 30, 2010	As of December 31, 2009
Raw materials	$ 51.6	$ 49.2
Work in process	126.0	174.0
Finished goods	91.7	70.8
Total inventory	$ 269.3	$ 294.0

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited, continued)

5. Intangible Assets and Goodwill

Intangible Assets

Intangible assets, net of accumulated amortization, impairment charges and adjustments, are summarized as follows:

		As of September 30, 2010			As of December 31, 2009		
(In millions)	Estimated Life	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Intangible assets:							
Out-licensed patents	12 years	$ 578.0	$ (339.9)	$ 238.1	$ 578.0	$ (306.0)	$ 272.0
Core developed technology	15-23 years	3,005.3	(1,593.9)	1,411.4	3,005.3	(1,472.4)	1,532.9
Trademarks and tradenames	Indefinite	64.0	—	64.0	64.0	—	64.0
In-licensed patents	14 years	3.0	(1.3)	1.7	3.0	(1.1)	1.9
Assembled workforce	4 years	2.1	(2.0)	0.1	2.1	(1.8)	0.3
Distribution rights	2 years	12.7	(12.7)	—	12.7	(12.7)	—
Total intangible assets		$ 3,665.1	$ (1,949.8)	$ 1,715.3	$ 3,665.1	$ (1,794.0)	$ 1,871.1

Intangible assets were unchanged as of September 30, 2010, compared to December 31, 2009, exclusive of the impact of amortization.

Our most significant intangible asset is the core technology related to our AVONEX product. The net book value of this asset as of September 30, 2010 was $1,396.7 million. We believe the economic benefit of our core technology is consumed as revenue is generated from our AVONEX product, which we refer to as the economic consumption amortization model. This amortization methodology involves calculating a ratio of actual current period sales to total anticipated sales for the life of the product and applying this ratio to the carrying amount of the intangible asset. An analysis of the anticipated product sales of AVONEX is performed at least annually during our long range planning cycle, and this analysis serves as the basis for the calculation of our economic consumption amortization model. Although we believe this process has allowed us to reliably determine the best estimate of the pattern in which we will consume the economic benefits of our core technology intangible asset, the model could result in deferring amortization charges to future periods in certain instances, due to continued sales of the product at a nominal level after patent expiration or otherwise. In order to ensure that amortization charges are not unreasonably deferred to future periods, we compare the amount of amortization determined under the economic consumption model against the minimum amount of amortization recalculated each year under the straight-line method. Amortization is then recorded based upon the higher of the amount of amortization determined under the economic consumption model or the minimum amortization amount determined under the straight-line method.

We completed our most recent long range planning cycle in the third quarter of 2010. Based upon this analysis, we have continued to amortize this asset on the economic consumption model for the third quarter of 2010, and expect to apply the same model for the subsequent three quarters. In addition, this analysis did not result in a significant change in the expected lifetime revenue of AVONEX. As a result, the amortization recorded in relation to our core intangible asset for the current and three subsequent quarters is anticipated to be comparable to amounts recorded during the prior four quarters. We monitor events and expectations on product performance. If there are any indications that the assumptions underlying our most recent analysis would be different than those utilized within our current estimates, our analysis would be updated and may result in a significant change in the anticipated lifetime revenue of AVONEX determined during our most recent annual review.

For the three and nine months ended September 30, 2010, amortization for acquired intangible assets totaled $53.5 million and $155.6 million, respectively, compared to $51.3 million and $233.8 million, respectively, in the prior year comparative periods and is expected to be in the range of approximately $170.0 million to $210.0 million annually through 2015.

Goodwill

Our goodwill balance remained unchanged as of September 30, 2010, compared to December 31, 2009. As of September 30, 2010, we had no accumulated impairment losses.

6. Fair Value Measurements

In January 2010, we adopted a newly issued accounting standard which requires additional disclosure about the amounts of and reasons for significant transfers in and out of Level 1 and Level 2 fair value measurements. This standard also clarifies existing disclosure requirements related to the level of disaggregation of fair value measurements for each class of assets and liabilities and disclosures about inputs and valuation techniques used to measure fair value for both recurring and nonrecurring Level 2 and Level 3 measurements. As this newly issued accounting standard only requires enhanced disclosure, the adoption of this standard did not impact our financial position or results of operations. In addition, effective for interim and annual periods beginning after December 15, 2010, this standard will require additional disclosure and require an entity to present disaggregated information about activity in Level 3 fair value measurements on a gross basis, rather than as one net amount.

The tables below present information about our assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2010 and December 31, 2009, and indicate the fair value hierarchy of the valuation techniques we utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points from active markets that are observable, such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset or liability.

A majority of our financial assets and liabilities have been classified as Level 2. Our financial assets and liabilities (which include our cash equivalents, derivative contracts, marketable debt securities, and plan assets for deferred compensation) have been initially valued at the transaction price and subsequently valued, at the end of each reporting period, typically utilizing third party pricing services or other market observable data. The pricing services utilize industry standard valuation models, including both income and market based approaches and observable market inputs to determine value. These observable market inputs include reportable trades, benchmark yields, credit spreads, broker/dealer quotes, bids, offers, current spot rates and other industry and economic events. We validate the prices provided by our third party pricing services by reviewing their pricing methods and matrices, obtaining market values from other pricing sources, analyzing pricing data in certain instances and confirming that the relevant markets are active. After completing our validation procedures, we did not adjust or override any fair value measurements provided by our pricing services as of September 30, 2010 and December 31, 2009.

Our strategic investments in publicly traded equity securities are classified as Level 1 assets as their fair values are readily determinable and based on quoted market prices.

Our venture capital investments include investments in certain biotechnology oriented venture capital funds which primarily invest in small privately-owned, venture-backed biotechnology companies. These investments are the only assets for which we used Level 3 inputs to determine the fair value and represented approximately 0.3% of total assets as of both September 30, 2010 and December 31, 2009. The fair value of

our investments in these venture capital funds has been estimated using the net asset value of the fund. The investments cannot be redeemed within the funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated. The funds and therefore a majority of the underlying assets of the funds will not be liquidated in the near future. The underlying assets in these funds are initially measured at transaction prices and subsequently valued using the pricing of recent financings or by reviewing the underlying economic fundamentals and liquidation value of the companies that the funds invest in. Gains and losses (realized and unrealized) included in earnings for the period are reported in other income (expense), net.

There have been no transfers of assets or liabilities between the fair value measurement classifications for all periods presented.

The following tables set forth our financial assets and liabilities that were recorded at fair value:

(In millions)	Balance as of September 30, 2010	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 534.3	$ —	$ 534.3	$ —
Marketable debt securities:				
Corporate debt securities	226.3	—	226.3	—
Government securities	476.0	—	476.0	—
Mortgage and other asset backed securities	55.5	—	55.5	—
Strategic investments	36.4	36.4	—	—
Venture capital investments	21.8	—	—	21.8
Derivative contracts	1.0	—	1.0	—
Plan assets for deferred compensation	12.3	—	12.3	—
Total	$ 1,363.6	$ 36.4	$ 1,305.4	$ 21.8
Liabilities:				
Derivative contracts	$ 24.5	$ —	$ 24.5	$ —
Total	$ 24.5	$ —	$ 24.5	$ —

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(In millions)	Balance as of December 31, 2009	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 476.4	$ —	$ 476.4	$ —
Marketable debt securities:				
Corporate debt securities	504.1	—	504.1	—
Government securities	1,133.5	—	1,133.5	—
Mortgage and other asset backed securities	238.3	—	238.3	—
Strategic investments	5.9	5.9	—	—
Venture capital investments	21.9	—	—	21.9
Derivative contracts	15.8	—	15.8	—
Plan assets for deferred compensation	13.6	—	13.6	—
Total	$ 2,409.5	$ 5.9	$ 2,381.7	$ 21.9
Liabilities:				
Derivative contracts	$ 11.1	$ —	$ 11.1	$ —
Total	$ 11.1	$ —	$ 11.1	$ —

The following table provides a roll forward of the fair value of our venture capital investments, where fair value is determined by Level 3 inputs:

(In millions)	For the Three Months Ended September 30, 2010	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009
Beginning balance	$ 20.4	$ 21.6	$ 21.9	$ 23.9
Total net unrealized gains (losses) included in earnings	0.5	0.9	(1.1)	(2.2)
Net purchases, issuances, and settlements	0.9	0.6	1.0	1.4
Ending balance	$ 21.8	$ 23.1	$ 21.8	$ 23.1

The fair and carrying value of our debt instruments are summarized as follows:

(In millions)	As of September 30, 2010 Fair Value	As of September 30, 2010 Carrying Value	As of December 31, 2009 Fair Value	As of December 31, 2009 Carrying Value
Credit line from Dompé	$ 10.3	$ 10.2	$ 17.2	$ 17.2
Notes payable to Fumedica	23.6	20.9	31.3	30.0
6.0% Senior Notes due 2013	493.6	449.7	475.7	449.6
6.875% Senior Notes due 2018	646.8	599.3	589.1	603.2
Total	$ 1,174.3	$ 1,080.1	$ 1,113.3	$ 1,100.0

The fair values of our credit line from Dompé and our note payable to Fumedica were estimated using an income-based approach with market observable inputs including current interest and foreign currency exchange rates. The fair value of our Senior Notes was determined through a market-based approach using observable

and corroborated sources; within the hierarchy of fair value measurements, these are classified as Level 2 fair values.

7. Financial Instruments

Marketable Securities, including Strategic Investments

The following tables summarize our marketable securities and strategic investments:

As of September 30, 2010 (In millions):	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
Available-for-sale				
Corporate debt securities				
Current	$ 55.3	$ 0.1	$ —	$ 55.2
Non-current	171.0	3.3	(0.1)	167.8
Government securities				
Current	142.4	0.2	—	142.2
Non-current	333.6	1.3	(0.1)	332.4
Mortgage and other asset backed securities				
Current	0.1	—	—	0.1
Non-current	55.4	0.4	(0.2)	55.2
Total available-for-sale securities	$ 757.8	$ 5.3	$ (0.4)	$ 752.9
Other Investments				
Strategic investments, non-current	$ 36.4	$ 7.2	$ —	$ 29.2

As of December 31, 2009 (In millions):	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
Available-for-sale				
Corporate debt securities				
Current	$ 177.2	$ 1.5	$ —	$ 175.7
Non-current	326.9	5.7	(0.3)	321.5
Government securities				
Current	501.6	1.2	—	500.4
Non-current	631.9	4.1	(0.5)	628.3
Mortgage and other asset backed securities				
Current	3.0	0.1	—	2.9
Non-current	235.3	4.1	(0.5)	231.7
Total available-for-sale securities	$ 1,875.9	$ 16.7	$ (1.3)	$ 1,860.5
Other Investments				
Strategic investments, non-current	$ 5.9	$ 2.7	$ (0.3)	$ 3.5

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In the tables above, as of September 30, 2010 and December 31, 2009, government securities included $127.2 million and $298.8 million, respectively, of Federal Deposit Insurance Corporation (FDIC) guaranteed senior notes issued by financial institutions under the Temporary Liquidity Guarantee Program.

Certain commercial paper and short-term debt securities with original maturities of less than 90 days are included in cash and cash equivalents on the accompanying consolidated balance sheets and are not included in the tables above. As of September 30, 2010 and December 31, 2009, the commercial paper, including accrued interest, had fair and carrying values of $148.5 million and $76.9 million, respectively, and short-term debt securities had fair and carrying values of $385.8 million and $399.5 million, respectively.

Summary of Contractual Maturities: Available-for-Sale Securities

The estimated fair value and amortized cost of securities, excluding strategic investments, available-for-sale by contractual maturity are summarized as follows:

	As of September 30, 2010		As of December 31, 2009	
(In millions)	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
Due in one year or less	$ 168.2	$ 167.9	$ 522.0	$ 519.5
Due after one year through five years	545.9	541.6	1,143.7	1,133.4
Due after five years	43.7	43.4	210.2	207.6
Total	$ 757.8	$ 752.9	$ 1,875.9	$ 1,860.5

The weighted average maturity of our marketable securities as of September 30, 2010 and December 31, 2009 was 13 months and 15 months, respectively.

Proceeds from Marketable Securities, excluding Strategic Investments

The proceeds from maturities and sales of marketable securities, excluding strategic investments, which were primarily reinvested, and resulting realized gains and losses, are summarized as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(In millions)	2010	2009	2010	2009
Proceeds from maturities and sales	$487.8	$696.5	$2,490.4	$2,334.1
Realized gains	$ 5.0	$ 3.1	$ 18.1	$ 17.0
Realized losses	$ 0.2	$ 1.3	$ 2.0	$ 3.4

Realized losses for the three and nine months ended September 30, 2010, primarily relate to the sale of agency mortgage-backed securities and corporate debt securities. The realized losses for the three and nine months ended September 30, 2009, primarily relate to losses on the sale of corporate debt securities and non-agency mortgage-backed securities.

Impairments

Evaluating Investments for Other-than-Temporary Impairments

We conduct periodic reviews to identify and evaluate each investment that has an unrealized loss, in accordance with the meaning of other-than-temporary impairment and its application to certain investments. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. Unrealized losses on available-for-sale debt securities that are determined to be temporary, and not related to credit loss, are recorded, net of tax, in accumulated other comprehensive income.

For available-for-sale debt securities with unrealized losses, management performs an analysis to assess whether we intend to sell or whether we would more likely than not be required to sell the security before the expected recovery of the amortized cost basis. Where we intend to sell a security, or may be required to do so, the security's decline in fair value is deemed to be other-than-temporary and the full amount of the unrealized loss is recorded within earnings as an impairment loss.

Regardless of our intent to sell a security, we perform additional analysis on all securities with unrealized losses to evaluate losses associated with the creditworthiness of the security. Credit losses are identified where we do not expect to receive cash flows sufficient to recover the amortized cost basis of a security and are recorded within earnings as an impairment loss.

For equity securities, when assessing whether a decline in fair value below our cost basis is other-than-temporary, we consider the fair market value of the security, the duration of the security's decline, and the financial condition of the issuer. We then consider our intent and ability to hold the equity security for a period of time sufficient to recover our carrying value. Where we have determined that we lack the intent and ability to hold an equity security to its expected recovery, the security's decline in fair value is deemed to be other-than-temporary and is recorded within earnings as an impairment loss.

Recognition and Measurement of Other-than-Temporary Impairment

For the three and nine months ended September 30, 2010, we recognized $2.8 million and $19.8 million, respectively, in charges for the other-than-temporary impairment of our publicly held strategic investments, investments in venture capital funds and investments in privately-held companies compared to $0.5 million and $6.5 million in the prior year comparative periods. The increase for the nine month comparative periods was primarily due to AVEO Pharmaceuticals, Inc., one of our strategic investments, executing an equity offering at a price below our cost basis during the first quarter of 2010.

We recognized $3.6 million in other-than-temporary impairment charges on our marketable debt securities during the nine months ended September 30, 2009. No impairments were recognized related to our marketable debt securities for the three months ended September 30, 2009 or for the three and nine months ended September 30, 2010.

8. Derivative Instruments

Our primary market exposure is to changes (or fluctuations) in foreign exchange rates. We use certain derivative instruments to help manage this exposure. We execute these instruments with financial institutions we judge to be creditworthy and the majority of the foreign currencies are denominated in currencies of major industrial countries. We do not hold or issue derivative instruments for trading or speculative purposes.

We recognize all derivative instruments as either assets or liabilities at fair value in our consolidated balance sheets. We classify the cash flows from these instruments in the same category as the cash flows from the hedged items.

Foreign Currency Forward Contracts

Due to the global nature of our operations, portions of our revenues are earned in currencies other than the U.S. dollar. The value of revenues measured in U.S. dollars is subject to changes in currency exchange rates. In order to mitigate these changes we use foreign currency forward contracts to lock in exchange rates.

Foreign currency forward contracts in effect as of September 30, 2010 and December 31, 2009 had remaining durations of 1 to 13 months. These contracts have been designated as cash flow hedges and accordingly, to the extent effective, any unrealized gains or losses on these foreign currency forward contracts

are reported in accumulated other comprehensive income. Realized gains and losses for the effective portion of such contracts are recognized in revenue when the sale of product in the currency being hedged is recognized. To the extent ineffective, hedge transaction gains and losses are reported in other income (expense), net.

The notional value of foreign currency forward contracts that were entered into to hedge forecasted revenue is summarized as follows:

	Notional Amount	
Foreign Currency: (In millions)	**As of September 30, 2010**	**As of December 31, 2009**
Euro	$ 511.6	$ 495.9
Canadian Dollar	29.6	22.3
Total	$ 541.2	$ 518.2

The portion of the fair value of these foreign currency forward contracts that was included in accumulated other comprehensive income within total equity reflected net losses of $17.1 million and net gains of $1.2 million as of September 30, 2010 and December 31, 2009, respectively. We expect all contracts to be settled over the next 13 months and any amounts in accumulated other comprehensive income to be reported as an adjustment to revenue. We consider the impact of our and our counterparties' credit risk on the fair value of the contracts as well as the ability of each party to execute its obligations under the contract. As of September 30, 2010 and December 31, 2009, credit risk did not materially change the fair value of our forward contracts.

For the three and nine months ended September 30, 2010, we recognized $20.7 million and $40.6 million, respectively, of gains in product revenue for the settlement of certain effective cash flow hedge forward contracts compared to losses recognized in the amount of $16.3 million and $28.6 million, respectively, in the prior year comparative periods. These settlements were recorded in the same period as the related forecasted revenue.

In relation to our foreign currency forward contracts, we recognized in earnings net gains of $1.4 million and $0.9 million, respectively, due to hedge ineffectiveness for the three and nine months ended September 30, 2010. We recognized net losses of $0.1 million and $0.9 million, respectively, in the prior year comparative periods.

Summary of Derivatives Designated as Hedging Instruments

The following table summarizes the fair value and presentation in the consolidated balance sheets for derivatives designated as hedging instruments as of September 30, 2010 and December 31, 2009:

	Foreign Currency Forward Contracts			
	Asset Derivatives		Liability Derivatives	
(In millions)	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
September 30, 2010	Other Current Assets	$ —	Accrued Expenses and Other	$16.5
December 31, 2009	Other Current Assets	$10.8	Accrued Expenses and Other	$ 9.8

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The following table summarizes the effect of derivatives designated as hedging instruments on the consolidated statements of income for the three and nine months ended September 30, 2010 and 2009:

(In millions)	Amount Recognized in Accumulated Other Comprehensive Income on Derivative Gain/(Loss) *(Effective Portion)*	Income Statement Location *(Effective Portion)*	Amount Reclassified from Accumulated Other Comprehensive Income into Income Gain/(Loss) *(Effective Portion)*	Income Statement Location *(Ineffective Portion)*	Amount of Gain/(Loss) Recorded *(Ineffective Portion)*
For the Three Months Ended					
September 30, 2010:					
Foreign currency contracts	$(17.1)	Revenue	$ 20.7	Other income (expense)	$ 1.4
September 30, 2009:					
Foreign currency contracts	$(34.7)	Revenue	$(16.3)	Other income (expense)	$(0.1)
For the Nine Months Ended					
September 30, 2010:					
Foreign currency contracts	$(17.1)	Revenue	$ 40.6	Other income (expense)	$ 0.9
September 30, 2009:					
Foreign currency contracts	$(34.7)	Revenue	$(28.6)	Other income (expense)	$(0.9)

Other Derivatives

We enter into other foreign currency forward contracts, with one month durations, to mitigate the foreign currency risk related to certain balance sheet positions. We have not elected hedge accounting for these transactions. As of September 30, 2010, the aggregate notional amount of our outstanding foreign currency contracts was $170.1 million. The fair value of these contracts was a net liability of $7.0 million. Net losses of $10.1 million and net gains of $3.0 million related to these contracts were recognized as a component of other income (expense), net, for the three and nine months ended September 30, 2010, respectively. We recognized net losses of $2.2 million and a de minimis amount, respectively, as a component of other income (expense), net for the three and nine months ended September 30, 2009.

9. Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost, net of accumulated depreciation. Accumulated depreciation on property, plant and equipment was $737.7 million at September 30, 2010 and $642.5 million at December 31, 2009.

San Diego Campus

On October 1, 2010, we sold our San Diego campus, which is comprised of 43 acres of land and buildings totaling approximately 355,000 square feet of laboratory and office space, for cash proceeds of approximately $128.0 million. Under the terms of the agreement, we have an option to cause the buyer to construct a 160,000 square foot office and laboratory facility in San Diego which we would lease for a term of 10 years. Under this option, we would receive approximately $22.0 million. This option will expire on November 1, 2010. As part of this transaction, we have also agreed to leaseback all of the San Diego facilities

for a period of 15 months. We will account for this transaction as a financing arrangement, incurring debt service payments and interest totaling approximately $9.4 million over the term of the leaseback period.

We have determined that the transaction does not qualify the facility for "held for sale" classification due to our continuing involvement under the leaseback terms. Accordingly, the campus assets remain classified as held for use and their carrying value is reflected as a component of Property, plant and equipment, net within our consolidated balance sheet as of September 30, 2010. We have not recognized a loss or impairment charge related to the San Diego campus.

As of September 30, 2010, our San Diego campus was not encumbered by any liabilities. The net carrying amounts of the major classes of assets are summarized as follows:

(In millions)	As of September 30, 2010
Land	$ 46.1
Buildings	73.8
Furniture and fixtures	2.7
Machinery and equipment	5.8
Total	$ 128.4

Impairment

We regularly evaluate our current facility utilization strategy and assess alternatives. In June 2010, we decided to delay completion of our manufacturing facility in Hillerød, Denmark upon completion of the facility's operational qualification activities in the fourth quarter of 2010. In addition, if we decide to consolidate, co-locate or dispose of certain aspects of our business operations, for strategic or other operational reasons, we may dispose of or vacate one or more of our properties.

If any of our owned properties are held for sale and we determine that the fair value of the properties is lower than their book value, we may not realize our full investment in these properties and incur impairment charges which may be significant. In addition, if we decide to fully or partially vacate a leased property, we may incur significant cost, including lease termination fees, rent expense in excess of sublease income and impairment of leasehold improvements.

10. Shareholders' Equity

Shareholders' equity as of September 30, 2010, decreased $1,191.7 million compared to December 31, 2009.

For the nine months ended September 30, 2010, we repurchased approximately 40.3 million shares at a cost of approximately $2.1 billion under our 2010 and 2009 stock repurchase authorizations. We retired all of these shares as they were acquired. In connection with this retirement, in accordance with our policy, we recorded a reduction in additional paid-in-capital by the same amount. Our 2010 and 2009 stock repurchase programs were completed during the third and first quarters of 2010, respectively.

This decline in shareholders' equity was offset by net income attributable to Biogen Idec Inc. of $765.0 million, and the increase to additional paid-in capital resulting from the amortization of expense associated with our share-based compensation programs of $137.1 million.

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11. Comprehensive Income

The following tables reflect the activity in comprehensive income included within equity attributable to the shareholders of Biogen Idec, equity attributable to noncontrolling interests, and total shareholders' equity:

	For the Three Months Ended September 30, 2010			For the Three Months Ended September 30, 2009		
(In millions)	Biogen Idec Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity	Biogen Idec Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Comprehensive income:						
Net income	$ 254.1	$ (141.9)	$ 112.2	$ 277.7	$ 1.9	$ 279.6
Unrealized gains (losses) on investments	5.8	—	5.8	(0.5)	—	(0.5)
Unrealized gains (losses) on foreign currency forward contracts	(71.1)	—	(71.1)	(2.3)	—	(2.3)
(Over) underfunded status of pension and post-retirement benefit plans	0.2	—	0.2	0.2	—	0.2
Translation adjustments	84.4	4.5	88.9	28.4	1.3	29.7
Comprehensive income (loss)	$ 273.4	$ (137.4)	$ 136.0	$ 303.5	$ 3.2	$ 306.7

	For the Nine Months Ended September 30, 2010			For the Nine Months Ended September 30, 2009		
(In millions)	Biogen Idec Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity	Biogen Idec Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Comprehensive income:						
Net income	$ 765.0	$ (138.2)	$ 626.8	$ 664.5	$ 6.6	$ 671.1
Unrealized gains (losses) on investments	(3.6)	—	(3.6)	3.0	—	3.0
Unrealized gains (losses) on foreign currency forward contracts	(16.8)	—	(16.8)	9.6	—	9.6
(Over) underfunded status of pension and post-retirement benefit plans	(0.1)	—	(0.1)	0.2	—	0.2
Translation adjustments	(39.2)	(1.3)	(40.5)	35.4	1.9	37.3
Comprehensive income (loss)	$ 705.3	$ (139.5)	$ 565.8	$ 712.7	$ 8.5	$ 721.2

Unrealized holding gains (losses) on investments are shown net of tax of $3.4 million and $2.1 million for the three and nine months ended September 30, 2010, respectively, compared to $0.3 million and $1.7 million in the prior year comparative periods.

Unrealized gains (losses) on foreign currency forward contracts are shown net of tax of $8.0 million, and $1.5 million for the three and nine months ended September 30, 2010, respectively, compared to $0.8 million and $0.3 million in the prior year comparative periods.

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The (over) underfunded status of pension and post-retirement benefit plans is shown net of tax as of September 30, 2010 and September 30, 2009. Tax for both years was immaterial.

The following table reconciles equity attributable to noncontrolling interest:

(In millions)	For the Three Months Ended September 30, 2010	2009	For the Nine Months Ended September 30, 2010	2009
Noncontrolling interest, beginning of period	$ 40.5	$ 33.2	$ 40.4	$ 27.9
Fair value of assets and liabilities acquired and assigned to noncontrolling interests (Note 16)	145.0	—	145.0	—
Net income (loss) attributable to noncontrolling interest	(141.9)	1.9	(138.2)	6.6
Translation adjustments	4.5	1.3	(1.3)	1.9
Distributions to noncontrolling interest	(8.9)	(2.8)	(8.9)	(2.8)
Capital contributions from noncontrolling interest	0.3	—	2.5	—
Noncontrolling interest, end of period	$ 39.5	$ 33.6	$ 39.5	$ 33.6

Total distributions to us from our joint ventures were negligible for the three and nine months ended September 30, 2010 and 2009.

12. Earnings per Share

Basic and diluted earnings per share are calculated as follows:

(In millions)	For the Three Months Ended September 30, 2010	2009	For the Nine Months Ended September 30, 2010	2009
Numerator:				
Net income attributable to Biogen Idec	$ 254.1	$ 277.7	$ 765.0	$ 664.5
Adjustment for net income allocable to preferred shares	(0.5)	(0.5)	(1.5)	(1.1)
Net income used in calculating basic and diluted earnings per share	$ 253.6	$ 277.2	$ 763.5	$ 663.4
Denominator:				
Weighted average number of common shares outstanding	239.9	288.9	256.6	288.4
Effect of dilutive securities:				
Stock options and employee stock purchase plan	0.9	0.6	0.9	0.7
Time-vested restricted stock units	1.5	1.5	1.4	1.3
Market stock units	—	—	—	—
Performance-vested restricted stock units settled in shares	—	—	—	—
Dilutive potential common shares	2.4	2.1	2.3	2.0
Shares used in calculating diluted earnings per share	242.3	291.0	258.9	290.4

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The following amounts were not included in the calculation of net income per diluted share because their effects were anti-dilutive:

(In millions)	For the Three Months Ended September 30, 2010	2009	For the Nine Months Ended September 30, 2010	2009
Numerator:				
Net income allocable to preferred shares	$ 0.5	$ 0.5	$ 1.5	$ 1.1
Denominator:				
Stock options	4.5	8.4	4.9	7.4
Time-vested restricted stock units	1.2	2.3	1.0	2.1
Market stock units	—	—	—	—
Performance-vested restricted stock units settled in shares	—	0.2	—	0.1
Convertible preferred stock	0.5	0.5	0.5	0.5
Total	6.2	11.4	6.4	10.1

13. Share-based Payments

Share-based Compensation Expense

The following table summarizes share-based compensation expense included within our consolidated statements of income:

(In millions)	For the Three Months Ended September 30, 2010	2009	For the Nine Months Ended September 30, 2010	2009
Research and development	$ 15.9	$ 15.6	$ 48.0	$ 46.0
Selling, general and administrative	26.9	27.2	97.1	78.7
Subtotal	42.8	42.8	145.1	124.7
Capitalized share-based payment costs	(0.9)	(1.7)	(2.5)	(4.8)
Share-based compensation expense included in total costs and expenses	41.9	41.1	142.6	119.9
Income tax effect	(13.0)	(12.6)	(45.4)	(36.8)
Share-based compensation expense included in net income attributable to Biogen Idec	$ 28.9	$ 28.5	$ 97.2	$ 83.1

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The following table summarizes share-based compensation expense associated with each of our share-based compensation programs:

(In millions)	For the Three Months Ended September 30, 2010	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009
Stock options	$ 3.0	$ 5.5	$ 23.1	$ 16.6
Market stock units	2.3	—	7.8	—
Time-vested restricted stock units	30.8	34.4	96.5	99.9
Performance-vested restricted stock units settled in shares	0.7	(0.3)	4.4	3.0
Performance-vested restricted stock units settled in cash	2.7	—	8.0	—
Employee stock purchase plan	3.3	3.2	5.3	5.2
Subtotal	$ 42.8	$ 42.8	$ 145.1	$ 124.7
Capitalized share-based payment costs	(0.9)	(1.7)	(2.5)	(4.8)
Share-based compensation expense included in total costs and expenses	$ 41.9	$ 41.1	$ 142.6	$ 119.9

Stock Options

For the nine months ended September 30, 2010, approximately 124,000 stock options were granted with a weighted average exercise price of $57.38 and weighted average grant date fair value of $16.52, compared to approximately 1.0 million stock options granted in the prior year comparative period with a weighted average exercise price of $50.02 and weighted average grant date fair value of $18.01. The fair values of our stock option grants are estimated as of the date of grant using the Black-Scholes option valuation model. The estimated fair values of the stock options, including the effect of estimated forfeitures, are then expensed over the options' requisite service period, which is typically the vesting period.

Market Stock Units (MSUs) and Cash Settled Performance Shares (CSPSs)

Beginning in the first quarter of 2010, we revised our long term incentive program to include two new forms of equity-based compensation awards to certain employees: restricted stock units which will vest based on stock price performance, referred to as MSUs, and performance-vested restricted stock units which will be settled in cash, referred to as CSPSs. We will apply forfeiture rate assumptions to these types of awards similar to those utilized by us when accounting for our other share-based compensation programs.

Market Stock Units

For the nine months ended September 30, 2010, approximately 400,000 MSUs were granted with a weighted average grant date fair value of $61.87. MSU awards vest in four equal annual increments beginning on the anniversary of the grant date. The vesting of these awards is subject to the respective employee's continued employment. The number of MSUs reflected as granted represents the target number of units that are eligible to be earned based on the attainment of certain market-based criteria involving our stock price. The number of MSUs earned is calculated at each annual anniversary from the date of grant over the respective vesting periods, resulting in multiple performance periods. Participants may ultimately earn between 0% and 150% of the target number of units granted based on actual stock performance. Accordingly, additional MSUs may be issued or currently outstanding MSUs may be cancelled upon final determination of the number of awards earned.

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We have valued the granted MSUs using a lattice model with a Monte Carlo simulation. This valuation methodology utilizes several key assumptions, including the 60 calendar day average closing stock price on grant date, expected volatility of our stock price, risk-free rates of return and expected dividend yield. The assumptions used in our valuation are summarized as follows:

Expected dividend yield	0%
Range of expected stock price volatility	28.3% - 38.8%
Range of risk-free interest rates	0.3% - 2.0%
60 calendar day average stock price on grant date	$49.08 - $54.12

We apply a graded vesting expense methodology when accounting for MSUs. The probability of actual shares expected to be earned is considered in the grant date valuation, therefore the expense will not be adjusted to reflect the actual units earned.

Cash Settled Performance Shares

For the nine months ended September 30, 2010, approximately 378,000 CSPSs were granted. CSPS awards vest in three equal annual increments beginning on the anniversary of the grant date. The vesting of these awards is subject to the respective employee's continued employment. The number of CSPSs reflected as granted in 2010 represents the target number of units that are eligible to be earned based on the attainment of certain performance measures established at the beginning of the performance period, which ends December 31, 2010. Participants may ultimately earn between 0% and 200% of the target number of units granted based on the degree of actual performance metric achievement. Accordingly, additional CSPSs may be issued or currently outstanding CSPSs may be cancelled upon final determination of the number of units earned. CSPSs are settled in cash based on the 60 calendar day average closing stock price through each vesting date once the actual vested and earned number of units is known.

We apply a graded vesting expense methodology when accounting for the CSPSs and the fair value of the liability is remeasured at the end of each reporting period through expected cash settlement. Compensation expense associated with CSPS awards is based upon the stock price and the number of units expected to be earned after assessing the probability that certain performance criteria will be met and the associated targeted payout level that is forecasted will be achieved, net of estimated forfeitures. Cumulative adjustments are recorded each quarter to reflect changes in the stock price and estimated outcome of the performance-related conditions until the date results are determined and settled.

Time-Vested Restricted Stock Units (RSUs)

For the nine months ended September 30, 2010, approximately 2.0 million RSUs were granted with a weighted average grant date fair value of $54.63, compared to approximately 2.5 million RSUs granted in the prior year comparative period with a weighted average grant date fair value of $49.35. The fair values of our RSUs are based on the market value of our stock on the date of grant and are recognized over the applicable service period, adjusted for the effect of estimated forfeitures.

Performance-Vested Restricted Stock Units (PVRSUs)

For the nine months ended September 30, 2009, approximately 321,000 PVRSUs were granted with a weighted average grant date fair value of $49.46. The number of PVRSUs earned was subject to the attainment of certain performance criteria during 2009. Based on our 2009 performance, 99% of the granted PVRSUs were earned. These awards vest in three equal increments on (1) the later of the first anniversary of the grant date or the date of results determination; (2) the second anniversary of the grant date; and (3) the third anniversary of the grant date, and are also subject to the respective employee's continued employment.

We apply a graded vesting expense methodology when accounting for our PVRSUs. Compensation expense associated with PVRSU awards is initially based upon the number of shares expected to vest after assessing the probability that certain performance criteria will be met and the associated targeted payout level that is forecasted will be achieved, net of estimated forfeitures. Cumulative adjustments are recorded quarterly to reflect subsequent changes in the estimated outcome of performance-related conditions until the date results are determined.

Employee Stock Purchase Plan (ESPP)

For the nine months ended September 30, 2010, approximately 457,000 shares were issued under the ESPP compared to approximately 426,000 shares issued in the prior year comparative period.

The purchase price of common stock under our ESPP is equal to 85% of the lower of (i) the market value per share of the common stock on the participant's entry date into an offering period or (ii) the market value per share of the common stock on the purchase date. However, for each participant whose entry date is other than the start date of the offering period, the amount shall in no event be less than the market value per share of the common stock as of the beginning of the related offering period. The fair value of the discounted purchases made under the ESPP is calculated using the Black-Scholes model. The fair value of the look-back provision plus the 15% discount is recognized as compensation expense over the purchase period. We apply a graded vesting approach since our ESPP provides for multiple purchase periods and is, in substance, a series of linked awards.

CEO Agreements

On June 30, 2010, we announced that George A. Scangos, Ph.D., was appointed Chief Executive Officer and a member of the Board of Directors, effective July 15, 2010. Under the terms of his employment agreement with the Company, Dr. Scangos received a grant of 63,165 RSUs and a grant of 56,905 MSUs which are included within the total award grants described above. Awards made to Dr. Scangos are subject to the same terms and conditions as other grants except that if Dr. Scangos retires from the Company after reaching the age of 65, any outstanding and unvested RSUs and CSPSs, if granted, will continue to vest as if Dr. Scangos continued to be employed by the Company.

Dr. Scangos succeeded James C. Mullen, who retired as our President and Chief Executive Officer on June 8, 2010. Under the terms of the transition agreement we entered into with Mr. Mullen dated January 4, 2010, we agreed, amongst other provisions, to vest all of Mr. Mullen's then-unvested equity awards on the date of his retirement and allow Mr. Mullen to exercise his vested stock options until June 8, 2013 or their expiration, whichever is earlier. The modifications to Mr. Mullen's existing stock options, RSUs and PVRSUs resulted in an incremental charge of approximately $18.6 million, which was recognized evenly over the service period from January 4, 2010 to June 8, 2010, as per the terms of the transition agreement.

14. Income Taxes

For the three and nine months ended September 30, 2010, our effective worldwide income tax rates were 40.1% and 28.7%, respectively, compared to 29.0% and 28.8% in the prior year comparative periods.

Our effective tax rate for the three and nine months ended September 30, 2010, was negatively impacted due to the attribution to noncontrolling interest of $145.0 million of the IPR&D charge related to our collaboration and license agreement with Knopp Neurosciences, Inc. As such, the attributed amount will not generate a tax deduction, causing our tax rate to be unfavorably impacted by 13.5% and 2.7%, respectively. The impact of the Knopp transaction was partially offset by a higher percentage of our profits being earned in lower rate international jurisdictions in 2010. This change in the location of our relative profits was caused by

the growth of our international operations and lower 2010 domestic earnings as a proportion of total consolidated earnings due, in part, to the U.S. healthcare reform legislation enacted in March 2010. For a more detailed description of our transaction with Knopp, please read Note 16, *Investments in Variable Interest Entities*.

During 2010, we also experienced a favorable impact on our effective tax rates due to a statutory increase in the U.S. manufacturers' tax deduction and an increase in expenditures eligible for our orphan drug credit. The favorable impact of these items were offset by the expiration of the federal research and development tax credit which was not in effect for the nine months ended September 30, 2010. In addition, our 2009 effective tax rate for the three and nine months ended September 30, 2009 was increased by 2.4% and 2.3%, respectively, as a result of the $110.0 million upfront payment incurred in connection with the collaboration and license agreement entered into with Acorda Therapeutics, Inc. (Acorda) in the second quarter of 2009. Our effective tax rate for the nine months ended September 30, 2009 was also favorably impacted by 3.2% for changes in tax law which became effective during the first quarter of 2009 in certain state jurisdictions in which we operate.

Reconciliation between the U.S. federal statutory tax rate and our effective tax rate is summarized as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Statutory rate	35.0%	35.0%	35.0%	35.0%
State taxes	2.4	2.2	2.0	1.6
Taxes on foreign earnings	(13.6)	(7.7)	(10.8)	(5.8)
Credits and net operating loss utilization	(4.3)	(1.5)	(2.2)	(4.1)
Purchased intangible assets	2.9	0.9	1.8	2.0
IPR&D	21.6	0.9	5.2	1.1
Permanent items	(3.8)	(1.0)	(2.1)	(1.5)
Other	(0.1)	0.2	(0.2)	0.5
Effective tax rate	40.1%	29.0%	28.7%	28.8%

Accounting for Uncertainty in Income Taxes

We and our subsidiaries are routinely examined by various taxing authorities. We file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal tax examination for years before 2007 or state, local, or non-U.S. income tax examinations by tax authorities for years before 2001.

In 2006, the Massachusetts Department of Revenue (DOR) issued a Notice of Assessment against Biogen Idec MA Inc. (BIMA), one of our wholly-owned subsidiaries, for $38.9 million of corporate excise tax for 2002, which includes associated interest and penalties. The assessment asserts that the portion of sales attributable to Massachusetts, the computation of BIMA's research and development credits and the availability of certain claimed deductions were not appropriate, resulting in unpaid taxes for 2002. In December 2006, we filed an abatement application with the DOR seeking abatement for 2001, 2002 and 2003, which was denied. In July 2007, we filed a petition with the Massachusetts Appellate Tax Board seeking, among other items, abatements of corporate excise tax for 2001, 2002 and 2003 and adjustments in certain credits and credit carryforwards for 2001, 2002 and 2003. Issues before the Board include the computation of BIMA's sales factor for 2001, 2002 and 2003, computation of BIMA's research credits for those same years, and the

availability of deductions for certain expenses and partnership flow-through items. We anticipate that the hearing on our petition will take place in the second quarter of 2011.

On June 8, 2010, we received Notices of Assessment from the DOR against BIMA for $103.5 million of corporate excise tax, including associated interest and penalties, related to our 2004, 2005 and 2006 tax filings. The asserted basis for these assessments is consistent with that for 2002. Including associated interest and penalties, assessments related to periods under dispute totaled $142.4 million. We believe that positions taken in our tax filings are valid and believe that we have meritorious defenses in these disputes. We intend to contest these matters vigorously. Our tax filings for 2007 and 2008 have not yet been audited by the DOR but have been prepared in a manner consistent with prior filings which may result in an assessment for those years. Due to tax law changes effective January 1, 2009, the computation and deductions at issue in previous tax filings will not be part of our tax filings in Massachusetts starting in 2009.

We believe that these assessments do not impact the level of liabilities for income tax contingencies. However, there is a possibility that we may not prevail in defending all of our assertions with the DOR. If these matters are resolved unfavorably in the future, the resolution could have a material adverse impact on our future effective tax rate and our results of operations.

15. Other Income (Expense), Net

Components of other income (expense), net, are summarized as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(In millions)	2010	2009	2010	2009
Interest income	$ 3.1	$ 10.9	$ 18.6	$ 37.8
Interest expense	(9.3)	(8.5)	(26.6)	(27.6)
Impairments of investments	(2.8)	(0.5)	(19.8)	(10.1)
Net gains(losses) on foreign currency transactions	(3.5)	3.2	(3.2)	10.6
Net realized gains(losses) on marketable securities	4.8	1.8	16.1	13.7
Other, net	0.8	2.5	0.6	6.5
Total other income (expense), net	$ (6.9)	$ 9.4	$ (14.3)	$ 30.9

16. Investments in Variable Interest Entities

Effective January 1, 2010, we adopted a newly issued accounting standard which provides guidance for the consolidation of variable interest entities and requires an enterprise to determine whether its variable interest or interests give it a controlling financial interest in a variable interest entity. This new consolidation guidance for variable interest entities replaces the prior quantitative approach for identifying which enterprise should consolidate a variable interest entity, which was based on which enterprise was exposed to a majority of the risks and rewards, with a qualitative approach, based on which enterprise has both (1) the power to direct the economically significant activities of the entity and (2) the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to the variable interest entity. The adoption of this standard did not have an impact on our financial position or results of operations. Determination about whether an enterprise should consolidate a variable interest entity is required to be evaluated continuously as changes to existing relationships or future transactions may result in us consolidating or deconsolidating our partner(s) to collaborations and other arrangements.

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Consolidated Variable Interest Entities

Our consolidated financial statements include the financial results of variable interest entities in which we are the primary beneficiary.

Investments in Joint Ventures

We consolidate the operations of Biogen Dompé SRL and Biogen Dompé Switzerland GmbH, our respective sales affiliates in Italy and Switzerland, as we retain the contractual power to direct the activities of these entities which most significantly and directly impact their economic performance. The activity of each of these joint ventures is significant to our overall operations. The assets of these joint ventures are restricted, from the standpoint of Biogen Idec, in that they are not available for our general business use outside the context of each joint venture. The holders of the liabilities of each joint venture, including the credit line from Dompé described in our 2009 Form 10-K, have no recourse to Biogen Idec.

Included within our consolidated balance sheet at September 30, 2010 are total joint venture assets and liabilities of $167.1 million and $75.1 million, respectively. The joint venture's most significant assets are accounts receivable from the ordinary course of business of $118.5 million.

We have provided no financing to these joint ventures other than previously contractually required amounts.

Knopp

In August 2010, we entered into a license agreement with Knopp Neurosciences, Inc. (Knopp), a subsidiary of Knopp Holdings, LLC, for the development, manufacture and commercialization of KNS-760704 (dexpramipexole), an orally administered small molecule in clinical development for the treatment of amyotrophic lateral sclerosis (ALS). Under the terms of the license agreement we made a $26.4 million upfront payment and agreed to pay Knopp up to an additional $265.0 million in development and sales-based milestone payments, as well as royalties on future commercial sales. In exchange, we will be responsible for all development activities and, if successful, we will also be responsible for the manufacture and global commercialization of dexpramipexole. Royalties are payable to Knopp on a country by country basis until the later of 10 years from the first commercial sale of a dexpramipexole product or the loss of exclusivity in such country. In addition, we also purchased 30.0% of the Class B common shares of Knopp for $60.0 million.

Due to the terms of the license agreement and our investment in Knopp, we have determined that we are the primary beneficiary of Knopp as we have the power to direct the activities that most significantly impact Knopp's economic performance. As such, we consolidate the results of Knopp. The assets and liabilities of Knopp are not significant to our financial position or results of operations.

As the license agreement and our investment in Knopp only gives us access to the underlying intellectual property of dexpramipexole and we did not acquire any employees or other processes, we have determined that this transaction was an acquisition of an asset rather than a business. Therefore, we have recorded an IPR&D charge of approximately $205.0 million upon the initial consolidation of Knopp, which is included within earnings for the three and nine months ended September 30, 2010. The amount allocated to IPR&D represents the fair value of the intellectual property of Knopp, which as of the effective date of the agreement, had not reached technological feasibility and had no alternative future use. This charge was determined using internal models based on projected revenues and development costs and adjusted for industry-specific probabilities of success. Estimated revenues from dexpramipexole are expected to be recognized beginning in 2014. A discount rate of 14% was used in the valuation of this asset, which we believe to be commensurate with the stage of development and level of risk associated with the underlying biologic compound. Within the

hierarchy of fair value measurements, this IPR&D charge is classified as having a Level 3 fair value. We have attributed approximately $145.0 million of the IPR&D charge to the noncontrolling interest.

Future development and sales-based milestone payments will be reflected within our consolidated statements of income as a charge to the noncontrolling interest, net of tax, when such milestones are achieved. Although we have assumed responsibility for the development of dexpramipexole, we may also be required to reimburse certain Knopp expenses directly attributable to the license agreement. Any additional amounts incurred by Knopp that we reimburse will be reflected within total costs and expenses in our consolidated statements of income.

A summary of activity related to this collaboration, excluding the initial accounting for the consolidation of Knopp, is as follows:

(In millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Total upfront payments made to Knopp	$26.4	$—	$26.4	$—
Total development expense incurred in the development of dexpramipexole	$ 1.0	$—	$ 1.0	$—
Biogen Idec's share of expense reflected within our consolidated statements of income	$27.4	$—	$27.4	$—

We have provided no financing to Knopp other than the contractually required amounts disclosed above.

Neurimmune

We have a collaboration agreement with Neurimmune SubOne AG (Neurimmune), a subsidiary of Neurimmune Therapeutics AG, for the development and commercialization of antibodies for the treatment of Alzheimer's disease. Neurimmune conducts research to identify potential therapeutic antibodies and we are responsible for the development, manufacturing and commercialization of all products. Based upon our current development plans, we may pay Neurimmune up to $360.0 million in remaining milestone payments, as well as royalties on sales of any resulting commercial products.

We have determined that we are the primary beneficiary of Neurimmune because we control the activities of the collaboration and are required to fund 100% of the research and development costs incurred in support of the collaboration agreement. As such, we consolidate the results of Neurimmune. The assets and liabilities of Neurimmune are not significant as it is a research and development organization. Amounts that are incurred by Neurimmune for research and development expense incurred in support of the collaboration that we reimburse are reflected in research and development expense in our consolidated statements of income.

A summary of activity related to this collaboration is as follows:

(In millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Milestone payments made to Neurimumune	$ —	$ —	$ —	$ 7.5
Total development expense incurred by the collaboration	$2.4	$1.9	$12.8	$ 5.5
Total expense reflected within our consolidated statements of income	$2.4	$1.9	$12.8	$13.0

We have provided no financing to Neurimmune other than previously contractually required amounts.

Cardiokine

We collaborate with Cardiokine Biopharma LLC (Cardiokine), a subsidiary of Cardiokine Inc., on the joint development of Lixivaptan, an oral compound for the potential treatment of hyponatremia in patients with congestive heart failure. Based upon our current development plans, we may pay up to $100.0 million in remaining development milestone payments, as well as royalties on commercial sales under the terms of our collaboration agreement.

We have determined that we are the primary beneficiary of Cardiokine because we control the activities of the collaboration and are required to fund 90% of the development costs under the collaboration agreement. As such, we consolidate the results of Cardiokine. The assets and liabilities of Cardiokine are not significant as it is a research and development organization. Amounts that are incurred by Cardiokine for research and development expense incurred in support of the collaboration that we reimburse are reflected in research and development expense in our consolidated statements of income.

A summary of activity related to this collaboration is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(In millions)	2010	2009	2010	2009
Milestone payments made to Cardiokine	$ —	$20.0	$ —	$20.0
Total development expense incurred by the collaboration	$10.9	$17.2	$47.4	$48.5
Biogen Idec's share of expense reflected within our consolidated statements of income	$ 9.8	$35.5	$42.7	$63.7
Collaboration expense allocated to noncontrolling interests, net of tax	$ 1.1	$ 1.7	$ 4.7	$ 4.8

We have provided no financing to Cardiokine other than previously contractually required amounts.

Unconsolidated Variable Interest Entities

We have relationships with other variable interest entities which we do not consolidate as we lack the power to direct the activities that significantly impact the economic success of these entities. These relationships include investments in certain biotechnology companies and research collaboration agreements.

As of September 30, 2010 the total carrying value of our investments in biotechnology companies that we have determined to be variable interest entities is $22.7 million. Our maximum exposure to loss related to these variable interest entities is limited to the carrying value of our investments.

We have entered into research collaborations with certain variable interest entities where we are required to share or fund certain development activities. These development activities are included in research and development expense within our consolidated statements of income, as they are incurred. Depending on the collaborative arrangement, we may record funding receivables or payable balances with our partners, based on the nature of the cost-sharing mechanism and activity within the collaboration. As of September 30, 2010, we have recorded a receivable of $7.9 million related to a cost sharing arrangement with one of our collaborative relationships.

We have provided no financing to these variable interest entities other than previously contractually required amounts.

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17. Collaborations

On October 19, 2010, we and Genentech amended and restated our Amended and Restated Collaboration Agreement dated June 19, 2003 with regard to the development of ocrelizumab, a humanized anti-CD20 antibody, and agreed to terms for the development of GA101, a next-generation anti-CD20 antibody, as summarized below.

Ocrelizumab

Genentech will have responsibility for the further development and commercialization of ocrelizumab in MS and will fund all of the related costs going forward. We will be entitled to receive tiered royalties between 13.5% and 24% on U.S. sales of ocrelizumab. Commercialization of ocrelizumab will not impact our percentage of the co-promotion profits for RITUXAN.

GA101

We will increase our share of the losses and profits related to the development and commercialization of GA101 in the U.S. We will pay 35% of the development and commercialization expenses of GA101 and will receive between 35% and 39% of the profits of GA101 based upon the achievement of certain sales milestones. To date, we had paid 30% of the GA101 development expenses. We will pay approximately $10.0 million to compensate Genentech for our increased share of such previously incurred expenses. Commercialization of GA101 will impact our percentage of the co-promotion profits for RITUXAN, as summarized in the table below.

RITUXAN

Our current pretax co-promotion profit-sharing formula, which resets annually, provides for a 30% share of the first $50.0 million of co-promotion operating profits for RITUXAN in the U.S. and Canada and a 40% share of such profits in excess of $50.0 million. Our share of the co-promotion profits for RITUXAN will change, as summarized in the table below, upon the following events:

- *First New Product FDA Approval:* the FDA's first approval of an anti-CD20 product other than ocrelizumab and GA101 that is acquired or developed by Genentech and is subject to the collaboration agreement (New Product).
- *First Non-CLL GA101 FDA Approval:* the FDA's first approval of GA101 in an indication other than CCL.
- *GA101 CLL Sales Trigger:* the first day of the quarter after U.S. gross sales of GA101 in any consecutive 12 month period reach $500.0 million.

Our share of the co-promotion operating profits for RITUXAN is calculated as follows:

		Before First New Product FDA Approval	
Co-promotion Operating Profits†	**After First New Product FDA Approval**	**First Non-CLL GA101 FDA Approval Occurs First**	**GA101 CLL Sales Trigger Occurs First**
I. First $50.0 million	30%	30%	30%
II. Above $50.0 million	—	—	35%
A. Until First GA101 Threshold Date	38%	39%	—
B. After First GA101 Threshold Date			
1(a). Until First Threshold Date	37.5%	—	—
1(b). After First Threshold Date and until Second Threshold Date	35%	—	—
1(c). After Second Threshold Date	30%	—	—
2. Until Second GA101 Threshold Date	—	37.5%	—
C. After Second GA101 Threshold Date	—	35%	—

† First GA101 Threshold Date means the earlier of (1) the date of the First Non-CLL GA101 FDA Approval if U.S. gross sales of GA101 for the preceding consecutive 12 month period reach $150.0 million or (2) the first day of the calendar quarter following the date following the First Non-CLL GA101 FDA Approval that U.S. gross sales of GA101 within any consecutive 12 month period have reached $150.0 million.

Second GA101 Threshold Date means the first day of the calendar quarter after U.S. gross sales of GA101 within any consecutive 12 month period have reached $500.0 million.

First Threshold Date means the earlier of (1) the GA101 CLL Sales Trigger, (2) the Second GA101 Threshold Date and (3) the later of (a) the first date that U.S. gross sales of New Products in any calendar year reach $150.0 million and (b) January 1 of the calendar year following the calendar year in which the First New Product FDA Approval occurs if gross sales of New Products reached $150.0 million within the same calendar year in which the First New Product FDA Approval occurred.

Second Threshold Date means the later of (1) the first date that U.S. gross sales of New Products in any calendar year reach $350.0 million and (2) January 1 of the calendar year following the calendar year in which the First Threshold Date occurs.

For a description of terms, conditions and activities related to our other collaborative arrangements, please read Note 17, *Collaborations* to our consolidated financial statements included within our 2009 Form 10-K.

18. Litigation

Along with several other major pharmaceutical and biotechnology companies, Biogen, Inc. (now BIMA) or, in some cases, Biogen Idec Inc. was named as a defendant in lawsuits filed by the City of New York and numerous Counties of the State of New York. All of the cases — except for cases filed by the County of Erie, County of Oswego and County of Schenectady (Three County Actions) — are the subject of a Consolidated Complaint, first filed on September 15, 2005 in the U.S. District Court for the District of Massachusetts in Multi-District Litigation No. 1456 (MDL proceedings). The complaints allege that the defendants (i) fraudulently reported (or caused others to report incorrectly) the Average Wholesale Price for certain drugs for which Medicaid provides reimbursement (Covered Drugs); (ii) marketed and promoted the sale of Covered Drugs to providers based on the providers' ability to collect inflated payments from the government and Medicaid beneficiaries that exceeded payments possible for competing drugs; (iii) provided financing incentives to

providers to over-prescribe Covered Drugs or to prescribe Covered Drugs in place of competing drugs; and (iv) overcharged Medicaid for illegally inflated Covered Drugs reimbursements. Among other things, the complaints allege violations of New York state law and advance common law claims for unfair trade practices, fraud, and unjust enrichment. In addition, the amended Consolidated Complaint alleges that the defendants failed to accurately report the "best price" on the Covered Drugs to the Secretary of Health and Human Services pursuant to rebate agreements, and excluded from their reporting certain discounts and other rebates that would have reduced the "best price." With respect to the MDL proceedings, some of the plaintiffs' claims were dismissed, and the parties, including Biogen Idec, began a mediation of the outstanding claims on July 1, 2008. On October 21, 2010, we reached a non-material out-of-court resolution of all outstanding claims against us, and the plaintiffs have agreed to dismiss the complaints as to us.

In 2006, the Massachusetts Department of Revenue (DOR) issued a Notice of Assessment against BIMA for $38.9 million of corporate excise tax for 2002, which includes associated interest and penalties. The assessment asserts that the portion of sales attributable to Massachusetts, the computation of BIMA's research and development credits and the availability of certain claimed deductions were not appropriate, resulting in unpaid taxes for 2002. On December 6, 2006, we filed an abatement application with the DOR seeking abatements for 2001, 2002 and 2003. The abatement application was denied on July 24, 2007. On July 25, 2007, we filed a petition with the Massachusetts Appellate Tax Board seeking, among other items, abatements of corporate excise tax for 2001, 2002 and 2003 and adjustments in certain credits and credit carry forwards for 2001, 2002 and 2003. Issues before the Board include the computation of BIMA's sales factor for 2001, 2002 and 2003, computation of BIMA's research credits for those same years, and the availability of deductions for certain expenses and partnership flow-through items. We anticipate that the hearing on our petition will take place in the second quarter of 2011.

On June 8, 2010, we received Notices of Assessment from the DOR against BIMA for $103.5 million of corporate excise tax, including associated interest and penalties, related to our 2004, 2005 and 2006 tax filings. The asserted basis for these assessments is consistent with that for 2002. For all periods under dispute, we believe that positions taken in our tax filings are valid and believe that we have meritorious defenses in these disputes. We intend to contest these matters vigorously.

On October 27, 2008, Sanofi-Aventis Deutschland GmbH (Sanofi) filed suit against Genentech and Biogen Idec in federal court in Texas (E.D. Tex.) (Texas Action) claiming that RITUXAN and certain other Genentech products infringe U.S. Patents 5,849,522 ('522 patent) and 6,218,140 ('140 patent). Sanofi seeks preliminary and permanent injunctions, compensatory and exemplary damages, and other relief. The same day Genentech and Biogen Idec filed a complaint against Sanofi, Sanofi-Aventis U.S. LLC, and Sanofi-Aventis U.S., Inc. in federal court in California (N.D. Cal.) (California Action) seeking a declaratory judgment that RITUXAN and other Genentech products do not infringe the '522 patent or the '140 patent and a declaratory judgment that those patents are invalid. (Sanofi-Aventis U.S. LLC and Sanofi-Aventis U.S., Inc. were later dismissed voluntarily.) The Texas Action was ordered transferred to the federal court in the Northern District of California and consolidated with the California Action and we refer to the two actions together as the Consolidated Actions. We have not formed an opinion that an unfavorable outcome in the Consolidated Actions is either "probable" or "remote," and do not express an opinion at this time as to the likely outcome of the matters or as to the magnitude or range of any potential loss. We believe that we have good and valid defenses and are vigorously defending against the allegations.

On October 24, 2008, Hoechst GmbH filed with the ICC International Court of Arbitration (Paris) a request for arbitration against Genentech, relating to a terminated license agreement between Hoechst's predecessor and Genentech that pertained to the above-referenced patents and related patents outside the U.S. The license was entered as of January 1, 1991 and was terminated by Genentech on October 27, 2008. We understand that Hoechst seeks payment of royalties on sales of Genentech products, including RITUXAN, damages for breach of contract, and other relief. We estimate, based solely on our understanding of Hoechst's claims and not on any evaluation of the merits of the claims, that royalties and interest, if awarded in connection with RITUXAN, could total $100 million based on the 0.5% royalty rate set forth in the agreement and historical RITUXAN net sales. Although we are not a party to the arbitration, any damages awarded to Hoechst based on sales of RITUXAN may be a cost charged to our collaboration with Genentech.

On September 15, 2009, we were issued U.S. patent No. 7,588,755 ('755 Patent), which claims the use of beta interferon for immunomodulation or treating a viral condition, viral disease, cancers or tumors. This patent, which expires in September 2026, covers, among other things, the treatment of MS with our product AVONEX. On May 27, 2010, Bayer Healthcare Pharmaceuticals Inc. (Bayer) filed a lawsuit against us in federal court in the District of New Jersey seeking a declaratory judgment of patent invalidity and noninfringement and seeking monetary relief in the form of attorneys' fees, costs and expenses. On May 28, 2010, BIMA filed a lawsuit in federal court in the District of New Jersey alleging infringement of the '755 Patent by EMD Serono, Inc. (manufacturer, marketer and seller of REBIF), Pfizer, Inc. (co-marketer of REBIF), Bayer (manufacturer, marketer and seller of BETASERON and manufacturer of EXTAVIA), and Novartis Pharmaceuticals Corp. (marketer and seller of EXTAVIA) and seeking monetary damages, including lost profits and royalties. The court has consolidated the two lawsuits. On August 16, 2010, BIMA amended its complaint to add Ares Trading S.A. (Ares), an affiliate of EMD Serono, as a defendant, and to seek a declaratory judgment that a purported "nonsuit and option agreement" between Ares and BIMA dated October 12, 2000, that purports to provide that Ares will have an option to obtain a license to the '755 Patent, is not a valid and enforceable agreement or, alternatively, has been revoked and/or terminated by the actions of Ares or its affiliates. Ares has answered the amended complaint and has moved to compel arbitration of the claims against it and its motion is pending. Bayer, Pfizer, Novartis and EMD Serono have all filed counterclaims seeking declaratory judgments of patent invalidity and noninfringement, and seeking monetary relief in the form of costs and attorneys' fees.

On March 23, 2010, we and Genentech were issued U.S. Patent No. 7,682,612 ('612 patent) relating to a method of treating CLL using an anti-CD20 antibody. The patent which expires in November 2019 covers, among other things, the treatment of CLL with RITUXAN. On March 23, 2010, we filed a lawsuit in federal court in the Southern District of California against Glaxo Group Limited and GlaxoSmithKline LLC (collectively, GSK) alleging infringement of that patent based upon GSK's manufacture, marketing and sale of ARZERRA. We seek damages, including a royalty and lost profits, and injunctive relief. GSK has filed a counterclaim seeking a declaratory judgment of patent invalidity, noninfringement, and inequitable conduct, and seeking monetary relief in the form of costs and attorneys' fees.

We are also involved in product liability claims and other legal proceedings generally incidental to our normal business activities. While the outcome of any of these proceedings cannot be accurately predicted, we do not believe the ultimate resolution of any of these existing matters would have a material adverse effect on our business or financial conditions.

19. Segment Information

We operate in one business segment, which is the business of development, manufacturing and commercialization of innovative therapies for human health care and therefore, our chief operating decision-maker manages the operation of our Company as a single operating segment.

20. New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

In April 2010, the FASB issued ASU No. 2010-17, *Revenue Recognition — Milestone Method* (ASU 2010-017). ASU 2010-017 provides guidance in applying the milestone method of revenue recognition to research or development arrangements. Under this guidance management may recognize revenue contingent upon the achievement of a milestone in its entirety, in the period in which the milestone is achieved, only if the milestone meets all the criteria within the guidance to be considered substantive. This ASU is effective on a prospective basis for research and development milestones achieved in fiscal years, beginning on or after June 15, 2010, which for Biogen Idec means fiscal 2011. Early adoption is permitted; however, adoption of this guidance as of a date other than January 1, 2011 will require us to apply this guidance retrospectively effective as of January 1, 2010 and will require disclosure of the effect of this guidance as applied to all previously reported interim periods in the fiscal year of adoption. As we plan to implement ASU 2010-17 prospectively, the effect of this guidance will be limited to future transactions. We do not expect adoption of this standard to have a material impact on our financial position or results of operations as we have no material research and development arrangements which will be accounted for under the milestone method.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with our consolidated financial statements and related notes beginning on page 3 of this quarterly report on Form 10-Q.

Executive Summary

Introduction

Biogen Idec is a global biotechnology company that discovers, develops, manufactures and commercializes innovative therapies for human health care. Our business strategy is focused on discovering and developing first-in-class or best-in-class products that we can deliver to specialty markets globally. Patients around the world benefit from Biogen Idec's significant products that address medical needs in the areas of neurology, oncology and immunology.

In the near term, we are dependent upon continued sales of AVONEX, RITUXAN and TYSABRI to drive our revenue growth. In the longer term, our revenue growth will also be dependent upon the successful clinical development, regulatory approval and launch of new commercial products. As part of our ongoing research and development efforts, we have incurred significant expenditures related to conducting clinical studies to advance the development of new pharmaceutical products and explore the utility of our existing products in treating disorders beyond those currently approved in their labels.

Under the direction of our recently appointed Chief Executive Officer, George A. Scangos, we have been evaluating the company's strategic priorities and examining additional means of maximizing shareholder value. This evaluation has centered on ways to focus our research and development efforts on high-potential projects and improve our ability to move quickly and decisively, among other things. We anticipate announcing and implementing the results of this evaluation before the end of the year, which may change the company's strategic priorities, operational initiatives and related financial trends.

Financial Highlights

The following table is a summary of results achieved:

	For the Three Months Ended September 30,		
(In millions, except per share amounts and percentages)	**2010**	**2009**	**Change %**
Total revenues	$1,175.8	$1,120.5	4.9%
Income from operations(1)	$ 194.1	$ 384.2	(49.5)%
Net income attributable to Biogen Idec	$ 254.1	$ 277.7	(8.5)%
Diluted earnings per share attributable to Biogen Idec	$ 1.05	$ 0.95	10.5%

(1) Income from operations for the three months ended September 30, 2010, was reduced by the $205.0 million charge for in-process research and development (IPR&D) related to our collaboration and license agreement with Knopp Neurosciences, Inc. dated August 17, 2010.

As described below under *Results of Operations*, our operating results for the three months ended September 30, 2010 were primarily driven by:

- Increased AVONEX worldwide revenue. AVONEX revenues totaled $643.6 million in the third quarter of 2010, representing an 11.0% increase over the same period in 2009.
- Continued TYSABRI growth. Our share of TYSABRI revenues totaled $220.7 million for the third quarter of 2010, representing an increase of 6.6% over the same period in 2009.
- Our share of RITUXAN revenues in the third quarter of 2010 totaled $258.0 million, representing a decrease of 9.1% over the same period in 2009. This decrease was primarily driven by royalty expirations in our rest of world markets. Our share of revenue on sales of RITUXAN in the rest of

world decreased 41.7% or $27.0 million, over the same period in 2009. Our share of co-promotion profits in the U.S. increased 0.4% or $0.9 million for the three month comparative periods. Selling and development expenses incurred by us and reimbursed by Genentech, which are also included within our total unconsolidated joint business revenues, increased 1.3% to $16.0 million.

- Total costs and expenses increased 33.3% in the third quarter of 2010, compared to the same period in 2009. This increase was primarily driven by the $205.0 million IPR&D charge recognized in the current period as well as a 7.7% increase in selling, general and administrative costs, a 5.4% increase in collaboration profit sharing expense due to TYSABRI revenue growth, a 4.9% increase in research and development expense, a 2.6% increase in cost of sales, excluding amortization of acquired intangible assets and a 4.3% increase in amortization of acquired intangible assets.

For the three months ended September 30, 2010, we also generated $428.2 million of net cash flows from operations which were primarily driven by our current earnings.

Cash and cash equivalents and marketable securities totaled approximately $1,384.6 million as of September 30, 2010.

For the three and nine months ended September 30, 2010, we repurchased approximately 9.0 million and 40.3 million shares at a cost of approximately $468.2 million and $2.1 billion, respectively, under our 2010 and 2009 stock repurchase authorizations. We retired all of these shares as they were acquired. Our 2010 and 2009 stock repurchase programs were completed during the third and first quarters of 2010, respectively.

Results of Operations

Revenues

Revenues are summarized as follows:

(In millions, except percentages)	For the Three Months Ended September 30, 2010		2009		For the Nine Months Ended September 30, 2010		2009	
Product:								
United States	$ 447.6	38.1%	$ 407.8	36.4%	$ 1,291.1	36.9%	$ 1,223.9	37.7%
Rest of world	429.2	36.5%	393.9	35.2%	1,269.2	36.3%	1,102.2	33.9%
Total product revenues	$ 876.8	74.6%	$ 801.7	71.6%	$ 2,560.3	73.2%	$ 2,326.1	71.6%
Unconsolidated joint business	258.0	21.9%	283.9	25.3%	819.3	23.4%	838.3	25.8%
Other	41.0	3.5%	34.9	3.1%	117.8	3.4%	85.9	2.6%
Total revenues	$ 1,175.8	100.0%	$ 1,120.5	100.0%	$ 3,497.4	100.0%	$ 3,250.3	100.0%

Product Revenues

Product revenues are summarized as follows:

(In millions, except percentages)	For the Three Months Ended September 30, 2010		2009		For the Nine Months Ended September 30, 2010		2009	
AVONEX	$ 643.6	73.4%	$ 580.0	72.3%	$ 1,864.3	72.8%	$ 1,726.5	74.2%
TYSABRI	220.7	25.2%	207.0	25.8%	658.6	25.7%	559.8	24.1%
Other	12.5	1.4%	14.7	1.9%	37.4	1.5%	39.8	1.7%
Total product revenues	$ 876.8	100.0%	$ 801.7	100.0%	$ 2,560.3	100.0%	$ 2,326.1	100.0%

AVONEX

Revenues from AVONEX are summarized as follows:

(In millions, except percentages)	For the Three Months Ended September 30, 2010	2009	Change %	For the Nine Months Ended September 30, 2010	2009	Change %
United States	$ 387.0	$ 348.5	11.0%	$ 1,107.9	$ 1,054.2	5.1%
Rest of world	256.6	231.5	10.8%	756.4	672.3	12.5%
Total AVONEX revenues	$ 643.6	$ 580.0	11.0%	$ 1,864.3	$ 1,726.5	8.0%

For the three and nine months ended September 30, 2010, compared to the same periods in 2009, the increase in U.S. AVONEX revenue was due to price increases offset by decreased commercial demand and reserves recorded related to the newly enacted healthcare reform legislation in the U.S. Decreased commercial demand resulted in declines of approximately 3% and 7% in U.S. AVONEX sales volume for the three and nine months ended September 30, 2010, respectively, over the prior year comparative periods. In addition, during the three and nine months ended September 30, 2010, we experienced higher participation in our Access Program, which provides free product to eligible patients.

For the three and nine months ended September 30, 2010, compared to the same periods in 2009, the increase in rest of world AVONEX revenue was due to increased commercial demand offset by price decreases in some countries. Increased commercial demand resulted in increases of approximately 6% and 5% in rest of world AVONEX sales volume for the three and nine months ended September 30, 2010, respectively, over the prior year comparative periods. The increase in rest of world AVONEX revenue due to demand, for the three and nine month comparative periods, was offset by the negative impact of foreign currency exchange rates resulting from the relative strengthening of the U.S. dollar against relevant foreign currencies, primarily the Euro.

AVONEX rest of world revenues for the three and nine months ended September 30, 2010 also includes gains recognized in relation to the settlement of certain cash flow hedge instruments under our foreign currency hedging program which totaled $16.8 million and $30.7 million, respectively, compared to losses recognized of $12.0 million and $24.3 million, respectively, in the prior year comparative periods.

We expect AVONEX to face increasing competition in the multiple sclerosis (MS) marketplace in both the U.S. and rest of world. A number of companies, including us, are working to develop products to treat MS that may compete with AVONEX now and in the future, including oral and other alternative formulations. For example, in September 2010, the U.S. Food and Drug Administration (FDA) approved fingolimod which is a pill-based treatment for relapsing forms of MS. In addition, the continued growth of TYSABRI and the commercialization of our other pipeline product candidates may negatively impact future sales of AVONEX. Increased competition may lead to reduced unit sales of AVONEX, as well as increasing price pressure.

TYSABRI

We collaborate with Elan Pharma International, Ltd (Elan) an affiliate of Elan Corporation, plc, on the development and commercialization of TYSABRI. For a more detailed description of this collaboration, please read Note 17, *Collaborations* to our consolidated financial statements included within our 2009 Form 10-K.

Revenues from TYSABRI are summarized as follows:

(In millions, except percentages)	For the Three Months Ended September 30, 2010	2009	Change %	For the Nine Months Ended September 30, 2010	2009	Change %
United States	$ 60.6	$ 59.3	2.2%	$ 183.2	$ 169.7	8.0%
Rest of world	160.1	147.7	8.4%	475.4	390.1	21.9%
Total TYSABRI revenues	$ 220.7	$ 207.0	6.6%	$ 658.6	$ 559.8	17.6%

For the three and nine months ended September 30, 2010, compared to the same periods in 2009, the increase in U.S. TYSABRI revenue was due both to the continued increase in the number of patients using TYSABRI in the U.S. and to price increases. These increases were offset by the impact of the newly enacted healthcare reform legislation in the U.S. and the sale of previously written-down TYSABRI inventory, which became saleable following the approval of our higher-yielding manufacturing process. As our sales price to Elan in the U.S. is set to effect an approximate equal sharing of the gross margin with Elan plus reimbursement for our cost of goods sold, the distribution of this specific inventory reduced our cost of sales, which reduced the price per unit we charged to Elan and resulted in lower revenues to Biogen Idec of $4.5 million and $7.0 million on a comparable basis, respectively, for the three and nine month comparative periods. As this inventory was substantially depleted during the third quarter of 2010, we expect less of an impact on our TYSABRI revenues in the fourth quarter of 2010 and no impact in future periods.

Increased commercial demand resulted in increases of approximately 6% and 12% in U.S. TYSABRI sales volume for the three and nine months ended September 30, 2010, respectively, over the prior year comparative periods. Net sales of TYSABRI from our collaboration partner, Elan, to third-party customers in the U.S. for the three and nine months ended September 30, 2010 totaled $150.9 million and $431.0 million, respectively, compared to $130.7 million and $371.1 million, respectively in the prior year comparative periods.

For the three and nine months ended September 30, 2010, compared to the same periods in 2009, the increase in rest of world TYSABRI revenue was due to the continued increase in the number of patients using TYSABRI in our rest of world markets offset by price decreases in some countries. Increased commercial demand resulted in increases of approximately 15% and 25% in rest of world TYSABRI sales volume for the three and nine months ended September 30, 2010, respectively, over the prior year comparative periods. The increase in rest of world TYSABRI revenue due to demand, for the three and nine month comparative periods, was offset by the negative impact of foreign currency exchange rates resulting from the relative strengthening of the U.S. dollar against relevant foreign currencies, primarily the Euro.

TYSABRI rest of world revenues for the three and nine months ended September 30, 2010 also includes gains recognized in relation to the settlement of certain cash flow hedge instruments under our foreign currency hedging program which totaled $3.8 million and $9.9 million, respectively, compared to losses recognized of $4.2 million in both the three and nine comparative periods.

The prescribing information for TYSABRI contains significant safety warnings, including the risk of developing progressive multifocal leukoencephalopathy (PML), a rare but serious brain infection. In July 2010, we filed changes to the existing U.S. TYSABRI label with the FDA to reflect that, in addition to the risks previously outlined, the risk of PML is increased in patients who have been treated with an immunosuppressant prior to receiving TYSABRI and that this increased risk appears to be independent of TYSABRI treatment duration. This label change follows our May 2010 update to the U.S. prescribing information to (1) reflect that if the initial evaluations for PML are negative but clinical suspicion for PML remains high, healthcare providers should continue to withhold TYSABRI dosing and repeat the PML evaluations and (2) update the existing warning to specify that Immune Reconstitution Inflammatory Syndrome (IRIS) can “be rapid, can lead to serious neurological complications or death”.

In May 2010, the European Medicines Agency (EMA) approved changes to the TYSABRI label in the European Union to reflect that (1) the risk of PML increases after two years of therapy, (2) the limited experience in patients taking TYSABRI beyond three years means that the risk for PML in these patients cannot currently be estimated, and (3) there is a risk for the occurrence of IRIS in patients with TYSABRI induced PML following discontinuation or removal of TYSABRI by plasma exchange, a process that clears TYSABRI from patients’ blood allowing the immune system to fight the infection. These label changes were consistent with those recommended by the EMA in January 2010. The EMA also recommended that patients have an MRI at baseline and annual MRIs thereafter as well as be informed of the risk of PML through the use of treatment forms at the start of treatment and again after two years of therapy.

We continue to monitor the growth of TYSABRI unit sales, which may be further impacted by the updated prescribing information. We continue to research and develop protocols and therapies that may reduce risk and improve outcomes of PML in patients. For example, our efforts have included working to identify

patient or viral characteristics which contribute to the risk of developing PML, including the presence of asymptomatic JC virus infection with an assay to detect an immune response against the JC virus, and clinical testing of mefloquine as an anti-JC virus drug candidate. Specifically with respect to the assay to detect an immune response against the JC virus, we have initiated two clinical studies in the U.S., known as STRATIFY-1 and STRATIFY-2. These studies are intended to define the prevalence of serum JC virus antibody in patients with relapsing MS receiving or considering treatment with TYSABRI and to evaluate the potential to stratify patients into lower or higher risk for developing PML based on antibody status. Our efforts to stratify patients into lower or higher risk for developing PML, including evaluating the potential clinical utility of a JC virus antibody assay, and other ongoing or future clinical trials involving TYSABRI, may have a negative impact on prescribing behavior in at least the short term which may result in decreased product revenues from sales of TYSABRI.

Unconsolidated Joint Business Revenue

We collaborate with Genentech on the development and commercialization of RITUXAN.

Revenues from unconsolidated joint business are summarized as follows:

(In millions, except percentages)	For the Three Months Ended September 30, 2010	2009	Change %	For the Nine Months Ended September 30, 2010	2009	Change %
Biogen Idec's share of co-promotion profits in the U.S.	$ 204.2	$ 203.3	0.4%	$ 632.6	$ 581.3	8.8%
Reimbursement of selling and development expense in the U.S.	16.0	15.8	1.3%	49.8	47.5	4.8%
Revenue on sales of RITUXAN in the rest of world	37.8	64.8	(41.7)%	136.9	209.5	(34.7)%
Total unconsolidated joint business revenues	$ 258.0	$ 283.9	(9.1)%	$ 819.3	$ 838.3	(2.3)%

The following table provides a summary of amounts comprising our share of co-promotion profits in the U.S.:

(In millions, except percentages)	For the Three Months Ended September 30, 2010	2009	Change %	For the Nine Months Ended September 30, 2010	2009	Change %
Product revenues, net	$ 674.8	$ 670.4	0.7%	$ 2,068.6	$ 2,008.0	3.0%
Costs and expenses	164.3	167.3	(1.8)%	474.6	547.2	(13.3)%
Co-promotion profits in the U.S.	510.5	503.1	1.5%	1,594.0	1,460.8	9.1%
Biogen Idec's share of co-promotion profits in the U.S.	$ 204.2	$ 203.3	0.4%	$ 632.6	$ 581.3	8.8%

For the three and nine months ended September 30, 2010, compared to the same periods in 2009, the increase in U.S. RITUXAN product revenues was primarily due to price increases. The increase for the comparative nine month periods was also driven by increased commercial demand, which resulted in an increase in sales volume of approximately 1%. However, sales volume for the three month comparative periods decreased by approximately 1%. The decrease in collaboration costs and expenses for the three and nine month comparative periods primarily resulted from a decline in expenditures for the development of RITUXAN for use in other indications.

Selling and development expenses incurred by us in the U.S. and reimbursed by Genentech was essentially unchanged for the three and nine months ended September 30, 2010, compared to the same periods in 2009. As discussed in Note 17, *Collaborations*, to our consolidated financial statements included within our 2009 Form 10-K, Genentech incurs the majority of continuing development costs for RITUXAN. Expenses incurred by Genentech in the development of RITUXAN are not recorded as research and development

expense, but rather reduce our share of co-promotion profits recorded as a component of unconsolidated joint business revenue. Costs associated with the development of other anti-CD20 products, such as GA101, are recorded as research and development expense; however, upon achievement of the successful commercialization of these products, additional costs incurred in their continuing development will no longer be recorded as research and development expense but will instead reduce our share of co-promotion profits recorded as a component of unconsolidated joint business revenue.

Revenue on sales of RITUXAN in the rest of world consists of our share of pretax co-promotion profits in Canada and royalty revenue on sales of RITUXAN outside the U.S. and Canada. Revenues on sales of RITUXAN in the rest of world continue to decline due to royalty expirations in certain of our rest of world markets. The royalty period for sales in the rest of world with respect to all products is 11 years from the first commercial sale of such product on a country-by-country basis. Specifically, the royalty periods with respect to sales in France, Spain, Germany and the United Kingdom expired in 2009. The royalty period with respect to sales in Italy expired earlier this year. The royalty periods for substantially all of the remaining royalty-bearing sales of RITUXAN in the rest of the world will subsequently expire through 2012. As a result of these expirations, we expect royalty revenues derived from sales of RITUXAN in the rest of world to continue to decline in future periods. The decrease experienced during the nine month comparative periods, was offset by a cumulative underpayment of royalties owed to us on sales of RITUXAN in the rest of world by Genentech totaling $21.3 million, which was recognized in the second quarter of 2010.

On October 19, 2010, we and Genentech amended and restated our Amended and Restated Collaboration Agreement dated June 19, 2003 with regard to the development of ocrelizumab, a humanized anti-CD20 antibody, and agreed to terms for the development of GA101, a next-generation anti-CD20 antibody, as summarized below.

Ocrelizumab

Genentech will have responsibility for the further development and commercialization of ocrelizumab in MS and will fund all of the related costs going forward. We will be entitled to receive tiered royalties between 13.5% and 24% on U.S. sales of ocrelizumab. Commercialization of ocrelizumab will not impact our percentage of the co-promotion profits for RITUXAN.

GA101

We will increase our share of the losses and profits related to the development and commercialization of GA101 in the U.S. We will pay 35% of the development and commercialization expenses of GA101 and will receive between 35% and 39% of the profits of GA101 based upon the achievement of certain sales milestones. To date, we had paid 30% of the GA101 development expenses. We will pay approximately $10.0 million to compensate Genentech for our increased share of such previously incurred expenses. Commercialization of GA101 will impact our percentage of the co-promotion profits for RITUXAN, as summarized in the table below.

RITUXAN

Our current pretax co-promotion profit-sharing formula, which resets annually, provides for a 30% share of the first $50.0 million of co-promotion operating profits for RITUXAN in the U.S. and Canada and a 40% share of such profits in excess of $50.0 million. In 2010 and 2009, the 40% threshold was met during the first quarter. Under the amended agreement, our share of the co-promotion profits for RITUXAN will change, as summarized in the table below, upon the following events:

- *First New Product FDA Approval:* the FDA's first approval of an anti-CD20 product other than ocrelizumab and GA101 that is acquired or developed by Genentech and is subject to the collaboration agreement (New Product).
- *First Non-CLL GA101 FDA Approval:* the FDA's first approval of GA101 in an indication other than chronic lymphocytic leukemia (CLL).

- *GA101 CLL Sales Trigger:* the first day of the quarter after U.S. gross sales of GA101 in any consecutive 12 month period reach $500.0 million.

Our share of the co-promotion operating profits for RITUXAN is calculated as follows:

Co-promotion Operating Profits†	After First New Product FDA Approval	Before First New Product FDA Approval	
		First Non-CLL GA101 FDA Approval Occurs First	GA101 CLL Sales Trigger Occurs First
I. First $50.0 million	30%	30%	30%
II. Above $50.0 million	—	—	35%
A. Until First GA101 Threshold Date	38%	39%	—
B. After First GA101 Threshold Date			
1(a). Until First Threshold Date	37.5%	—	—
1(b). After First Threshold Date and until Second Threshold Date	35%	—	—
1(c). After Second Threshold Date	30%	—	—
2. Until Second GA101 Threshold Date	—	37.5%	—
C. After Second GA101 Threshold Date	—	35%	—

† First GA101 Threshold Date means the earlier of (1) the date of the First Non-CLL GA101 FDA Approval if U.S. gross sales of GA101 for the preceding consecutive 12 month period reach $150.0 million or (2) the first day of the calendar quarter following the date following the First Non-CLL GA101 FDA Approval that U.S. gross sales of GA101 within any consecutive 12 month period have reached $150.0 million.

Second GA101 Threshold Date means the first day of the calendar quarter after U.S. gross sales of GA101 within any consecutive 12 month period have reached $500.0 million.

First Threshold Date means the earlier of (1) the GA101 CLL Sales Trigger, (2) the Second GA101 Threshold Date and (3) the later of (a) the first date that U.S. gross sales of New Products in any calendar year reach $150.0 million and (b) January 1 of the calendar year following the calendar year in which the First New Product FDA Approval occurs if gross sales of New Products reached $150.0 million within the same calendar year in which the First New Product FDA Approval occurred.

Second Threshold Date means the later of (1) the first date that U.S. gross sales of New Products in any calendar year reach $350.0 million and (2) January 1 of the calendar year following the calendar year in which the First Threshold Date occurs.

Other Revenues

Other revenues are summarized as follows:

(In millions, except percentages)	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2010	2009	Change %	2010	2009	Change %
Royalty revenues	$ 36.0	$ 34.5	4.3%	$ 92.1	$ 83.6	10.2%
Corporate partner revenues	5.0	0.4	1150.0%	25.7	2.3	1017.4%
Total other revenues	$ 41.0	$ 34.9	17.5%	$ 117.8	$ 85.9	37.1%

Royalty Revenues

We receive royalties on sales by our licensees of a number of products covered under patents we own. For the three and nine months ended September 30, 2010, compared to the same periods in 2009, the increase

in total royalty revenues was primarily driven by increased sales of ANGIOMAX (bivalirudin) licensed to The Medicines Company (TMC).

Our most significant source of royalty revenue is derived from sales of ANGIOMAX by TMC. TMC sells ANGIOMAX in the U.S., Europe, Canada, Central America, South America, Israel and Australia. Royalty revenues related to the sales of ANGIOMAX are recognized in an amount equal to the level of net sales achieved during a calendar year multiplied by the royalty rate in effect for that tier under our agreement with TMC. The royalty rate increases based upon which tier of total net sales are earned in any calendar year. The increased royalty rate is applied retroactively to the first dollar of net sales achieved during the year. This formula has the effect of increasing the amount of royalty revenue to be recognized in later quarters and, as a result, an adjustment is recorded in the period in which an increase in royalty rate has been achieved. We expect to recognize such an adjustment in the fourth quarter of 2010 of approximately $11.5 million due to a change in the applicable royalty rate based upon our estimate of expected net product sales of ANGIOMAX, as defined under our agreement with TMC.

Under the terms of our agreement, TMC is obligated to pay us royalties earned, on a country-by-country basis, until the later of (1) twelve years from the date of the first commercial sale of ANGIOMAX in such country and (2) the date upon which the product is no longer covered by a patent in such country. The annual royalty rate is reduced by a specified percentage in any country where the product is no longer covered by a patent and where sales have been reduced to a certain volume-based market share. TMC began selling ANGIOMAX in the U.S. in January 2001. The principal U.S. patent that covers ANGIOMAX was due to expire in March 2010 and TMC applied for an extension of the term of this patent. Initially, the United States Patent and Trademark Office (PTO) rejected TMC's application because in its view the application was not timely filed. TMC sued the PTO in federal district court seeking to extend to December 2014, the term of the principal U.S. patent. On August 3, 2010, the federal district court ordered the PTO to deem the application as timely filed. The PTO did not appeal the order, but a generic manufacturer is seeking the right to intervene and file an appeal. The PTO has granted an interim extension of the patent term until August 13, 2011. In the event that TMC is unsuccessful in obtaining a patent term extension thereafter and third parties sell products comparable to ANGIOMAX, we would expect a significant decrease in royalty revenues due to increased competition, which may impact sales and result in lower royalty tiered rates.

Corporate Partner Revenues

For the nine months ended September 30, 2010, compared to the same period in 2009, the increase in corporate partner revenues was primarily due to amounts earned upon delivery of product in the second quarter of 2010 under the terms of our 2006 contract manufacturing agreement with Astellas Pharma US, Inc. for the supply of AMEVIVE.

Provision for Discounts and Allowances

Revenues from product sales are recorded net of applicable allowances for trade term discounts, wholesaler incentives, Medicaid rebates, Veterans Administration (VA) and Public Health Service (PHS) discounts, managed care rebates, product returns, and other applicable allowances. Reserves established for these discounts and allowances are classified as reductions of accounts receivable (if the amount is payable to

our customer) or a liability (if the amount is payable to a party other than our customer). Reserves for discounts, contractual adjustments and returns that reduced gross product revenues are summarized as follows:

(In millions, except percentages)	For the Three Months Ended September 30, 2010	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009
Discounts	$ 16.2	$ 18.7	$ 55.6	$ 54.9
Contractual adjustments	80.2	50.6	202.5	143.4
Returns	4.0	4.4	10.5	14.0
Total reserves	$ 100.4	$ 73.7	$ 268.6	$ 212.3
Gross product revenues	$ 977.3	$ 875.4	$ 2,828.9	$ 2,538.4
Percent of gross product revenues	10.3%	8.4%	9.5%	8.4%

Discount reserves include trade term discounts and wholesaler incentives. For the three months ended September 30, 2010, compared to the same period in 2009, the decrease in discounts was primarily driven by decreased sales volume offset by price increases. The increase in discounts for the nine month comparative periods was primarily driven by increases in trade term discounts and wholesaler incentives as a result of increased sales.

Contractual adjustment reserves relate to Medicaid and managed care rebates, VA and PHS discounts and other applicable allowances. For the three and nine months ended September 30, 2010, compared to the same periods in 2009, contractual adjustments increased primarily due to the impact of higher contractual rebates and discounts resulting from U.S. healthcare reform legislation passed in March 2010, increased activity under managed care programs and increased rebates and discounts resulting from higher prices in the U.S.

Product return reserves are established for returns made by wholesalers. In accordance with contractual terms, wholesalers are permitted to return product for reasons such as damaged or expired product. We also accept returns from our patients for various reasons. For the three and nine months ended September 30, 2010, compared to the same periods in 2009, return reserves remained relatively unchanged.

Healthcare Reform

In March 2010, healthcare reform legislation was enacted in the U.S. This legislation contains several provisions that impact our business.

Although many provisions of the new legislation did not take effect immediately, several provisions became effective in the first quarter of 2010. These include (1) an increase in the minimum Medicaid rebate to states participating in the Medicaid program from 15.1% to 23.1% on our branded prescription drugs; (2) the extension of the Medicaid rebate to Managed Care Organizations that dispense drugs to Medicaid beneficiaries; and (3) the expansion of the 340(B) Public Health Services drug pricing program, which provides outpatient drugs at reduced rates, to include additional hospitals, clinics, and healthcare centers.

Beginning in 2011, the new law requires drug manufacturers to provide a 50% discount to Medicare beneficiaries whose prescription drug costs cause them to be subject to the Medicare Part D coverage gap (i.e. the “donut hole”). Also, in 2011, a new fee will be payable by branded prescription drug manufacturers and importers. This fee will be calculated based upon each organization’s percentage share of total branded prescription drug sales to qualifying U.S. government programs (such as Medicare, Medicaid and VA and PHS discount programs) made during the previous year. The aggregated industry wide fee is expected to total $28 billion through 2019, of which $2.5 billion is payable in 2011.

This new legislation contains a number of provisions that affect existing government programs and has required the creation of new programs, policies and processes, many of which remain under development and have not been fully implemented. For example, we do not yet fully know the extent of additional entities eligible to participate under the 340(B) program or when and how discounts will be provided to these entities. In addition, the operation of the Medicare Part D coverage gap remains uncertain, though, as noted above, this

program and others will not be effective until 2011. Accordingly, our estimate of the financial impact of this legislation on our business is based on numerous assumptions about the implementation of this new legislation and actual results may differ from our estimate. Based upon our latest estimates, we expect that the new legislation will reduce our revenues in 2010 by approximately $40.0 to $60.0 million.

While certain aspects of the new legislation implemented in 2010 are expected to reduce our revenues in 2010 and in future years, other provisions of this legislation may offset, at some level, the reduction in revenues when these provisions become effective. In future years, these other provisions could potentially result in higher revenues due to an expected increase in the total number of patients covered by health insurance and an expectation that existing insurance coverage will provide more comprehensive consumer protections. This would include a federal subsidy for a portion of a beneficiary's out-of-pocket cost under Medicare Part D. However, we expect the favorable operating results experienced due to an increase in patients will be offset by the impact of the branded prescription drug manufacturers' fee, which becomes effective in 2011.

In addition, we anticipate that many countries outside the U.S. will continue to implement austerity measures including efforts aimed at reducing healthcare costs as these countries attempt to manage increasing healthcare expenditures, especially in light of the global economic downturn and the deterioration of the credit and economic conditions in Europe. For example, certain governments of countries in which we operate have already implemented or may implement measures to reduce or control healthcare costs that, among other things, include imposed price reductions, suspensions on pricing increases on pharmaceuticals, increased mandatory discounts and rebates or seek recoveries of past price increases. Certain measures already implemented have negatively impacted our revenues. Our revenues and/or results of operations will be further negatively impacted if these, similar or more extensive measures continue to be implemented.

Costs and Expenses

Total costs and expenses are summarized as follows:

(In millions, except percentages)	For the Three Months Ended September 30, 2010	2009	Change %	For the Nine Months Ended September 30, 2010	2009	Change %
Cost of sales, excluding amortization of acquired intangible assets	$ 95.9	$ 93.5	2.6%	$ 300.0	$ 282.4	6.2%
Research and development	319.1	304.1	4.9	957.8	1,000.0	(4.2)
Selling, general and administrative	244.2	226.8	7.7	755.1	669.4	12.8
Collaboration profit sharing	64.0	60.7	5.4	190.2	152.6	24.7
Amortization of acquired intangible assets	53.5	51.3	4.3	155.6	233.8	(33.5)
Acquired in-process research and development	205.0	—	—	245.0	—	—
Total costs and expenses	$ 981.7	$ 736.3	33.3%	$ 2,603.6	$ 2,338.2	11.4%

Cost of Sales, Excluding Amortization of Acquired Intangible Assets (Cost of Sales)

(In millions, except percentages)	For the Three Months Ended September 30, 2010	2009	Change %	For the Nine Months Ended September 30, 2010	2009	Change %
Cost of sales	$95.9	$93.5	2.6%	$300.0	$282.4	6.2%

For the three and nine months ended September 30, 2010, compared to the same periods in 2009, the increase in cost of sales was primarily due to higher sales volume. The increase for the comparative nine month periods was also driven by a $5.7 million increase in costs associated with contract manufacturing activity for the supply of AMEVIVE as well as $6.7 million of period expense incurred related to the shutdown of our manufacturing facility in Research Triangle Park, North Carolina, for capital upgrades. These

increases were offset by the sale of previously written-down TYSABRI inventory, which became saleable following approval of our new higher-yielding manufacturing process. The distribution of this inventory, which was substantially depleted during the third quarter of 2010, reduced our cost of sales by $6.1 million and $10.6 million, respectively, for the three and nine month comparative periods.

Amounts written down related to unmarketable inventory are also charged to cost of sales, and totaled $4.3 million and $9.9 million for the three and nine months ended September 30, 2010, respectively, compared to $2.0 million and $13.4 million in the prior year comparative periods.

Research and Development

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
(In millions, except percentages)	2010	2009	Change %	2010	2009	Change %
Research and development	$319.1	$304.1	4.9%	$957.8	$1,000.0	(4.2)%

Excluding the $110.0 million upfront payment made to Acorda Therapeutics, Inc. in 2009, the increase in research and development expense for the three and nine month comparative periods, was primarily due to the $26.4 million in upfront payments made to Knopp under our recent license agreement and increased clinical activity related to our Factor VIII and Factor IX programs. During the first quarter of 2010, we restructured our collaboration agreement with Swedish Orphan Biovitrum, whereby we assumed full development and manufacturing responsibilities for the Factor VIII and Factor IX programs and as a result have incurred increased costs. Our research and development spend also increased as a result of increasing clinical trial activity for several programs including Daclizumab and PEGylated interferon beta-1a as well as our efforts to research and develop protocols that may reduce risk and improve outcomes of PML in patients treated with TYSABRI. These increases were offset by a reduction in spending in certain deprioritized programs.

For the three and nine months ended September 30, 2010, milestone and upfront payments to our collaboration partners, included within research and development expense, totaled $32.9 million and $68.9 million, respectively, compared to $22.0 million and $151.0 million in the prior year comparative periods. The decrease for the nine month comparative periods was primarily the result of the $110.0 million upfront payment made to Acorda in 2009. The timing of upfront fees and milestone payments in the future may continue to cause variability in future research and development expense.

Selling, General and Administrative

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
(In millions, except percentages)	2010	2009	Change %	2010	2009	Change %
Selling, general and administrative	$244.2	$226.8	7.7%	$755.1	$669.4	12.8%

For the three and nine months ended September 30, 2010, compared to the same periods in 2009, selling, general and administrative expenses increased primarily due to increased sales and marketing activities in support of AVONEX and TYSABRI and increased grant and sponsorship activity. The increase for the nine month comparative periods includes the additional expense recognized related to the modification of equity based compensation in accordance with the transition agreement entered into with James C. Mullen, who retired as our President and Chief Executive Officer on June 8, 2010.

Collaboration Profit Sharing

(In millions, except percentages)	For the Three Months Ended September 30, 2010	2009	Change %	For the Nine Months Ended September 30, 2010	2009	Change %
Collaboration profit sharing	$64.0	$60.7	5.4%	$190.2	$152.6	24.7%

For the three and nine months ended September 30, 2010, compared to the same periods in 2009, the increase in collaboration profit sharing expense was due to the continued increase in TYSABRI rest of world sales resulting in higher rest of world net operating profits to be shared with Elan and resulting in growth in the third-party royalties Elan paid on behalf of the collaboration. For the three and nine months ended September 30, 2010, our collaboration profit sharing expense included $11.3 million and $33.8 million, respectively, related to the reimbursement of third-party royalty payments made by Elan compared to $10.7 million and $28.5 million, respectively, for the prior year comparative periods. For a more detailed description of this collaboration, please read Note 17, *Collaborations* to our consolidated financial statements included within our 2009 Form 10-K.

Amortization of Acquired Intangible Assets

(In millions, except percentages)	For the Three Months Ended September 30, 2010	2009	Change %	For the Nine Months Ended September 30, 2010	2009	Change %
Amortization of acquired intangible assets	$53.5	$51.3	4.3%	$155.6	$233.8	(33.5)%

Our most significant intangible asset is the core technology related to our AVONEX product. Our amortization policy reflects our belief that the economic benefit of our core technology is consumed as revenue is generated from our AVONEX product. We refer to this amortization methodology as the economic consumption model, which involves calculating a ratio of actual current period sales to total anticipated sales for the life of the product and applying this ratio to the carrying amount of the intangible asset. An analysis of the anticipated lifetime revenue of AVONEX is performed at least annually during our long range planning cycle, and this analysis serves as the basis for the calculation of our economic consumption amortization model. Although we believe this process has allowed us to reliably determine the best estimate of the pattern in which we will consume the economic benefits of our core technology intangible asset, the model could result in deferring amortization charges to future periods in certain instances, due to continued sales of the product at a nominal level after patent expiration or otherwise. In order to ensure that amortization charges are not unreasonably deferred to future periods, we compare the amount of amortization determined under the economic consumption model against the minimum amount of amortization recalculated each year under the straight-line method. Amortization is then recorded based upon the higher of the amount of amortization determined under the economic consumption model or the minimum amortization amount determined under the straight-line method.

We completed our most recent long range planning cycle in the third quarter of 2010. This analysis is based upon certain assumptions that we evaluate on a periodic basis, such as the anticipated product sales of AVONEX and expected impact of competitor products and our own pipeline product candidates, as well as the issuance of new patents or the extension of existing patents. Based upon this analysis, we have continued to amortize this asset on the economic consumption model for the third quarter of 2010, and expect to apply the same model for the subsequent three quarters. In addition, since we do not currently expect a significant change in the expected lifetime revenue of AVONEX, amortization recorded in relation to our core intangible asset for the current and three subsequent quarters is anticipated to be comparable to amounts recorded during the prior four quarters.

We monitor events and expectations on product performance. If there are any indications that the assumptions underlying our most recent analysis would be different than those utilized within our current estimates, our analysis would be updated and may result in a significant change in the anticipated lifetime revenue of AVONEX determined during our most recent annual review. For example, the occurrence of an adverse event, such as the invalidation of our AVONEX ’755 Patent issued in September 2009, could

substantially increase the amount of amortization expense associated with our acquired intangible assets as compared to previous periods or our current expectations, which may result in a significant negative impact on our future results of operations.

Based upon our most recent analysis, amortization for acquired intangible assets is expected to be in the range of approximately $170.0 million to $210.0 million annually through 2015.

Acquired In-Process Research and Development (IPR&D)

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
(In millions, except percentages)	2010	2009	Change %	2010	2009	Change %
Acquired in-process research and development	$205.0	$ —	—	$245.0	$ —	—

In August 2010, we entered into a license agreement with Knopp Neurosciences, Inc. (Knopp) for the development, manufacture and commercialization of KNS-760704 (dexpramipexole), an orally administered small molecule in clinical development for the treatment of amyotrophic lateral sclerosis (ALS). As we determined that we are the primary beneficiary of this relationship, we consolidate the results of Knopp and recorded an IPR&D charge of approximately $205.0 million upon initial consolidation. We have attributed approximately $145.0 million of the total IPR&D charge to the noncontrolling interest. For a more detailed description of this transaction and our valuation of the related charge, please read Note 16, *Investments in Variable Interest Entities* to our consolidated financial statements included in this report.

In connection with our acquisition of Biogen Idec Hemophilia Inc., formerly Syntonix Pharmaceuticals, Inc. (Syntonix), in January 2007, we agreed to make additional future consideration payments based upon the achievement of certain milestone events. In January 2010, we initiated patient enrollment in a registrational study for long-acting recombinant Factor IX in hemophilia B, known as B-LONG. The initiation of this study resulted in the achievement of a milestone under the acquisition agreement, requiring us to pay approximately $40.0 million to the former shareholders of Syntonix.

Impairment of Property, Plant and Equipment

We own or lease real estate primarily consisting of buildings that contain research laboratories, office space, and biologic manufacturing operations, some of which are located in markets that are experiencing high vacancy rates and decreasing property values. If we decide to consolidate, co-locate or dispose of certain aspects of our business operations, for strategic or other operational reasons, we may dispose of or vacate one or more of our properties. Due to reduced expectations of product demand, improved yields on production and other factors, we may not fully utilize our manufacturing facilities at normal levels resulting in idle time at facilities or substantial excess manufacturing capacity. We regularly evaluate our current facility utilization strategy and assess alternatives, including our recent decision to delay completion of our manufacturing facility in Denmark. If any of our owned properties are held for sale and we determine that the fair value of the properties is lower than their book value, we may not realize our full investment in these properties and incur impairment charges which may be significant. In addition, if we decide to fully or partially vacate a leased property, we may incur significant costs, including lease termination fees, rent expense in excess of sublease income and impairment of leasehold improvements.

Other Income (Expense), Net

(In millions, except percentages)	For the Three Months Ended September 30, 2010	2009	Change %	For the Nine Months Ended September 30, 2010	2009	Change %
Interest income	$ 3.1	$ 10.9	(71.6)%	$ 18.6	$ 37.8	(50.8)%
Interest expense	(9.3)	(8.5)	9.4	(26.6)	(27.6)	(3.6)
Impairments of investments	(2.8)	(0.5)	460.0	(19.8)	(10.1)	96.0
Net gains (losses) on foreign currency transactions	(3.5)	3.2	(209.4)	(3.2)	10.6	(130.2)
Net realized gains on marketable securities	4.8	1.8	166.7	16.1	13.7	17.5
Other, net	0.8	2.5	(68.0)	0.6	6.5	(90.8)
Total other income (expense), net	$ (6.9)	$ 9.4	(173.4)%	$ (14.3)	$ 30.9	(146.3)%

Interest Income

For the three and nine months ended September 30, 2010, compared to the same periods in 2009, interest income decreased primarily due to lower yields on cash, cash equivalents, and marketable securities and lower average cash balances.

Interest Expense

For the three and nine months ended September 30, 2010, we capitalized interest costs related to construction in progress totaling approximately $6.6 million, and $21.3 million, respectively, which reduced our interest expense by the same amount. We capitalized $7.4 million and $20.4 million, respectively, in the prior year comparative periods.

Capitalized interest costs are primarily related to the development of our large-scale biologic manufacturing facility in Hillerød, Denmark. Upon completion of the facility's operational qualification activities, which are expected during the fourth quarter of 2010, we plan to cease capitalizing interest expense in relation to this project. We will delay the start of manufacturing activities at this site until additional capacity is required by the business.

Impairment on Investments

For the three and nine months ended September 30, 2010, we recognized $2.8 million and $19.8 million, respectively, in charges for the other-than-temporary impairment of our publicly held strategic investments, investments in venture capital funds and investments in privately held companies compared to $0.5 million and $6.5 million in the prior year comparative periods. The increase for the nine month comparative periods was primarily due to AVEO Pharmaceuticals, Inc., one of our strategic investments, executing an equity offering at a price below our cost basis during the first quarter of 2010.

Net realized gains on marketable securities for the nine months ended September 30, 2009, includes $3.6 million in other-than-temporary impairment charges recognized during the first quarter of 2009. No impairments were recognized related to our marketable debt securities for the three months ended September 30, 2009 or for the three and nine months ended September 30, 2010, respectively.

Income Tax Provision

(In millions, except percentages)	For the Three Months Ended September 30, 2010	2009	Change %	For the Nine Months Ended September 30, 2010	2009	Change %
Effective tax rate	40.1%	29.0%	38.3%	28.7%	28.8%	(0.3)%
Income tax expense	$75.0	$113.9	(34.2)%	$252.6	$271.9	(7.1)%

Our effective worldwide tax rate will fluctuate from period to period due to several factors related to the nature of our global operations. The factors that most significantly impact our effective tax rate include the variability in the allocation of our taxable earnings in multiple jurisdictions, changes in tax laws, acquisitions and licensing transactions.

Our effective tax rate for the three and nine months ended September 30, 2010, was negatively impacted due to the attribution to noncontrolling interest of $145.0 million of the IPR&D charge related to our collaboration and license agreement with Knopp Neurosciences, Inc. As such, the attributed amount will not generate a tax deduction, causing our tax rate to be unfavorably impacted by 13.5% and 2.7%, respectively. The impact of the Knopp transaction was partially offset by a higher percentage of our profits being earned in lower rate international jurisdictions in 2010. This change in the location of our relative profits was caused by the growth of our international operations and lower 2010 domestic earnings as a proportion of total consolidated earnings due, in part, to the U.S. healthcare reform legislation enacted in March 2010. For a more detailed description of our transaction with Knopp, please read Note 16, *Investments in Variable Interest Entities.*

During 2010, we also experienced a favorable impact on our effective tax rates due to a statutory increase in the U.S. manufacturers' tax deduction and an increase in expenditures eligible for our orphan drug credit. The favorable impact of these items were offset by the expiration of the federal research and development tax credit which has not been in effect for the nine months ended September 30, 2010. In addition, our 2009 effective tax rate for the three and nine months ended September 30, 2009 was increased by 2.4% and 2.3%, respectively, as a result of the $110.0 million upfront payment incurred in connection with the collaboration and license agreement entered into with Acorda Therapeutics, Inc. (Acorda) in the second quarter of 2009. Our effective tax rate for the nine months ended September 30, 2009 was also favorably impacted by 3.2% for changes in tax law which became effective during the first quarter of 2009 in certain state jurisdictions in which we operate.

We expect our full-year 2010 effective tax rate to be between 28% and 30%. This rate does not consider the impact of a potential renewal of the U.S. federal research and development tax credit. If this credit is reinstated during the fourth quarter of 2010, we will recognize the full year's expected benefit in the fourth quarter. Based on our current estimates of eligible research expenditures, the reinstatement of this credit would result in a benefit currently expected to be in the range of approximately $14.0 million to $16.0 million or a 1.2% and 1.4% decrease in our rate for the three and twelve months ended December 31, 2010.

Please read Note 14, *Income Taxes* to our consolidated financial statements included in this report for a detailed income tax rate reconciliation for the three and nine months ended September 30, 2010 and 2009.

Market Risk

We conduct business globally. As a result, our international operations are subject to certain opportunities and risks which may affect our results of operations, including volatility in foreign currency exchange rates or weak economic conditions in the foreign market in which we operate.

Foreign Currency Exchange Risk

While the financial results of our global activities are reported in U.S. dollars, the functional currency for most of our foreign subsidiaries is their local currency. Fluctuations in the foreign currency exchange rates of the countries in which we do business will affect our operating results, often in ways that are difficult to predict. For example, when the U.S. dollar strengthens against foreign currencies, the relative value of sales made in the respective foreign currencies decreases, conversely, when the U.S. dollar weakens against foreign currencies, the relative amount of such sales in U.S. dollars increases.

Our net income may also fluctuate due to the impact of our foreign currency hedging program. Our foreign currency management program is designed to mitigate, over time, a portion of the impact on volatility in exchange rate changes on net income and earnings per share. We use foreign currency forward contracts to manage foreign currency risk with the majority of our forward contracts used to hedge certain forecasted

revenue transactions denominated in foreign currencies. Foreign currency gains or losses arising from our operations are recognized in the period in which we incur those gains or losses.

Pricing Pressure

We operate in certain countries where the economic conditions continue to present significant challenges. Many countries are reducing their public expenditures in light of the global economic downturn and the deterioration of the credit and economic conditions in Europe. As a result, we expect to see continued efforts to reduce healthcare costs, particularly in certain of the international markets in which we operate. Certain measures already implemented, which include among other things, mandatory price reductions and suspensions on pricing increases on pharmaceuticals, have negatively impacted our revenues. In addition, certain countries set prices by reference to the prices in other countries where our products are marketed. Thus, our inability to secure adequate prices in a particular country may also impair our ability to obtain acceptable prices in existing and potential new markets. We expect that our revenues and/or results of operations will be further negatively impacted if these, similar or more extensive measures are, or continue to be, implemented in other countries in which we operate.

Credit Risk

We are subject to credit risk from our accounts receivable related to our product sales. The majority of our accounts receivable arise from product sales in the United States and Europe with concentrations of credit risk generally limited due to the wide variety of customers and markets using our products, as well as their dispersion across many different geographic areas. Our accounts receivable are primarily due from wholesale distributors, large pharmaceutical companies and public hospitals. We monitor the financial performance and credit worthiness of our large customers so that we can properly assess and respond to changes in their credit profile. We operate in certain countries where the economic conditions continue to present significant challenges. We continue to monitor these conditions, including the volatility associated with international economies and associated impacts on the relevant financial markets and our business. Our historical write-offs of accounts receivable have not been significant.

Within the European Union, our product sales in Italy, Spain, Portugal and Ireland continue to be subject to significant payment delays due to government funding and reimbursement practices. The credit and economic conditions within these countries have continued to deteriorate throughout 2010. These conditions have resulted in, and may continue to result in, an increase in the average length of time that it takes to collect on our accounts receivable outstanding in these countries. Our accounts receivable in Italy, Spain, Portugal and Ireland totaled approximately $241.0 million as of September 30, 2010. To date, we have not experienced any significant losses with respect to the collection of our accounts receivable related to sales within these countries.

Our concentrations of credit risk related to our accounts receivable from product sales in Greece to date have been limited as our receivables within this market are due from our wholesale distributor, for which related accounts receivable balances as of September 30, 2010, remain current and substantially in compliance with their contractual due dates. As of September 30, 2010, our accounts receivable balances due from our distributor in Greece totaled $9.4 million. However, the majority of our sales by our distributor are to government funded hospitals and as a result our distributor maintains significant outstanding receivables with the government of Greece. Furthermore, the government of Greece has recently required financial support from both the European Union and the International Monetary Fund to avoid defaulting on its debt. In the event that Greece defaults on its debt, and could not pay our distributor, we may be unable to collect some or all of our remaining amounts due from the distributor. The government of Greece may also require pharmaceutical creditors to accept mandatory, retroactive, price deductions in settlement of outstanding receivables and we could be required to repay our distributor a portion of the amounts they have previously remitted to us. The potential impact resulting from such mandatory actions remains uncertain, although delays or changes in the availability of government funding may adversely impact the operations of our distributor. To date, we have not been required to repay such amounts to our distributor or take a discount in settlement of any outstanding receivables and do not intend to do so.

We believe that our allowance for doubtful accounts was adequate as of September 30, 2010; however, if significant changes occur in the availability of government funding or the reimbursement practices of these or other governments, we may not be able to collect on amounts due to us from customers in such countries and our results of operations could be adversely affected.

Financial Condition and Liquidity

Our financial condition is summarized as follows:

(In millions, except percentages)	As of September 30, 2010	As of December 31, 2009	Change %
Financial assets:			
Cash and cash equivalents	$ 626.8	$ 581.9	7.7%
Marketable securities — current	197.8	681.8	(71.0)%
Marketable securities — non-current	560.0	1,194.1	(53.1)%
Total financial assets	$ 1,384.6	$ 2,457.8	(43.7)%
Borrowings:			
Current portion of notes payable and line of credit	$ 11.3	$ 19.8	(42.8)%
Notes payable and line of credit	1,068.8	1,080.2	(1.1)%
Total borrowings	$ 1,080.1	$ 1,100.0	(1.8)%
Working Capital:			
Current assets	$ 2,131.1	$ 2,480.6	(14.1)%
Current liabilities	$ (824.5)	$ (714.9)	15.3%
Total working capital	$ 1,306.7	$ 1,765.7	(26.0)%

For the nine months ended September 30, 2010, certain significant cash flows were as follows:

- $2,077.6 million used for share repurchases;
- $1,118.6 million in net proceeds received on sales and maturities of marketable securities;
- $252.0 million in total payments for domestic income taxes;
- $124.2 million used for purchases of property, plant and equipment;
- $26.4 million in upfront payments to Knopp under our license agreement dated August 17, 2010 and a $60.0 million investment in the equity of Knopp;
- $80.4 million in proceeds from the issuance of stock for share-based compensation arrangements;
- $40.0 million payment made to the former shareholders of Syntonix recognized as IPR&D expense; and
- $30.0 million milestone payment made to Facet recognized as research and development expense.

For the nine months ended September 30, 2009, certain significant cash flows were as follows:

- $667.1 million used for net purchases of marketable securities;
- $512.0 million in total payments for domestic income taxes;
- $110.1 million used for purchases of property, plant and equipment;
- $110.0 million upfront payment made to Acorda on July 1, 2009;
- $57.6 million used for share repurchases; and
- $33.2 million in proceeds from the issuance of stock for share-based compensation arrangements.

We have financed our operating and capital expenditures principally through cash flows from our operations. We expect to continue financing our current and planned operating requirements principally

through cash from operations, as well as existing cash resources. We believe that existing funds, cash generated from operations and sources of, and access to, financing are adequate to satisfy our operating, working capital, strategic alliance, acquisition, milestone payment, capital expenditure and debt service requirements for the foreseeable future. In addition, we may opportunistically return cash to shareholders and pursue other business initiatives, including acquisition and licensing activities. We may, from time to time, seek additional funding through a combination of new collaborative agreements, strategic alliances and additional equity and debt financings or from other sources.

Please read the "Risk Factors" section of this report and the "Quantitative and Qualitative Disclosures About Market Risk" section of our 2009 Form 10-K for items that could negatively impact our cash position and ability to fund future operations.

Share Repurchase Programs

In April 2010, our Board of Directors authorized the repurchase of up to $1.5 billion of our common stock, with the objective of reducing shares outstanding and returning excess cash to shareholders. This repurchase authorization was completed during the third quarter of 2010. During the nine months ended September 30, 2010, we repurchased approximately 29.8 million shares of our common stock at a cost of $1.5 billion under this authorization. All shares repurchased under this program were retired.

In October 2009, our Board of Directors authorized the repurchase of up to $1.0 billion of our common stock with the objective of reducing shares outstanding and returning excess cash to shareholders. This repurchase program was completed during the first quarter of 2010. During the first quarter of 2010, we repurchased approximately 10.5 million shares of our common stock at a cost of approximately $577.6 million under this authorization. During 2009, approximately 8.8 million shares were repurchased under this authorization at a cost of approximately $422.4 million. All shares repurchased under this program were retired.

As a result of the approximately 40.3 million shares repurchased during the nine months ended September 30, 2010, common shares outstanding have decreased approximately 15% since December 31, 2009.

Cash, Cash Equivalents and Marketable Securities

Until required for use in the business, we invest our cash reserves in bank deposits, certificates of deposit, commercial paper, corporate notes, U.S. and foreign government instruments and other interest bearing marketable debt instruments in accordance with our investment policy. We attempt to mitigate credit risk in our cash reserves and marketable securities by maintaining a well diversified portfolio that limits the amount of investment exposure as to institution, maturity, and investment type. In particular, the value of our investments may be adversely affected by increases in interest rates, downgrades in the corporate bonds included in our portfolio, instability in the global financial markets that reduces the liquidity of securities included in our portfolio, and by other factors which may result in other-than-temporary declines in the value of the investments. Each of these events may cause us to record charges to reduce the carrying value of our investment portfolio or sell investments for less than our acquisition cost which could adversely impact our financial position and our overall liquidity. For a summary of the fair value and valuation methods of our marketable securities as of September 30, 2010 and December 31, 2009, please read Note 6, *Fair Value Measurements* to our consolidated financial statements included in this report

The decrease in cash and marketable securities from December 31, 2009, is primarily due to share repurchases, tax payments, purchases of property, plant and equipment, the $86.4 million in payments made to Knopp under our recent license and stock purchase agreements, and other milestone payments offset by cash from operations, net proceeds received from sales and maturities of marketable securities and proceeds from the issuance of stock under our share-based compensation arrangements.

Borrowings

We have a $360.0 million senior unsecured revolving credit facility, which we may use for future working capital and general corporate purposes. This facility terminates in June 2012. As of September 30, 2010 and

December 31, 2009, there were no borrowings under this credit facility and we were in compliance with applicable covenants.

In connection with our 2006 distribution agreement with Fumedica, we issued notes payable totaling 61.4 million Swiss Francs which were to be repaid to Fumedica in varying amounts from June 2008 through June 2018. In June 2010, we repaid 12.0 million Swiss Francs ($10.3 million). As of September 30, 2010, our remaining note payable to Fumedica has a present value of 20.4 million Swiss Francs ($20.9 million) and remains payable in a series of payments through June 2018.

There have been no other significant changes in our borrowings since December 31, 2009. For a summary of the fair and carrying value of our outstanding borrowings as of September 30, 2010 and December 31, 2009, please read Note 6, *Fair Value Measurements* to our consolidated financial statements included in this report.

Working Capital

We define working capital as current assets less current liabilities. The decrease in working capital from December 31, 2009, primarily reflects the overall decrease in total current assets of $349.5 million and increases in total current liabilities totaling $109.5 million.

The decrease in total current assets was primarily due to the net decrease in marketable securities primarily resulting from our return of excess cash to shareholders via our share repurchase program. The increase in total current liabilities reflects increases in accounts and taxes payable and accrued expenses offset by the June 2010 repayment of certain Fumedica notes payable as described above under *Borrowings*. The increase in accrued expenses is inclusive of an increase in the current portion of our Medicaid and VA accruals and an increase in our liability related to our foreign currency forward contracts resulting from the weakening of the U.S. dollar against relevant foreign currencies, primarily the Euro.

Cash Flows

The following table summarizes our cash flow activity:

(In millions, except percentages)	For the Nine Months Ended September 30, 2010	2009	Change %
Net cash flows provided by operating activities	$ 1,193.6	$ 795.6	50.0%
Net cash flows provided by (used in) investing activities	$ 863.9	$ (777.7)	211.1%
Net cash flows used in financing activities	$ (2,010.8)	$ (57.4)	3,403.1%

Operating Activities

Cash flows from operating activities represent the cash receipts and disbursements related to all of our activities other than investing and financing activities. Cash provided by operating activities is primarily driven by our earnings and changes in working capital. We expect cash provided from operating activities will continue to be our primary source of funds to finance operating needs and capital expenditures for the foreseeable future.

Operating cash flow is derived by adjusting net income for:

- Non-cash operating items such as depreciation and amortization, impairment charges and share-based compensation charges;
- Changes in operating assets and liabilities which reflect timing differences between the receipt and payment of cash associated with transactions and when they are recognized in results of operations; and
- Changes associated with the payment of contingent milestones associated with our prior acquisitions of businesses.

The increase in cash provided by operating activities for the nine months ended September 30, 2010, compared to the same period in 2009, was primarily driven by increased revenues, decreased inventory balances and lower payments for U.S. federal income taxes offset by an increase in accounts receivable and receivables due from unconsolidated joint business.

Investing Activities

The increase in cash provided by investing activities is primarily due to net proceeds received from sales and maturities of marketable securities during the nine months ended September 30, 2010, compared to the same period in 2009, offset by the $86.4 million in payments made to Knopp under our recent license and stock purchase agreements, our purchases of property, plant and equipment and the milestone payment made to the former shareholders of Syntonix.

For the nine months ended September 30, 2010, net proceeds received from sales and maturities of marketable securities totaled $1,118.6 million compared to net purchases of $667.1 million made in the prior year comparative period in 2009.

Financing Activities

The increase in cash used in financing activities is due principally to increases in the amounts of our common stock repurchased compared to the same period in 2009. For the nine months ended September 30, 2010, we repurchased approximately 40.3 million shares of our common stock for approximately $2.1 billion compared to 1.2 million shares for approximately $57.6 million for the nine months ended September 30, 2009.

Cash used in financing activities also includes activity under our employee stock plans. We received $80.4 million during the first nine months of 2010 and $33.2 million during the first nine months of 2009 related to stock option exercises and stock issuances under our employee stock purchase plan.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

Our contractual obligations primarily consists of our obligations under non-cancellable operating leases, our notes payable and line of credit and other purchase obligations, excluding amounts related to uncertain tax positions, amounts payable to tax authorities, funding commitments, contingent milestone payments, and other off-balance sheet arrangements as described below.

On October 1, 2010, we sold our San Diego campus and agreed to leaseback all of the San Diego facilities for a period of 15 months. We will account for this transaction as a financing arrangement, incurring debt service payments and interest totaling approximately $9.4 million over the term of the leaseback period. For a more detailed description of these agreements, please read Note 9, *Property, Plant and Equipment*.

There have been no other significant changes in our contractual obligations since December 31, 2009.

Tax Related Obligations

We exclude liabilities pertaining to uncertain tax positions from our summary of contractual obligations as we cannot make a reliable estimate of the period of cash settlement with the respective taxing authorities. As of September 30, 2010, we have approximately $134.2 million of liabilities associated with uncertain tax positions.

Included in these liabilities are amounts related to the settlement of certain federal and state tax audits in the fourth quarter of 2009. As of September 30, 2010, we expect to pay approximately $76.1 million within the next twelve months in connection with such settlements.

Funding Commitments

As of September 30, 2010, we have funding commitments of up to approximately $19.9 million as part of our investment in biotechnology oriented venture capital investments.

As of September 30, 2010, we have several ongoing clinical studies in various clinical trial stages. Our most significant clinical trial expenditures are to clinical research organizations (CROs). The contracts with CROs are generally cancellable, with notice, at our option. We have recorded $27.6 million of accrued expenses on our consolidated balance sheet for work done by CROs as of September 30, 2010. We have approximately $340.0 million in cancellable future commitments based on existing CRO contracts as of September 30, 2010, which are not included within contractual obligations as they are cancellable.

Contingent Milestone Payments

Based on our development plans as of September 30, 2010, we have committed to make potential future milestone payments to third parties of up to approximately $1.7 billion as part of our various collaborations including licensing and development programs. Payments under these agreements generally become due and payable only upon achievement of certain developmental, regulatory or commercial milestones. Because the achievement of these milestones had not occurred as of September 30, 2010, such contingencies have not been recorded in our financial statements. As of September 30, 2010, we anticipate that we may make approximately $1.6 million of additional milestone payments during the remainder of 2010, provided various developmental milestones are achieved.

Amounts related to contingent milestone payments are not considered contractual obligations as they are contingent on the successful achievement of certain development, regulatory approval and commercial milestones. These milestones may not be achieved.

Other Off-Balance Sheet Arrangements

We do not have any relationships with entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships. We consolidate entities if we are the primary beneficiary.

Legal Matters

Please read Note 18, *Litigation* to our consolidated financial statements included in this report for a discussion of legal matters as of September 30, 2010.

New Accounting Standards

Please read Note 20, *New Accounting Pronouncements* to our consolidated financial statements included in this report for a discussion of new accounting standards.

Critical Accounting Estimates

The discussion and analysis of our financial position and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and judgments that may affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition and related allowances, marketable securities, derivatives and hedging activities, inventory, impairments of long-lived assets including intangible assets, impairments of goodwill, the consolidation of variable interest entities, income taxes including the valuation allowance for deferred tax assets, valuation of investments, research and development expenses, contingencies and litigation, and share-based payments. We base our estimates on historical experience and on various other assumptions that we believe are reasonable, the results of which form the basis for making judgments about the carrying

values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Please read Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2009 Form 10-K for a discussion of our critical accounting estimates.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Our market risks, and the ways we manage them, are summarized in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” of our 2009 Form 10-K. There have been no material changes in the first nine months of 2010 to our market risks or to our management of such risks.

Item 4. ***Controls and Procedures***

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls and Procedures

We have carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Securities Exchange Act), as of September 30, 2010. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in ensuring that (a) the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and (b) such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II — OTHER INFORMATION

Item 1. ***Legal Proceedings***

Please read Note 18, *Litigation* to our consolidated financial statements included in this report, which is incorporated into this item by reference.

Item 1A. ***Risk Factors***

We are substantially dependent on revenues from our three principal products.

Our current and future revenues depend upon continued sales of our three principal products, AVONEX, RITUXAN and TYSABRI, which represented substantially all of our total revenues during the first three quarters of 2010. Although we have developed and continue to develop additional products for commercial introduction, we expect to be substantially dependent on sales from these three products for many years. Any negative developments relating to any of these products, such as safety or efficacy issues, the introduction or greater acceptance of competing products, including biosimilars, or adverse regulatory or legislative

developments may reduce our revenues and adversely affect our results of operations. A number of new competing products are expected to be approved for use in multiple sclerosis beginning in 2010. If these products have a similar or more attractive profile in terms of efficacy, convenience or safety, future sales of AVONEX and TYSABRI could be limited, which would reduce our revenues.

TYSABRI's sales growth is important to our success.

We expect that our revenue growth over the next several years will be dependent upon sales of TYSABRI. If we are not successful in growing sales of TYSABRI, our future business plans, revenue growth and results of operations may be adversely affected.

TYSABRI's sales growth cannot be certain given the significant restrictions on use and the significant safety warnings in the label, including the risk of developing progressive multifocal leukoencephalopathy (PML), a rare but serious brain infection. The risk of developing PML increases with prior immunosuppressant use, which may cause patients who have previously received immunosuppressants or their physicians to refrain from using or prescribing TYSABRI. The risk of developing PML also increases with longer treatment duration, with limited experience beyond three years of treatment. This may cause prescribing physicians or patients to suspend treatment with TYSABRI. If the incidence of PML at various durations of exposure were to exceed the rate implied in the TYSABRI label, it could limit sales growth, prompt regulatory review, require significant changes to the label or result in market withdrawal. Additional regulatory restrictions on the use of TYSABRI or safety-related label changes, including enhanced risk management programs, whether as a result of additional cases of PML or otherwise, may significantly reduce expected revenues and require significant expense and management time to address the associated legal and regulatory issues. In addition, ongoing or future clinical trials involving TYSABRI and efforts at stratifying patients into groups with lower or higher risk for developing PML, including evaluating the potential clinical utility of a JC virus antibody assay, may adversely affect prescribing behavior and reduce sales of TYSABRI.

If we fail to compete effectively, our business and market position would suffer.

The biotechnology and pharmaceutical industry is intensely competitive. We compete in the marketing and sale of our products, the development of new products and processes, the acquisition of rights to new products with commercial potential and the hiring and retention of personnel. We compete with biotechnology and pharmaceutical companies that have a greater number of products on the market and in the product pipeline, greater financial and other resources and other technological or competitive advantages. One or more of our competitors may benefit from significantly greater sales and marketing capabilities, may develop products that are accepted more widely than ours and may receive patent protection that dominates, blocks or adversely affects our product development or business. In addition, recently enacted healthcare reform legislation in the U.S. has created a pathway for the FDA to approve biosimilars, which could compete on price and differentiation with products that we now or could in the future market. The introduction of more efficacious, safer, cheaper, or more convenient alternatives to our products could reduce our revenues and the value of our product development efforts.

In addition to competing directly with products that are marketed by substantial pharmaceutical competitors, AVONEX, RITUXAN and TYSABRI also face competition from off-label uses of drugs approved for other indications. Some of our current competitors are also working to develop alternative formulations for delivery of their products, which may in the future compete with ours.

Our long-term success depends upon the successful development and commercialization of other product candidates.

Our long-term viability and growth will depend upon the successful development and commercialization of other products from our research and development activities. Product development and commercialization are very expensive and involve a high degree of risk. Only a small number of research and development programs result in the commercialization of a product. Success in preclinical work or early stage clinical trials does not ensure that later stage or larger scale clinical trials will be successful. Even if later stage clinical

trials are successful, regulatory authorities may disagree with our view of the data or require additional studies.

Conducting clinical trials is a complex, time-consuming and expensive process. Our ability to complete our clinical trials in a timely fashion depends in large part on a number of key factors including protocol design, regulatory and institutional review board approval, the rate of patient enrollment in clinical trials, and compliance with extensive current good clinical practice requirements. We have opened clinical sites and are enrolling patients in a number of new countries where our experience is more limited, and we are in many cases using the services of third-party clinical trial providers. If we fail to adequately manage the design, execution and regulatory aspects of our large, complex and diverse clinical trials, our studies and ultimately our regulatory approvals may be delayed or we may fail to gain approval for our product candidates altogether. In addition, we regularly review our research and development programs and may discontinue programs at any stage of development, even after significant time and resources have been expended on such programs.

Our product pipeline includes several small molecule drug candidates. Our small molecule drug discovery platform is not as well developed as our biologics platform, and we will have to make a significant investment of time and resources to expand our capabilities in this area. Currently, third party manufacturers supply substantially all of our clinical requirements for small molecules. If these manufacturers fail to deliver sufficient quantities of such drug candidates in a timely and cost-effective manner, it could adversely affect our small molecule drug discovery efforts. If we decide to manufacture clinical or commercial supplies of any small molecule drugs in our own facilities, we will need to invest substantial additional funds and recruit qualified personnel to develop our small molecule manufacturing capabilities.

Adverse safety events can negatively affect our business and stock price.

Adverse safety events involving our marketed products may have a negative impact on our commercialization efforts. Later discovery of safety issues with our products that were not known at the time of their approval by the FDA could cause product liability events, additional regulatory scrutiny and requirements for additional labeling, withdrawal of products from the market and the imposition of fines or criminal penalties. Any of these actions could result in, among other things, material write-offs of inventory and impairments of intangible assets, goodwill and fixed assets. In addition, the reporting of adverse safety events involving our products and public rumors about such events could cause our stock price to decline or experience periods of volatility.

We depend, to a significant extent, on reimbursement from third party payors and a reduction in the extent of reimbursement could reduce our product sales and revenue.

Sales of our products are dependent, in large part, on the availability and extent of reimbursement from government health administration authorities, private health insurers and other organizations. Changes in government regulations or private third-party payors' reimbursement policies may reduce reimbursement for our products and adversely affect our future results. In addition, when a new medical product is approved, the availability of government and private reimbursement for that product is uncertain, as is the amount for which that product will be reimbursed. We cannot predict the availability or amount of reimbursement for our product candidates.

The U.S. Congress recently enacted legislation to reform the health care system. While this legislation will, over time, increase the number of patients who have insurance coverage for our products, it also imposes cost containment measures that may adversely affect the amount of reimbursement for our products. These measures include increasing the minimum rebates for our drugs covered by Medicaid programs and extending such rebates to drugs dispensed to Medicaid beneficiaries enrolled in Medicaid managed care organizations as well as expansion of the 340(B) Public Health Services drug discount program.

Some states are also considering legislation that would control the prices of drugs, and state Medicaid programs are increasingly requesting manufacturers to pay supplemental rebates and requiring prior authorization by the state program for use of any drug for which supplemental rebates are not being paid. Managed care organizations continue to seek price discounts and, in some cases, to impose restrictions on the coverage

of particular drugs. Government efforts to reduce Medicaid expenses may lead to increased use of managed care organizations by Medicaid programs. This may result in managed care organizations influencing prescription decisions for a larger segment of the population and a corresponding constraint on prices and reimbursement for our products. It is likely that federal and state legislatures and health agencies will continue to focus on additional health care reform in the future.

We encounter similar regulatory and legislative issues in most other countries. In the European Union and some other international markets, the government provides health care at low cost to consumers and regulates pharmaceutical prices, patient eligibility or reimbursement levels to control costs for the government-sponsored healthcare system. Many countries are reducing their public expenditures and we expect to see strong efforts to reduce healthcare costs in our international markets, including patient access restrictions, suspensions on price increases, prospective and possibly retroactive price reductions and increased mandatory discounts or rebates, recoveries of past price increases, and greater importation of drugs from lower-cost countries to higher-cost countries. We expect that our revenues would be negatively impacted if similar measures are, or continue to be, implemented in other countries in which we operate. In addition, certain countries set prices by reference to the prices in other countries where our products are marketed. Thus, our inability to secure adequate prices in a particular country may also impair our ability to obtain acceptable prices in existing and potential new markets. This may create the opportunity for third party cross border trade or influence our decision to sell or not to sell a product, thus affecting our geographic expansion plans.

If we fail to meet the stringent requirements of governmental regulation in the manufacture of our products, we could incur substantial costs and a reduction in sales.

We and our third party providers are generally required to maintain compliance with current Good Manufacturing Practice and are subject to inspections by the FDA or comparable agencies in other jurisdictions to confirm such compliance. In addition, the FDA must approve any significant changes to our suppliers or manufacturing methods. If we or our third party service providers cannot demonstrate ongoing current Good Manufacturing Practice compliance, we may be required to withdraw or recall product, interrupt commercial supply of our products, undertake costly remediation efforts or seek more costly manufacturing alternatives. Any delay, interruption or other issues that arise in the manufacture, fill-finish, packaging, or storage of our products as a result of a failure of our facilities or the facilities or operations of third parties to pass any regulatory agency inspection could significantly impair our ability to develop and commercialize our products. Significant noncompliance could also result in the imposition of monetary penalties or other civil or criminal sanctions. This non-compliance could increase our costs, cause us to lose revenue or market share and damage our reputation.

Problems with manufacturing or with inventory planning could result in inventory shortages, product recalls and increased costs.

Biologics manufacturing is extremely susceptible to product loss due to contamination, equipment failure, or vendor or operator error. In addition, we may need to close a manufacturing facility for an extended period of time due to microbial, viral or other contamination. Any of these events could result in shipment delays or product recalls, impairing our ability to supply products in existing markets or expand into new markets. In the past, we have taken inventory write-offs and incurred other charges and expenses for products that failed to meet specifications, and we may incur similar charges in the future.

We rely solely on our manufacturing facility in Research Triangle Park, North Carolina for the production of TYSABRI. Our global bulk supply of TYSABRI depends on the uninterrupted and efficient operation of this facility, which could be adversely affected by equipment failures, labor shortages, natural disasters, power failures and numerous other factors. If we are unable to meet demand for TYSABRI for any reason, we would need to rely on a limited number of qualified third party contract manufacturers. We cannot be certain that we could reach agreement on reasonable terms, if at all; with those manufacturers or that the FDA would approve our use of such manufacturers on a timely basis, if at all. Moreover, the transition of our manufacturing process to a third party could take a significant amount of time, involve significant expense and increase our manufacturing costs.

We rely on third parties to provide services in connection with the manufacture of our products and, in some instances, manufacture the product itself.

We rely on Genentech for all RITUXAN manufacturing. Genentech relies on a third party to manufacture certain bulk RITUXAN requirements. If Genentech or any third party upon which it relies does not manufacture or fill-finish RITUXAN in sufficient quantities on a timely and cost-effective basis, or if Genentech or any third party does not obtain and maintain all required manufacturing approvals, our business could be harmed.

We also source all of our fill-finish and the majority of our final product storage operations, along with a substantial portion of our packaging operations, to a concentrated group of third party contractors. Any third party we use to fill-finish, package or store our products to be sold in the U.S. must be licensed by the FDA. As a result, alternative third party providers may not be readily available on a timely basis or, if available, may be more costly than current providers. The manufacture of products and product components, fill-finish, packaging and storage of our products require successful coordination among us and multiple third party providers. Our inability to coordinate these efforts, the lack of capacity available at a third party contractor or any other problems with the operations of these third party contractors could require us to delay shipment of saleable products or recall products previously shipped or impair our ability to supply products at all. This could increase our costs, cause us to lose revenue or market share, diminish our profitability or damage our reputation.

Due to the unique manner in which our products are manufactured, we rely on single source providers of several raw materials. We make efforts to qualify new vendors and to develop contingency plans so that production is not impacted by short-term issues associated with single source providers. Nonetheless, our business could be materially impacted by long-term or chronic issues associated with single source providers.

We depend on collaborators for both product and royalty revenue and the clinical development of future collaboration products, which are outside of our full control.

Collaborations between companies on products or programs are a common business practice in the biotechnology industry. Out-licensing typically allows a partner to collect up front payments and future milestone payments, share the costs of clinical development and risk of failure at various points, and access sales and marketing infrastructure and expertise in exchange for certain financial rights to the product or program going to the in-licensing partner. In addition, the obligation of in-licensees to pay royalties or share profits generally terminates upon expiration of the related patents. We have a number of collaborators and partners, and have both in-licensed and out-licensed several products and programs. These collaborations are subject to several risks:

- we are not fully in control of the royalty or profit sharing revenues we receive from collaborators, which may be adversely affected by patent expirations, pricing or health care reforms, other legal and regulatory developments, the introduction of competitive products, and new indication approvals which may affect the sales of collaboration products;
- any failure on the part of our collaboration partners to comply with applicable laws and regulatory requirements in the sale and marketing of our products could have an adverse effect on our revenues as well as involve us in possible legal proceedings; and
- collaborations often require the parties to cooperate, and failure to do so effectively could have an adverse impact on product sales by our collaborators and partners, and could adversely affect the clinical development of products or programs under joint control.

In addition, under our collaboration agreement with Genentech, the successful development and commercialization of certain anti-CD20 products will decrease our percentage of the collaboration’s co-promotion profits.

If we do not successfully execute our growth initiatives through the acquisition, partnering and in-licensing of products, technologies or companies, our future performance could be adversely affected.

We anticipate growing through internal development projects as well as external opportunities, which include the acquisition, partnering and in-licensing of products, technologies and companies or the entry into strategic alliances and collaborations. The availability of high quality opportunities is limited and we are not certain that we will be able to identify candidates that we and our shareholders consider suitable or complete transactions on terms that are acceptable to us and our shareholders. In order to pursue such opportunities, we may require significant additional financing, which may not be available to us on favorable terms, if at all. Even if we are able to successfully identify and complete acquisitions, we may not be able to integrate them or take full advantage of them and therefore we may not realize the benefits that we expect. If we are unsuccessful in our external growth program, we may not be able to grow our business significantly and we may incur asset impairment charges as a result of unsuccessful transactions.

If we fail to comply with the extensive legal and regulatory requirements affecting the health care industry, we could face increased costs, penalties and a loss of business.

Our activities, and the activities of our collaborators and third party providers, are subject to extensive government regulation and oversight both in the U.S. and in foreign jurisdictions. The FDA and comparable agencies in other jurisdictions directly regulate many of our most critical business activities, including the conduct of preclinical and clinical studies, product manufacturing, advertising and promotion, product distribution, adverse event reporting and product risk management. States increasingly have been placing greater restrictions on the marketing practices of health care companies. In addition, pharmaceutical and biotechnology companies have been the target of lawsuits and investigations alleging violations of government regulation, including claims asserting submission of incorrect pricing information, impermissible off-label promotion of pharmaceutical products, payments intended to influence the referral of federal or state health care business, submission of false claims for government reimbursement, antitrust violations, or violations related to environmental matters. Violations of governmental regulation may be punishable by criminal and civil sanctions, including fines and civil monetary penalties and exclusion from participation in government programs, including Medicare and Medicaid. In addition to penalties for violation of laws and regulations, we could be required to repay amounts we received from government payors, or pay additional rebates and interest if we are found to have miscalculated the pricing information we have submitted to the government. Whether or not we have complied with the law, an investigation into alleged unlawful conduct could increase our expenses, damage our reputation, divert management time and attention and adversely affect our business.

Our investments in properties, including our manufacturing facilities, may not be fully realizable.

We own or lease real estate primarily consisting of buildings that contain research laboratories, office space, and biologic manufacturing operations, some of which are located in markets that are experiencing high vacancy rates and decreasing property values. If we decide to consolidate or co-locate certain aspects of our business operations, for strategic or other operational reasons, we may dispose of or vacate one or more of our properties.

Due to reduced expectations of product demand, improved yields on production and other factors, we may not fully utilize our manufacturing facilities at normal levels resulting in idle time at facilities or substantial excess manufacturing capacity. We regularly evaluate our current manufacturing strategy, and may pursue alternatives that include disposing of manufacturing facilities.

If any of our owned properties are held for sale and we determine that the fair value of the properties is lower than their book value, we may not realize the full investment in these properties and incur significant impairment charges. In addition, if we decide to fully or partially vacate a leased property, we may incur significant cost, including lease termination fees, rent expense in excess of sublease income and impairment of leasehold improvements.

Changes in laws affecting the health care industry could adversely affect our revenues and profitability.

We and our collaborators and third party providers operate in a highly regulated industry. As a result, governmental actions may adversely affect our business, operations or financial condition, including:

- new laws, regulations or judicial decisions, or new interpretations of existing laws, regulations or decisions, related to health care availability, method of delivery and payment for health care products and services;
- changes in the FDA and foreign regulatory approval processes that may delay or prevent the approval of new products and result in lost market opportunity;
- changes in FDA and foreign regulations that may require additional safety monitoring, labeling changes, restrictions on product distribution or use, or other measures after the introduction of our products to market, which could increase our costs of doing business, adversely affect the future permitted uses of approved products, or otherwise adversely affect the market for our products;
- new laws, regulations and judicial decisions affecting pricing or marketing practices; and
- changes in the tax laws relating to our operations.

The enactment in the U.S. of healthcare reform, potential regulations easing the entry of competing follow-on biologics in the marketplace, new legislation or implementation of existing statutory provisions on importation of lower-cost competing drugs from other jurisdictions, and legislation on comparative effectiveness research are examples of previously enacted and possible future changes in laws that could adversely affect our business. In addition, the Food and Drug Administration Amendments Act of 2007 included new authorization for the FDA to require post-market safety monitoring, along with an expanded clinical trials registry and clinical trials results database, and expanded authority for the FDA to impose civil monetary penalties on companies that fail to meet certain commitments.

Our effective tax rate may fluctuate and we may incur obligations in tax jurisdictions in excess of accrued amounts.

As a global biotechnology company, we are subject to taxation in numerous countries, states and other jurisdictions. As a result, our effective tax rate is derived from a combination of applicable tax rates in the various places that we operate. In preparing our financial statements, we estimate the amount of tax that will become payable in each of such places. Our effective tax rate, however, may be different than experienced in the past due to numerous factors, including changes in the mix of our profitability from country to country, the results of audits of our tax filings, changes in accounting for income taxes and changes in tax laws. Any of these factors could cause us to experience an effective tax rate significantly different from previous periods or our current expectations.

In addition, our inability to secure or sustain acceptable arrangements with tax authorities and previously enacted or future changes in the tax laws, among other things, may require us to accrue for future tax payments in excess of amounts accrued in our financial statements.

The Obama administration has announced several proposals to reform U.S. tax law, including proposals that may reduce or eliminate the deferral of U.S. income tax on our unrepatriated earnings. These proposals, if enacted, may require those earnings to be taxed at the U.S. federal income tax rate, reduce or eliminate our ability to claim foreign tax credits, and eliminate various tax deductions until foreign earnings are repatriated to the U.S. Our future reported financial results may be adversely affected by tax law changes which restrict or eliminate our ability to claim foreign tax credits or deduct expenses attributable to foreign earnings, or otherwise affect the treatment of our unrepatriated earnings.

The growth of our business depends on our ability to attract and retain qualified personnel and key relationships.

The achievement of our commercial, research and development and external growth objectives depends upon our ability to attract and retain qualified scientific, manufacturing, sales and marketing and executive personnel and to develop and maintain relationships with qualified clinical researchers and key distributors. Competition for these people and relationships is intense and comes from a variety of sources, including pharmaceutical and biotechnology companies, universities and non-profit research organizations.

Adverse market and economic conditions may exacerbate certain risks affecting our business.

Sales of our products are dependent on reimbursement from government health administration authorities, private health insurers, distribution partners and other organizations. As a result of adverse conditions affecting the U.S., European and other global economies and credit and financial markets, these organizations may be unable to satisfy their reimbursement obligations or may delay payment. In addition, governmental health authorities may reduce the extent of reimbursements, and private insurers may increase their scrutiny of claims. A reduction in the availability or extent of reimbursement could reduce our product sales and revenue.

We rely on third parties for several important aspects of our business, including portions of our product manufacturing, royalty revenue, clinical development of future collaboration products, conduct of clinical trials, and raw materials. Such third parties may be unable to satisfy their commitments to us due to tightening of global credit or worsening financial conditions from time to time, which would adversely affect our business.

Our sales and operations are subject to the risks of doing business internationally.

We are increasing our presence in international markets, which subjects us to many risks, such as:

- economic problems that disrupt foreign health care payment systems;
- fluctuations in currency exchange rates;
- difficulties in staffing and managing international operations;
- the imposition of governmental controls;
- less favorable intellectual property or other applicable laws;
- the inability to obtain necessary foreign regulatory or pricing approvals of products in a timely manner;
- restrictions on direct investments by foreign entities and trade restrictions;
- changes in tax laws and tariffs; and
- longer payment cycles.

In addition, our international operations are subject to regulation under U.S. law. For example, the Foreign Corrupt Practices Act prohibits U.S. companies and their representatives from offering, promising, authorizing or making payments to foreign officials for the purpose of obtaining or retaining business abroad. In many countries, the health care professionals we regularly interact with may meet the definition of a foreign official for purposes of the Foreign Corrupt Practices Act. Failure to comply with domestic or foreign laws could result in various adverse consequences, including possible delay in approval or refusal to approve a product, recalls, seizures, withdrawal of an approved product from the market, the imposition of civil or criminal sanctions and the prosecution of executives overseeing our international operations.

Uncertainty over intellectual property in the biotechnology industry has been the source of litigation, which is inherently costly and unpredictable.

We are aware that others, including various universities and companies working in the biotechnology field, have filed patent applications and have been granted patents in the U.S. and in other countries claiming subject matter potentially useful to our business. Some of those patents and patent applications claim only specific products

or methods of making such products, while others claim more general processes or techniques useful or now used in the biotechnology industry. There is considerable uncertainty within the biotechnology industry about the validity, scope and enforceability of many issued patents in the U.S. and elsewhere in the world, and, to date, there is no consistent policy regarding the breadth of claims allowed in biotechnology patents. We cannot currently determine the ultimate scope and validity of patents which may be granted to third parties in the future or which patents might be asserted to be infringed by the manufacture, use and sale of our products.

There has been, and we expect that there may continue to be, significant litigation in the industry regarding patents and other intellectual property rights. Litigation and administrative proceedings concerning patents and other intellectual property rights may be protracted, expensive and distracting to management. Competitors may sue us as a way of delaying the introduction of our products. Any litigation, including any interference proceedings to determine priority of inventions, oppositions to patents in foreign countries or litigation against our partners may be costly and time consuming and could harm our business. We expect that litigation may be necessary in some instances to determine the validity and scope of certain of our proprietary rights. Litigation may be necessary in other instances to determine the validity, scope or non-infringement of certain patent rights claimed by third parties to be pertinent to the manufacture, use or sale of our products. Ultimately, the outcome of such litigation could adversely affect the validity and scope of our patent or other proprietary rights or hinder our ability to manufacture and market our products.

If we are unable to adequately protect and enforce our intellectual property rights, our competitors may take advantage of our development efforts or our acquired technology.

We have filed numerous patent applications in the U.S. and various other countries seeking protection of the processes, products and other inventions originating from our research and development. Patents have been issued on many of these applications. We have also obtained rights to various patents and patent applications under licenses with third parties, which provide for the payment of royalties by us. The ultimate degree of patent protection that will be afforded to biotechnology products and processes, including ours, in the U.S. and in other important markets remains uncertain and is dependent upon the scope of protection decided upon by the patent offices, courts and lawmakers in these countries. Our patents may not afford us substantial protection or commercial benefit. Similarly, our pending patent applications or patent applications licensed from third parties may not ultimately be granted as patents and we may not prevail if patents that have been issued to us are challenged in court. In addition, pending legislation to reform the patent system and court decisions or patent office regulations that place additional restrictions on patent claims or that facilitate patent challenges could also reduce our ability to protect our intellectual property rights. If we cannot prevent others from exploiting our inventions, we will not derive the benefit from them that we currently expect.

We also rely upon unpatented trade secrets and other proprietary information, and we cannot assure that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or disclose such technology, or that we can meaningfully protect such rights. We require our employees, consultants, outside scientific collaborators, scientists whose research we sponsor and other advisers to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements may not provide meaningful protection or adequate remedies for our unpatented proprietary information in the event of use or disclosure of such information.

If our products infringe the intellectual property rights of others, we may incur damages and be required to incur the expense of obtaining a license.

A substantial number of patents have already been issued to other biotechnology and pharmaceutical companies. To the extent that valid third party patent rights cover our products or services, we or our strategic collaborators would be required to seek licenses from the holders of these patents in order to manufacture, use or sell these products and services, and payments under them would reduce our profits from these products and services. We are currently unable to predict the extent to which we may wish or be required to acquire rights under such patents and the availability and cost of acquiring such rights, or whether a license to such patents will be available on acceptable terms or at all. There may be patents in the U.S. or in foreign countries

or patents issued in the future that are unavailable to license on acceptable terms. Our inability to obtain such licenses may hinder our ability to manufacture and market our products.

Recent proxy contests have been costly and disruptive, and the presence of directors nominated by an activist shareholder and the possibility that activist shareholders may gain additional representation on or control of our Board of Directors could cause uncertainty about the direction of our business.

Entities affiliated with Carl Icahn have commenced proxy contests in each of the past three years. These proxy contests have been disruptive to our operations and caused us to incur substantial costs. In addition, recent SEC rulemaking is expected to give certain shareholders or groups of shareholders the ability to include director nominees and proposals relating to a shareholder nomination process in company proxy materials. As a result, we may face an increase in the number of shareholder nominees for election to our Board of Directors. Future proxy contests could be costly and time-consuming, disrupt our operations and divert the attention of management and our employees from executing our strategic plans.

As a result of our proxy contests with the Icahn entities, three of their director nominees have been elected to our Board of Directors. Another activist shareholder has also publicly advocated for certain changes at our company. These and other existing or potential shareholders may attempt to gain additional representation on or control of our Board of Directors, the possibility of which may create uncertainty regarding the direction of our business. Perceived uncertainties as to our future direction may result in the loss of potential acquisitions, collaborations or in-licensing opportunities, and may make it more difficult to attract and retain qualified personnel and business partners. In addition, disagreement among our directors about the direction of our business could impair our ability to effectively execute our strategic plan.

Pending and future product liability claims may adversely affect our business and our reputation.

The administration of drugs in humans, whether in clinical studies or commercially, carries the inherent risk of product liability claims whether or not the drugs are actually the cause of an injury. Our products or product candidates may cause, or may appear to have caused, injury or dangerous drug interactions, and we may not learn about or understand those effects until the product or product candidate has been administered to patients for a prolonged period of time.

We are subject from time to time to lawsuits based on product liability and related claims. We cannot predict with certainty the eventual outcome of any pending or future litigation. We may not be successful in defending ourselves in the litigation and, as a result, our business could be materially harmed. These lawsuits may result in large judgments or settlements against us, any of which could have a negative effect on our financial condition and business if in excess of our insurance coverage. Additionally, lawsuits can be expensive to defend, whether or not they have merit, and the defense of these actions may divert the attention of our management and other resources that would otherwise be engaged in managing our business.

Our operating results are subject to significant fluctuations.

Our quarterly revenues, expenses and net income (loss) have fluctuated in the past and are likely to fluctuate significantly in the future due to the timing of charges and expenses that we may take. In prior periods, for instance, we have recorded charges that include:

- impairments that we are required to take with respect to investments;
- impairments that we are required to take with respect to fixed assets, including those that are recorded in connection with the sale of fixed assets;
- inventory write-downs for failed quality specifications, charges for excess or obsolete inventory and charges for inventory write downs relating to product suspensions;
- milestone payments under license and collaboration agreements;

- payments in connection with acquisitions and other business development activity; and
- the cost of restructurings.

Our revenues are also subject to foreign exchange rate fluctuations due to the global nature of our operations. We recognize foreign currency gains or losses arising from our operations in the period in which we incur those gains or losses. Although we have foreign currency forward contracts to hedge specific forecasted transactions denominated in foreign currencies, our efforts to reduce currency exchange losses may not be successful. As a result, currency fluctuations among our reporting currency, the U.S. dollar, and the currencies in which we do business will affect our operating results, often in unpredictable ways. Additionally, our net income may fluctuate due to the impact of charges we may be required to take with respect to foreign currency hedge transactions. In particular, we may incur higher charges from hedge ineffectiveness than we expect or from the termination of a hedge relationship.

These examples are only illustrative and other risks, including those discussed in these "Risk Factors," could also cause fluctuations in our reported earnings. In addition, our operating results during any one period do not necessarily suggest the anticipated results of future periods.

Our portfolio of marketable securities is significant and subject to market, interest and credit risk that may reduce its value.

We maintain a significant portfolio of marketable securities. Changes in the value of this portfolio could adversely affect our earnings. In particular, the value of our investments may decline due to increases in interest rates, downgrades in the corporate bonds and other securities included in our portfolio, instability in the global financial markets that reduces the liquidity of securities included in our portfolio, declines in the value of collateral underlying the mortgage and asset-backed securities included in our portfolio, and other factors. Each of these events may cause us to record charges to reduce the carrying value of our investment portfolio or sell investments for less than our acquisition cost. Although we attempt to mitigate these risks by investing in high quality securities and continuously monitoring our portfolio's overall risk profile, the value of our investments may nevertheless decline.

Our level of indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business.

As of September 30, 2010, we had approximately $1.1 billion of outstanding indebtedness, and we may incur additional debt in the future. Our level of indebtedness could adversely affect our business by, among other things:

- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes, including business development efforts and research and development;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, thereby placing us at a competitive disadvantage compared to our competitors that may have less debt; and
- increasing our vulnerability to adverse economic and industry conditions.

Our business involves environmental risks, which include the cost of compliance and the risk of contamination or injury.

Our business and the business of several of our strategic partners, including Genentech and Elan, involve the controlled use of hazardous materials, chemicals, biologics and radioactive compounds. Although we believe that our safety procedures for handling and disposing of such materials comply with state and federal standards, there will always be the risk of accidental contamination or injury. By law, radioactive materials may only be disposed of at state-approved facilities. We currently store radioactive materials from our California laboratory on-site because the approval of a disposal site in California for all California-based

companies has been delayed indefinitely. If and when a disposal site is approved, we may incur substantial costs related to the disposal of these materials. If we were to become liable for an accident, or if we were to suffer an extended facility shutdown, we could incur significant costs, damages and penalties that could harm our business. Biologics manufacturing also requires permits from government agencies for water supply and wastewater discharge. If we do not obtain appropriate permits, or permits for sufficient quantities of water and wastewater, we could incur significant costs and limits on our manufacturing volumes that could harm our business.

Several aspects of our corporate governance and our collaboration agreements may discourage a third party from attempting to acquire us.

Several factors might discourage a takeover attempt that could be viewed as beneficial to shareholders who wish to receive a premium for their shares from a potential bidder. For example:

- our board of directors has the authority to issue, without a vote or action of shareholders, shares of preferred stock and to fix the price, rights, preferences and privileges of those shares, each of which could be superior to the rights of holders of common stock;
- our collaboration agreements with Elan and Genentech respectively allow Elan to purchase our rights to TYSABRI and Genentech to purchase our rights to RITUXAN and certain anti-CD20 products developed under the agreement if we undergo a change of control and certain other conditions are met, which may limit our attractiveness to potential acquirers and;
- our directors are elected to staggered terms, which prevents the entire board from being replaced in any single year.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

Issuer Purchases of Equity Securities

The following table summarizes our common stock repurchase activity during the third quarter of 2010:

Period	Total Number of Shares Purchased (#)	Average Price Paid per Share ($)	Total Number of Shares Purchased as Part of Publicly Announced Programs (#)	Approximate Dollar Value of Shares That May Yet Be Purchased Under Our Programs ($ in millions)
2010 Repurchase Program				
Jul-10	7,499,983	51.17	7,499,983	84.5
Aug-10	1,490,306	56.70	1,490,306	—
Sept-10	—	—	—	—
Total	8,990,289	52.08		

On April 20, 2010, we announced that our Board of Directors authorized the repurchase of up to $1.5 billion of our common stock with the objective of reducing shares outstanding and returning excess cash to shareholders. This repurchase authorization did not have an expiration date and was completed during the third quarter of 2010. All shares repurchased under this program have been retired.

Item 6. ***Exhibits***

The exhibits listed on the Exhibit Index immediately preceding such exhibits, which is incorporated herein by reference, are filed or furnished as part of this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BIOGEN IDEC INC.

/s/ Paul J. Clancy
Paul J. Clancy
Executive Vice President and
Chief Financial Officer

October 26, 2010

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1+	Second Amended and Restated Bylaws, as amended.
31.1+	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1++	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101++	The following materials from Biogen Idec Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Income, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows, and (iv) Notes to Consolidated Financial Statements.

\+ Filed herewith

++ Furnished herewith

Exhibit 3.1

SECOND AMENDED AND RESTATED
BYLAWS
OF
BIOGEN IDEC INC.

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(continued)

SECOND AMENDED AND RESTATED

BYLAWS

OF

BIOGEN IDEC INC.

(Adopted as of October 13, 2008; as amended through October 5, 2010)

ARTICLE 1

Offices

1.1 Registered Office

The registered office of the corporation shall be set forth in the certificate of incorporation of the corporation.

1.2 Other Offices

The corporation may also have offices at such other places, either within or without the State of Delaware, as the Board of Directors (the "**Board**") may from time to time designate or the business of the corporation may require.

ARTICLE 2

Meeting of Stockholders

2.1 Place of Meeting

Meetings of stockholders may be held at such place, either within or without of the State of Delaware, as may be designated by or in the manner provided in these bylaws, or, if not so designated, as determined by the Board.

2.2 Annual Meeting

Annual meetings of stockholders shall be held each year at such place, date and time as shall be designated from time to time by the Board and stated in the notice of the meeting. At each such annual meeting, the stockholders shall elect the number of directors equal to the number of directors of the class whose term expires at such meeting (or, if fewer, the number of directors properly nominated and qualified for election) to hold office until the third succeeding annual meeting of stockholders after their election and until their successors are duly elected and qualified or until their earlier resignation, removal from office, death or incapacity. Except in a contested election, the vote required for the election of a director by the stockholders shall be the affirmative vote of a majority of the votes cast in favor of or against a nominee. In a contested

election, directors shall be elected by a plurality of the votes so cast. A contested election shall be one in which there are more nominees than positions on the Board to be filled at the meeting as of the fourteenth (14th) day prior to the date on which the corporation files its definitive proxy statement with the Securities and Exchange Commission. Any subsequent amendment or supplement of the definitive proxy statement shall not affect the status of the election. The stockholders shall also transact such other business as may properly be brought before the meeting.

To be properly brought before the annual meeting, nominations of persons for election to the Board must be made in accordance with the procedures set forth in Section 3.1.

Subject to the last paragraph of this Section 2.2, to be properly brought before the annual meeting, business other than nominations of persons for election to the Board must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board or the Chairman of the Board or the Chief Executive Officer, (b) otherwise properly brought before the meeting by or at the direction of the Board (or any committee thereof) or the Chairman of the Board or the Chief Executive Officer, or (c) otherwise properly brought before the meeting by a stockholder of record of the corporation at the time of giving of notice of meeting pursuant to Section 2.4 and at the time of the meeting, who is entitled to vote at the meeting and who otherwise complies with this Section 2.2. For any proposed business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) above of this paragraph, the proposed business must constitute a proper matter for stockholder action. Any such stockholder may propose business to be brought before a meeting only if such stockholder has given timely notice to the Secretary of the corporation in proper written form of the stockholder's intent to propose such business. To be timely, the stockholder's notice must be delivered by a nationally recognized courier service or mailed by first class United States mail, postage or delivery charges prepaid, and received at the principal executive offices of the corporation addressed to the attention of the Secretary of the corporation not less than ninety (90) days nor more than one hundred twenty (120) days in advance of the first anniversary of the date the corporation's proxy statement was released to the stockholders in connection with the previous year's annual meeting of stockholders; *provided*, *however*, that in the event that no annual meeting was held in the previous year or the date of the annual meeting is more than (30) days before or more than (60) days after the first anniversary of the previous year's annual meeting of stockholders, notice by the stockholder must be received by the Secretary of the corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of (x) the ninetieth (90th) day prior to such annual meeting and (y) the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. For the purposes of these bylaws, "**public announcement**" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of stockholder's notice as described above. To be in proper form, a stockholder's notice to the Secretary must set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the

event that such business includes a proposal to amend these bylaws, the language of the proposed amendment), and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made, (iii) the class, series and number of shares of the corporation that are owned beneficially and of record by the stockholder and such beneficial owner and a representation that the stockholder will notify the corporation in writing of the class and number of such shares owned beneficially and of record as of the record date for the meeting promptly following the later of the record date or the date notice of the record date is first publicly disclosed, (iv) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the corporation or with a value derived in whole or in part from the value of any class or series of shares of the corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the corporation or otherwise (a "**Derivative Instrument**") directly or indirectly owned beneficially by such stockholder and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the corporation and a representation that the stockholder will notify the corporation in writing of any such Derivative Instrument in effect as of the record date for the meeting promptly following the later of the record date or the date notice of the record date is first publicly disclosed, (v) a description of any agreement, arrangement or understanding with respect to the proposal of business between or among such stockholder and such beneficial owner, any of their respective affiliates or associates, and any others acting in concert with any of the foregoing and a representation that the stockholder will notify the corporation in writing of any such agreements, arrangements or understandings in effect as of the record date for the meeting promptly following the later of the record date or the date notice of the record date is first publicly disclosed, (vi) a description of any material interest of the stockholder and the beneficial owner, if any, on whose behalf the proposal is made, in such business, (vii) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, (viii) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to approve or adopt the proposal and/or (b) otherwise to solicit proxies from stockholders in support of such proposal and (ix) any other information that is required to be provided by the stockholder pursuant to Section 14 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder as amended from time to time (collectively, the "**1934 Act**") in such stockholder's capacity as a proponent of a stockholder proposal.

Except as otherwise provided by law, the Chairman of the Board (or such other person presiding at the meeting in accordance with these bylaws) shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 2.2 (including whether the stockholder or beneficial owner, if any, on whose behalf the proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's proposal in compliance with such stockholder's representation as required by clause (viii) above of this Section 2.2), and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Notwithstanding the foregoing provisions of this Section 2.2, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the corporation to present proposed business, such proposed business shall not be transacted, notwithstanding that proxies in respect of such proposed business may have been received by the corporation. For purposes of this Section 2.2, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

Compliance with this Section 2.2 and Section 3.1 shall be the exclusive means for a stockholder to make nominations or submit other business (other than matters brought properly under and in compliance with Rule 14a-8 or Rule 14a-11 under the 1934 Act).

2.3 Special Meetings

Special meetings of the stockholders may be called for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, by the Secretary only at the request of the Chairman of the Board, the Chief Executive Officer or by a resolution duly adopted by the affirmative vote of a majority of the Board. Such request shall state the purpose or purposes of the proposed meeting. Business transacted at any special meeting shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

2.4 Notice of Meetings

Except as otherwise provided by law, written notice of each meeting of stockholders, annual or special, stating the place, if any, date and time of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which such special meeting is called, shall be given to each stockholder entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting.

When a meeting is adjourned to another place, date or time, notice need not be given of the adjourned meeting if the place, date and time thereof are announced at the meeting at which the adjournment is taken; *provided*, *however*, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, if any, date, time and means of remote communications, if any, of the adjourned meeting shall be given in conformity herewith. At any adjourned meeting, any business may be transacted that might have been transacted at the original meeting.

2.5 List of Stockholders

The officer in charge of the stock ledger of the corporation or the transfer agent shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the

address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least ten (10) days prior to the meeting, (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the corporation. If the meeting is to be held at a place, then the list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to gain access to such list shall be provided with the notice of the meeting.

2.6 Organization and Conduct of Business

The Chairman of the Board or, in his or her absence, the Chief Executive Officer or President of the corporation or, in their absence, such person as the Board may have designated or, in the absence of such a person, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the Secretary of the corporation, the secretary of the meeting shall be such person as the chairman of the meeting appoints.

The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seems to him or her in order.

2.7 Quorum

Except where otherwise provided by law or the certificate of incorporation of the corporation or these bylaws, the holders of a majority of the stock issued and outstanding and entitled to vote, present in person or represented in proxy, shall constitute a quorum at all meetings of the stockholders.

2.8 Adjournments

Any meeting of stockholders may be adjourned from time to time to any other time and to any other place at which a meeting of stockholders may be held under these bylaws, which time and place shall be announced at the meeting, by either the Chairman of the Board or a majority of the stockholders present in person or represented by proxy at the meeting and entitled to vote, whether or not a quorum is present, without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.9 Voting Rights

Unless otherwise provided in the certificate of incorporation of the corporation, each stockholder shall at every meeting of the stockholders be entitled to one vote for each share of the capital stock having voting power held by such stockholder.

2.10 Majority Vote

When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of statute or of the certificate of incorporation of the corporation or of these bylaws, a different vote is required in which case such express provision shall govern and control the decision of such question.

2.11 Record Date for Stockholder Notice, Voting, Payment and Written Consent

(a) For purposes of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any right in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action (other than the taking of action by written consent of the stockholders without a meeting which is governed by Section 2.11(b) below), the Board may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting nor more than sixty (60) days before any other action to which the record date relates. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board may fix a new record date for the adjourned meeting. If the Board does not so fix a record date, then: (i) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held; and (ii) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating to such purpose.

(b) For purposes of determining the stockholders entitled to consent to corporate action in writing without a meeting, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board to fix a record date. The Board shall, within ten (10) days after the date on which such written notice is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board within ten (10) days after receipt of such written notice, when no prior action by the Board is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is

delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded, to the attention of the Secretary. Delivery shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board and prior action by the Board is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board adopts the resolution taking such prior action.

2.12 Proxies

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three (3) years from its date unless the proxy provides for a longer period. All proxies must be filed with the Secretary of the corporation at the beginning of each meeting in order to be counted in any vote at the meeting. Subject to the limitation set forth in the last clause of the first sentence of this Section 2.12, a duly executed proxy that does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the corporation stating that the proxy is revoked or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing the proxy, or (ii) written notice of the death or incapacity of the maker of that proxy is received by the corporation before the vote pursuant to that proxy is counted.

2.13 Inspectors of Election

The corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors of election to act at the meeting and make a written report thereof. The corporation may designate one or more persons to act as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability.

2.14 Inspectors of Written Consent

In the event of the delivery, in the manner prescribed by law or in these bylaws, to the corporation of the requisite written consent or consents to take corporate action or any related revocations thereof, the corporation may designate one or more persons for the purpose of promptly performing a ministerial review of the validity of such consents and revocations. The corporation may designate one or more persons to act as alternate inspectors to replace any inspector who fails to act. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. For the purpose of permitting the inspectors to perform such review, no action by written consent without a meeting shall be effective until such date as the independent inspectors certify to the corporation that the consents delivered to the corporation in accordance with applicable law and these bylaws represent at least the minimum number of votes

that would be necessary to take the corporate action. Nothing contained in this Section 2.14 shall affect the right of the Board or any stockholder to contest the validity of any consent or revocation thereof, whether before or after such certification by the independent inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

ARTICLE 3

Directors

3.1 Number, Election, Tenure and Qualifications

The number of directors that shall constitute the entire Board initially shall be twelve (12); *provided*, *however*, that the number of directors that shall constitute the entire Board shall be fixed from time to time by resolution adopted by a majority of the entire Board. The classes of directors that shall constitute the entire Board shall be as provided in the certificate of incorporation of the corporation.

The directors shall be elected at the annual meetings of the stockholders, except as otherwise provided in Section 3.2 below, and each director elected shall hold office until such director's successor is elected and qualified, unless sooner displaced.

Subject to the last paragraph of this Section 3.1, and subject to the rights of holders of any class or series of preferred stock, nominations of persons for election to the Board by or at the direction of the Board may be made (a) pursuant to the corporation's notice of meeting (or any supplement thereto), (b) by or at the direction of the Board or any committee thereof, or (c) by any stockholder of the corporation who was a stockholder of record at the time of giving of notice of meeting pursuant to Section 2.4 and at the time of the meeting, who is entitled to vote for the election of directors at the applicable meeting and who complies with the notice procedures set forth in this Section 3.1. Such nominations, other than those made by or at the direction of the Board, shall be made pursuant to timely notice in writing to the Secretary of the corporation. To be timely, a stockholder's notice shall be delivered by a nationally recognized courier service or mailed by first class United States mail, postage or delivery charges prepaid, and received at the principal executive offices of the corporation addressed to the attention of the Secretary of the corporation not less than ninety (90) days nor more than one hundred twenty (120) days in advance of the first anniversary of the date the corporation's proxy statement was released to the stockholders in connection with the previous year's annual meeting of stockholders; *provided*, *however*, that in the event that no annual meeting was held in the previous year or the date of the annual meeting is more than (30) days before or more than (60) days after the first anniversary of the previous year's annual meeting of stockholders, notice by the stockholder must be received by the Secretary of the corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of (x) the ninetieth (90th) day prior to such annual meeting and (y) the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. To be in proper form, a stockholder's

notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class, series and number of shares of capital stock of the corporation that are owned beneficially and of record by the person, (iv) a statement as to the person's citizenship, (v) the completed and signed representation and agreement described below, (vi) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Section 14 of the 1934 Act, and (vii) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected, and (b) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made, (i) the name and record address of the stockholder and of such beneficial owner, if any, (ii) the class, series and number of shares of capital stock of the corporation that are owned beneficially and of record by the stockholder and such beneficial owner and a representation that the stockholder will notify the corporation in writing of the class and number of such shares owned beneficially and of record as of the record date for the meeting promptly following the later of the record date or the date notice of the record date is first publicly disclosed, (iii) any Derivative Instrument directly or indirectly owned beneficially by such stockholder and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the corporation and a representation that the stockholder will notify the corporation in writing of any such Derivative Instrument in effect as of the record date for the meeting promptly following the later of the record date or the date notice of the record date is first publicly disclosed, (iv) a description of any agreement, arrangement or understanding with respect to the nomination between or among such stockholder and such beneficial owner, any of their respective affiliates or associates, and any others acting in concert with any of the foregoing and a representation that the stockholder will notify the corporation in writing of any such agreements, arrangements or understandings in effect as of the record date for the meeting promptly following the later of the record date or the date notice of the record date is first publicly disclosed, (v) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination, and (vi) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to elect the nominee and/or (b) otherwise to solicit proxies from stockholders in support of such nomination. The corporation may require any proposed nominee to furnish such other information as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as director of the corporation.

To be eligible to be a nominee for election or reelection as a director of the corporation (or, in the case of a nomination brought under Rule 14a-11 of the 1934 Act, to serve as a director of the corporation), a person must deliver (in accordance with the time periods prescribed for delivery of notice under this Section 3.1 or, in the case of a nomination brought under Rule 14a-11 of the 1934 Act, prior to the time such person is to begin service as a director) to the Secretary of the corporation at the principal executive offices of the corporation a written representation and agreement (in the form provided by the Secretary upon written request) that such person (i) is not and will not become a party to (A) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if

elected as a director of the corporation, will act or vote on any issue or question (a "**Voting Commitment**") that has not been disclosed to the corporation or (B) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the corporation, with such person's fiduciary duties under applicable law, (ii) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein, and (iii) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the corporation, and will comply with, applicable law and all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the corporation.

Notwithstanding anything in the third sentence of the third paragraph of this Section 3.1 to the contrary, in the event that the number of directors to be elected to the Board is increased effective at the annual meeting and there is no public announcement by the corporation naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the date the corporation's proxy statement was released to the stockholders in connection with the previous year's annual meeting of stockholders, a stockholder's notice required by this Section 3.1 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

Nominations of persons for election to the Board may be made at a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of meeting (1) by or at the direction of the Board or any committee thereof or (2) provided that the Board has determined that directors shall be elected at such meeting, by any stockholder of the corporation who is a stockholder of record at the time of giving of notice of meeting pursuant to Section 2.4 and at the time of the meeting, who is entitled to vote at the meeting and upon such election and who complies with the notice procedures set forth in this Section 3.1. In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice required by the third paragraph of this Section 3.1 shall be delivered to the Secretary at the principal executive offices of the corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

In connection with any annual meeting of the stockholders (or, if and as applicable, any special meeting of the stockholders), the Chairman of the Board (or such other person presiding

at such meeting in accordance with these bylaws) shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee in compliance with such stockholder's representation as required by clause (vi) above of this Section 3.1), and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 3.1, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the corporation to present a nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the corporation. For purposes of this Section 3.1, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

Compliance with Section 2.2 and this Section 3.1 shall be the exclusive means for a stockholder to make nominations or submit other business (other than matters brought properly under and in compliance with Rule 14a-8 or Rule 14a-11 under the 1934 Act).

3.2 Enlargement and Vacancies

The number of members of the Board may be increased at any time as provided in Section 3.1 above. Sole power to fill vacancies and newly created directorships resulting from any increase in the authorized number of directors shall be vested in the Board, and each director so chosen shall hold office until the next annual election at which the term of the class to which they have been elected expires and until such director's successor is duly elected and qualified or until such director's earlier resignation, removal from office, death or incapacity. If there are no directors in office, then an election of directors may be held in the manner provided by statute. In the event of one or more vacancies in the Board, the remaining directors, except as otherwise provided by law or these bylaws, may exercise the powers of the full board until the vacancies are filled.

3.3 Resignation and Removal

Any director may resign at any time upon written notice to the corporation at its principal place of business or to the Chief Executive Officer or the Secretary. Such resignation shall be effective upon receipt of such notice unless the notice specifies such resignation to be effective at some other time or upon the happening of some other event. Any director or the entire Board may be removed, but only for cause, by the holders of a majority of the shares then entitled to vote at an election of directors, unless otherwise specified in the certificate of incorporation of the corporation.

3.4 Powers

The business of the corporation shall be managed by or under the direction of the Board, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation of the corporation or by these bylaws directed or required to be exercised or done by the stockholders.

3.5 Place of Meetings

The Board may hold meetings, both regular and special, either within or without the State of Delaware.

3.6 Organizational Meetings

There shall be an organizational meeting of the Board each year for the purposes of organization, the appointment of officers and the transaction of other business. Organizational meetings shall be held at such time and place as may be determined from time to time by the Board.

3.7 Regular Meetings

Regular meetings of the Board may be held without notice at such time and place as may be determined from time to time by the Board; *provided* that any director who is absent when such a determination is made shall be given prompt notice of such determination.

3.8 Special Meetings

Special meetings of the Board may be called by the Chairman of the Board, the Lead Director (if any), the Chief Executive Officer or the President, or by the Secretary on the written request of two or more directors, or by one director in the event that there is only one director in office. Notice of the time and place, if any, of special meetings shall be delivered personally or by telephone to each director, or sent by first-class mail or commercial delivery service, facsimile transmission, or by electronic mail or other electronic means, charges prepaid, to such director's business or home address as they appear upon the records of the corporation. In case such notice is mailed, at least two (2) days' notice shall be provided to each director prior to the time of holding of the meeting. In case such notice is delivered personally or by telephone or by commercial delivery service, facsimile transmission, or electronic mail or other electronic means, at least forty-eight (48) hours' notice shall be provided to each director prior to the time of the holding of the meeting. A notice or waiver of notice of a meeting of the Board need not specify the purposes of the meeting.

3.9 Quorum, Action at Meeting, Adjournments

At all meetings of the Board, a majority of directors then in office, but in no event less than one-third (1/3) of the entire Board, shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board, except as may be otherwise specifically provided by law or by the certificate of incorporation of the corporation. For purposes of this Section 3.9, the term "**entire**

Board" shall mean the number of directors last fixed by directors in accordance with these bylaws; *provided, however*, that if fewer than all the number of directors so fixed have been elected (by the stockholders or the Board), the "entire Board" shall mean the greatest number of directors so elected to hold office at any one time pursuant to such authorization. If a quorum shall not be present at any meeting of the Board, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

3.10 Action Without Meeting

Unless otherwise restricted by the certificate of incorporation of the corporation or these bylaws, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writings or electronic transmissions are filed with the minutes of proceedings of the Board or committee.

3.11 Telephone Meetings

Unless otherwise restricted by the certificate of incorporation of the corporation or these bylaws, any member of the Board or any committee thereof may participate in a meeting of the Board or of any committee, as the case may be, by means of conference telephone or by any form of communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.12 Committees

The Board may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not the member or members present constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the General Corporation Law of the State of Delaware (the "**DGCL**") to be submitted to stockholders for approval or (ii) adopting, amending or repealing any of these bylaws. Any such committee shall have such name as may be determined from time to time by resolution adopted by the Board. Each committee shall keep regular minutes of its meetings and make such reports to the Board as the Board may request. Except as the Board may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be

conducted as nearly as possible in the same manner as is provided in these bylaws for the conduct of its business by the Board.

3.13 Fees and Compensation of Directors

Unless otherwise restricted by the certificate of incorporation of the corporation or these bylaws, the Board shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board and may be paid a fixed sum for attendance at each meeting of the Board or a stated salary as director, or such other compensation as may be determined by the Board. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

3.14 Rights of Inspection

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders and its other books and records for a purpose reasonably related to his or her position as a director.

3.15 Lead Director

The Board may designate a Lead Director from among its members from time to time, who shall be a independent director, with such duties and authority as determined by the Board.

3.16 Conditional Resignation

The Board shall not nominate for election as director any candidate who has not agreed to tender, promptly following the annual meeting at which he or she is elected as director, an irrevocable resignation that will be effective upon (a) the failure to receive the required number of votes for reelection at the next annual meeting of stockholders at which he or she faces reelection, and (b) acceptance of such resignation by the Board. In addition, the Board shall not fill a director vacancy or newly created directorship with any candidate who has not agreed to tender, promptly following his or her appointment to the Board, the same form of resignation.

If an incumbent director fails to receive the number of votes required for reelection, the Board (excluding the director in question) shall, within 90 days after certification of the election results, decide whether to accept the director's resignation, taking into account such factors as it deems relevant. Such factors may include, without limitation, the stated reason or reasons why stockholders voted against such director's reelection, the qualifications of the director (including, for example, whether the director is an "audit committee financial expert"), and whether accepting the resignation would cause the Company to fail to meet any applicable listing standards or would violate state law. The Board shall promptly disclose its decision and, if applicable, the reasons for rejecting the resignation in a filing with the Securities and Exchange Commission.

ARTICLE 4

Officers

4.1 Officers Designated

The officers of the corporation shall be chosen by the Board and shall include a Chief Executive Officer, a Secretary and a Chief Financial Officer or Treasurer. The Board may elect from among its members a Chairman of the Board and a Vice Chairman of the Board. The Board may also choose a President, one or more Vice Presidents, one or more assistant Secretaries or assistant Treasurers and such other officers as the Board deems appropriate from time to time. Any number of offices may be held by the same person, unless the certificate of incorporation of the corporation or these bylaws otherwise provide.

4.2 Appointment

The Board at its organizational meeting shall choose a Chief Executive Officer, a Secretary and a Chief Financial Officer or Treasurer. Other officers may be appointed by the Board at such meeting, at any other meeting, or by written consent, or in such other manner as is determined by the Board.

4.3 Tenure

Each officer of the corporation shall hold office until such officer's successor is appointed and qualified, unless a different term is specified in the vote choosing or appointing such officer, or until such officer's earlier death, resignation, removal or incapacity. Any officer may be removed with or without cause at any time by the affirmative vote of a majority of the Board or a committee duly authorized to do so. Any vacancy occurring in any office of the corporation may be filled by the Board, at its discretion. Any officer may resign by delivering such officer's written resignation to the corporation at its principal place of business or to the Chief Executive Officer or the Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

4.4 Chairman and Vice Chairman

The Chairman of the Board, if any, shall preside at all meetings of the Board and of the stockholders at which he or she shall be present. The Chairman of the Board shall have and may exercise such powers as are, from time to time, assigned to him or her by the Board and as may be provided by law. In the absence of the Chairman of the Board, the Vice Chairman of the Board, if any, shall preside at all meetings of the Board and of the stockholders at which he or she shall be present. The Vice Chairman of the Board shall have and may exercise such powers as are, from time to time, assigned to him or her by the Board and as may be provided by law.

4.5 The Chief Executive Officer

Subject to such supervisory powers, if any, as may be given by the Board to the Chairman of the Board, the Chief Executive Officer (who may also be designated by the title of "President" unless a separate President shall be appointed) shall preside at all meetings of the

stockholders and the Board in the absence of the Chairman of the Board or if there be none, shall have general and active management of the business of the corporation and shall see that all orders and resolutions of the Board are carried into effect. He or she shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board to some other officer or agent of the corporation.

4.6 The President

The President, if any, shall, in the event there be no Chief Executive Officer or in the absence of the Chief Executive Officer or in the event of his or her disability or refusal to act, perform the duties of the Chief Executive Officer, and when so acting, shall have the powers of and be subject to all the restrictions upon the Chief Executive Officer. The President shall perform such other duties and have such other powers as may from time to time be prescribed for such person by the Board, the Chairman of the Board, the Chief Executive Officer or these bylaws.

4.7 The Vice President

The Vice President (or in the event there be more than one, the Vice Presidents in the order designated by the directors, or in the absence of any designation, in the order of their appointment), shall, in the absence of the President or in the event of his or her disability or refusal to act, perform the duties of the President, and when so acting, shall have the powers of and be subject to all the restrictions upon the President. The Vice President(s) shall perform such other duties and have such other powers as may from time to time be prescribed for them by the Board, the Chairman of the Board, the Chief Executive Officer, the President or these bylaws.

4.8 The Secretary

The Secretary shall attend all meetings of the Board and the stockholders and record all votes and the proceedings of the meetings in a book to be kept for that purpose and shall perform like duties for the standing committees, when required. The Secretary shall give, or cause to be given, notice of all meetings of stockholders and special meetings of the Board, and shall perform such other duties as may from time to time be prescribed by the Board, the Chairman of the Board, the Chief Executive Officer, the President or these bylaws. The Secretary shall have custody of the seal of the corporation, and the Secretary, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it, and, when so affixed, the seal may be attested by his or her signature or by the signature of such Assistant Secretary. The Board may give general authority to any other officer to affix the seal of the corporation and to attest the affixing thereof by his or her signature. The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent or registrar, as determined by resolution of the Board, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates, if any, issued for the same and the number and date of cancellation of every certificate surrendered for cancellation.

4.9 The Assistant Secretary

The Assistant Secretary, or if there be more than one, any Assistant Secretaries in the order designated by the Board (or in the absence of any designation, in the order of their appointment) shall assist the Secretary in the performance of his or her duties and, in the absence of the Secretary or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as may from time to time be prescribed by the Board, the Chairman of the Board, the Chief Executive Officer, the President or these bylaws.

4.10 The Chief Financial Officer

The Chief Financial Officer (who may also be designated by the separate title of "Treasurer" unless a separate Treasurer is appointed) shall consider the adequacy of, and make recommendations concerning, the capital resources available to the corporation to meet it projected obligations and business plans; report periodically to the Chief Executive Officer and the Board on financial results and trends affecting the business; have custody of the corporate funds and deposit and pay out such funds from time to time in such manner as may be prescribed by, or in accordance with the direction of, the Board; and shall perform such other duties and have such other powers as may from time to time be prescribed by the Board, the Chairman of the Board, the Chief Executive Officer, the President or these bylaws.

4.11 The Treasurer and Assistant Treasurers

The Treasurer (if one is appointed) shall, (i) if a Chief Financial Officer is appointed, have such duties as may be specified by the Chief Financial Officer to assist the Chief Financial Officer in the performance of his or her duties, and (ii) otherwise perform such duties and have other powers as may from time to time be prescribed by the Board, the Chairman of the Board, the Chief Executive Officer, the President or these bylaws. It shall be the duty of any Assistant Treasurers to assist the Treasurer in the performance of his or her duties and to perform such other duties and have other powers as may from time to time be prescribed by the Board, the Chairman of the Board, the Chief Executive Officer, the President or these bylaws.

4.12 Bond

If required by the Board, any officer shall give the corporation a bond in such sum and with such surety or sureties and upon such terms and conditions as shall be satisfactory to the Board, including without limitation a bond for the faithful performance of the duties of such officer's office and for the restoration to the corporation of all books, papers, vouchers, money and other property of whatever kind in such officer's possession or under such officer's control and belonging to the corporation.

ARTICLE 5

Notices

5.1 Delivery

Whenever, under the provisions of law, or of the certificate of incorporation of the corporation or these bylaws, written notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but: (a) such notice may be given by mail, addressed to such director or stockholder, at such person's address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail or delivered to a nationally recognized courier service; and (b) unless written notice by mail is required by law, such notice may also be given by commercial delivery service, facsimile transmission, electronic means or similar means addressed to such director or stockholder at such person's address as it appears on the records of the corporation, in which case such notice shall be deemed to be given when delivered into the control of the persons charged with effecting such transmission, the transmission charge to be paid by the corporation or the person sending such notice and not by the addressee. Oral notice or other in-hand delivery, in person or by telephone, shall be deemed given at the time it is actually given.

5.2 Waiver of Notice

Whenever any notice is required to be given under the provisions of law or of the certificate of incorporation of the corporation or of these bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. In addition to the foregoing, notice of a meeting need not be given to any director who signs a waiver of notice or a consent, or electronically transmits the same, to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

ARTICLE 6

Indemnification and Insurance

6.1 Indemnification

(a) Each person who was or is made a party or is threatened to be made a party to or is involved in (as a witness or otherwise) any action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative in nature (hereinafter a "**proceeding**"), by reason of the fact that he or she or a person of whom he or she is the legal representative (in the event of death or disability of such person) is or was a director or officer of the corporation (or any predecessor) or is or was serving at the request of the corporation (or any predecessor) as a director, officer, employee, fiduciary, representative, partner or agent of another corporation or of a partnership,

joint venture, trust, employee benefit plan sponsored or maintained by the corporation, or other enterprise (or any predecessor of any of such entities), whether the basis of such proceeding is alleged action or inaction in an official capacity as a director, officer, employee, fiduciary, representative, partner or agent or in any other capacity while serving as a director, officer, employee, fiduciary, representative, partner or agent, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith; *provided, however*, that except as provided in Section 6.1(c) below, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board. The right to indemnification conferred in this Section 6.1 shall be a contract right subject to the terms and conditions of this Article 6.

(b) To obtain indemnification under this Section 6.1, a claimant shall submit to the corporation a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification; provided, however, that the failure of a claimant to so notify the corporation shall not relieve the corporation of any obligation which it may have to the claimant under this Section 6.1 or otherwise except to the extent that any delay in such notification actually and materially prejudices the corporation. Upon written request by a claimant for indemnification pursuant to the preceding sentence, a determination, if required by applicable law, with respect to the claimant's entitlement thereto shall be made as follows: (i) if requested by the claimant, by Independent Counsel (as hereinafter defined), or (ii) if no request is made by the claimant for a determination by Independent Counsel, (A) by the Board by a majority vote of the Disinterested Directors (as hereinafter defined), even though less than a quorum, or (B) by a committee of Disinterested Directors designated by majority vote of the Disinterested Directors, even though less than a quorum, or (C) if there are no Disinterested Directors or the Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to the claimant, or (D) if a quorum of Disinterested Directors so directs, by the stockholders of the corporation.

In the event the determination of entitlement to indemnification is to be made by Independent Counsel at the request of the claimant, the Independent Counsel shall be selected by the Board unless there shall have occurred within two years prior to the date of the commencement of the proceeding for which indemnification is claimed a "Change of Control" (as hereinafter defined), in which case Independent Counsel shall be selected by the claimant unless the claimant shall request that such selection be made by the Board. In either event, the claimant or the corporation, as the case may be, shall give written notice to the other advising it of the identity of the Independent Counsel so selected. The party so notified may, within ten (10) days after such written notice of selection shall have been given, deliver to the corporation or to the claimant, as the case may be, a written objection to such selection; *provided*, *however*, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 6.6, and the objection

shall set forth with particularity the factual basis of such assertion. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within thirty (30) days after submission by the claimant of a written request for indemnification pursuant to Section 6.1(b), no Independent Counsel shall have been selected and not objected to, either the corporation or the claimant may petition the Court of Chancery of the State of Delaware for resolution of any objection which shall have been made by the corporation or the claimant to the other's selection of Independent Counsel or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel hereunder. The corporation shall pay any and all fees and expenses of Independent Counsel reasonably incurred in connection with acting pursuant to Section 6.1(b), and the corporation shall pay all reasonable fees and expenses incident to the procedures of Section 6.1(b), regardless of the manner in which such Independent Counsel was selected or appointed. Upon the due commencement of any judicial proceeding pursuant to Section 6.1(c), Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

If the person, persons or entity empowered or selected under this Section 6.1(b) to determine whether the claimant is entitled to indemnification shall not have made a determination within ninety (90) days after receipt by the corporation of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and the claimant shall be entitled to such indemnification, absent (i) a misstatement by the claimant of a material fact, or an omission of a material fact necessary to make the claimant's statement(s) not materially misleading, in connection with the request for indemnification or (ii) a prohibition of such indemnification under applicable law.

If it is determined that the claimant is entitled to indemnification, the corporation shall pay the claimant within twenty (20) business days after such determination any then known amounts with respect to which it has been so determined that the claimant is entitled to indemnification hereunder and will pay any other amounts thereafter incurred for which Indemnitee is entitled to indemnification within twenty (20) business days of the corporation's receipt of reasonably detailed invoices for such amounts.

(c) In the event that (i) a determination is made pursuant to Section 6.1(b) that the claimant is not entitled to indemnification, (ii) advancement of Expenses is not timely made pursuant to Section 6.2 or (iii) a claim for the indemnification under Section 6.1 is not paid in full by the corporation within twenty (20) business days after a determination has been made that the claimant is entitled to indemnification, the claimant may at any time thereafter bring suit against the corporation to determine his entitlement to such indemnification or advancement of Expenses and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. If a Change of Control shall have occurred, in any judicial proceeding commenced pursuant to this Section 6.1(c), the corporation shall have the burden of proving that the claimant is not entitled to indemnification. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required,

has been tendered to the corporation) that the claimant has not met the standard of conduct that makes it permissible under the DGCL for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including the Board, Independent Counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor the fact that the corporation (including the Board, Independent Counsel or stockholders) has determined that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the claimant has not met the applicable standard of conduct.

(d) If a determination shall have been made pursuant to this Section 6.1 that the claimant is entitled to indemnification, the corporation shall be bound by such determination in any judicial proceeding commenced pursuant to Section 6.1(c) above, absent (i) a misstatement by the claimant of a material fact, or an omission of a material fact necessary to make the claimant's statements not materially misleading in connection with a request for indemnification or (ii) a prohibition of such indemnification under applicable law. The corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to Section 6.1(c) above that the procedures and presumptions of this Article 6 are not valid, binding and enforceable and shall stipulate in such proceeding that the corporation is bound by all the provisions of this Article 6.

(e) With respect to any proceeding for which indemnification is sought hereunder, so long as there shall not have occurred a Change in Control, the corporation, in its sole discretion, will be entitled to participate in such proceeding at its own expense and, except as provided below, to assume the defense of, and to settle, such proceeding. After notice from the corporation to the claimant of its election so to assume the defense thereof, the corporation will not be liable to the claimant under this Article 6 for any legal or other Expenses subsequently incurred by the claimant in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. The claimant shall have the right to employ its counsel in such proceeding but the fees and Expenses of such counsel incurred after notice from the corporation of its assumption of the defense thereof shall be at the expense of the claimant unless (i) the employment of counsel by the claimant has been authorized by the corporation, (ii) the claimant shall have reasonably concluded that there may be a conflict of interest between the corporation and the claimant in the conduct of the defense of such proceeding or (iii) the corporation shall not in fact have employed counsel to assume the defense of such proceeding, in each of which cases the fees and Expenses of counsel shall be at the expense of the corporation. The corporation shall not be entitled to assume the defense of any proceeding brought by or on behalf of the corporation or as to which the claimant shall have made the conclusion provided for in clause (ii) of the immediately preceding sentence. The claimant shall not compromise or settle any claim or proceeding, release any claim, or make any admission of fact, law, liability or damages with respect to any losses for which indemnification is sought hereunder without the prior written consent of the corporation, which consent shall not be unreasonably withheld (subject to the terms and conditions of this Article 6, including any determination required by

Section 6.1(b) or by applicable law). The corporation shall not be liable for any amount paid by the claimant in settlement of any proceeding or any claim therein, unless the corporation has consented to such settlement or unreasonably withholds consent to such settlement.

(f) If the claimant is a party to or involved in a proceeding with any other person(s) for whom the corporation is required to indemnify or advance Expenses with respect to such proceeding, the corporation shall not be required to indemnify against or advance Expenses for more than one law firm to represent collectively the claimant and such other person(s) in respect of the same matter unless the representation of the claimant and such other person(s) gives rise to an actual or potential conflict of interest.

6.2 Advance Payment

The right to indemnification under this Article 6 shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition, such advances to be paid by the corporation within twenty (20) business days after the receipt by the corporation of a statement or statements from the claimant requesting and reasonably evidencing such advance or advances from time to time; *provided, however*, that if the DGCL requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the corporation of an undertaking by or on behalf of such director or officer to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under Section 6.1 above or otherwise.

6.3 Non-Exclusivity and Survival of Rights; Amendments

The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article 6 shall not be deemed exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the certificate of incorporation of the corporation, bylaws, agreement, vote of stockholders or Disinterested Directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent of the corporation and shall inure to the benefit of the heirs, executors and administrators of such a person. Any repeal or modification of the provisions of this Article 6 shall not in any way diminish or adversely affect the rights or protections of any director, officer, employee or agent of the corporation hereunder in respect of any proceeding (regardless of when such proceeding is first threatened, commenced or completed) arising out of, or related to, any act or omission occurring prior to the time of such repeal or modification.

6.4 Insurance

The 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, partnership,

joint venture, trust, employee benefit plan or other enterprise against any expense, liability or loss asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of the DGCL.

6.5 Severability

If any word, clause, provision or provisions of this Article 6 shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Article 6 (including, without limitation, each portion of any section or paragraph of this Article 6 containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Article 6 (including, without limitation, each such portion of any section or paragraph of this Article 6 containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

6.6 Definitions

For the purpose of this Article 6:

"**Change of Control**" shall mean:

(1) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the 1934 Act (a "**Person**")), directly or indirectly, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of 20% or more of either (i) the then outstanding shares of common stock of the corporation (the "**Outstanding Corporation Common Stock**") or (ii) the combined voting power of the then outstanding voting securities of the corporation entitled to vote generally in the election of directors (the "**Outstanding Corporation Voting Securities**"); *provided*, *however*, that for purposes of this part (1), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the corporation or any acquisition from other stockholders where (A) such acquisition was approved in advance by the Board and (B) such acquisition would not constitute a Change of Control under part (2) or part (4) of this definition, (ii) any acquisition by the corporation, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the corporation or any corporation controlled by the corporation, or (iv) any acquisition by any corporation pursuant to a transaction that complies with clauses (i), (ii) and (iii) of part (4) of this definition; or

(2) the acquisition by any Person, directly or indirectly, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of 50% or more of either (i) the Outstanding Corporation Common Stock or (ii) the Outstanding Corporation Voting Securities; or

(3) individuals who, as of the date hereof, constitute the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (or such committee thereof that shall then have the authority to nominate persons for election as directors) 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 of consents by or on behalf of a Person other than the Board; or

(4) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the corporation (a "**Business Combination**"), in each case, unless, immediately following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that as a result of such transaction owns the corporation or all or substantially all of the corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(5) approval by the stockholders of a complete liquidation or dissolution of the corporation.

"**Disinterested Director**" shall mean a director of the corporation who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

"**Independent Counsel**" shall mean a law firm, a member of a law firm, or an independent practitioner, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the corporation or the claimant in

any matter material to any such party, or (ii) any other party to the proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not shall include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the corporation or the claimant in an action to determine the claimant's rights under this Article 6.

6.7 Notices

Any notice, request or other communication required or permitted to be given to the corporation under this Article 6 shall be in writing and either delivered in person or sent by telecopy or other electronic transmission, overnight mail or courier service, or certified or registered mail, postage or charges prepaid, return copy requested, to the Secretary of the corporation and shall be effective only upon receipt by the Secretary.

ARTICLE 7

Capital Stock

7.1 Certificates for Shares

The shares of stock of the corporation shall be represented by certificates or, where approved by the Board and permitted by law, shall be uncertificated. Certificates representing shares of stock shall be signed by, or in the name of the corporation by, the Chairman of the Board, the Chief Executive Officer, the President or a Vice President and by the Chief Financial Officer, the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the corporation. Certificates or uncertificated shares may be issued for partly paid shares and in the case of certificated shares, upon the face or back of the certificates issued to represent any such partly paid shares, the total amount of the consideration to be paid therefor, and the amount paid thereon shall be specified.

If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights.

Within a reasonable time after the issuance or transfer of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required by the DGCL or a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating,

optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights.

7.2 Signatures on Certificates

Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

7.3 Transfer of Stock

Upon surrender to the corporation or the transfer agent of the corporation of a certificate of shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Upon receipt of proper transfer instructions from the registered owner of uncertificated shares, such uncertificated shares shall be canceled and issuance of new equivalent uncertificated shares or certificated shares shall be made to the person entitled thereto and the transaction shall be recorded upon the books of the corporation.

7.4 Registered Stockholders

The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

7.5 Lost, Stolen or Destroyed Certificates

The corporation may direct that a new certificate or certificates or uncertificated shares be issued to replace any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed and on such terms and conditions as the corporation may require. When authorizing the issue of a new certificate or certificates, the corporation may, in its discretion and as a condition precedent to the issuance thereof, require the owner of the lost, stolen or destroyed certificate or certificates, or his or her legal representative, to advertise the same in such manner as it shall require, to indemnify the corporation in such manner as it may require, and to give the corporation a bond or other adequate security in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

ARTICLE 8

General Provisions

8.1 Dividends

Dividends upon the capital stock of the corporation, subject to any restrictions contained in the DGCL or the provisions of the certificate of incorporation of the corporation, if any, may be declared by the Board at any regular or special meeting or by unanimous written consent. Dividends may be paid in cash, in property or in shares of capital stock, subject to the provisions of the certificate of incorporation of the corporation. The Board may fix any record date for purposes of determining the stockholders entitled to receive payment of any dividend as set forth in Section 2.11 above.

8.2 Dividend Reserve

Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

8.3 Checks

All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board may from time to time designate.

8.4 Fiscal Year

The fiscal year of the corporation shall be fixed by resolution of the Board.

8.5 Corporate Seal

The Board may, by resolution, adopt a corporate seal. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words “Corporate Seal, Delaware.” The seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced. The seal may be altered from time to time by the Board.

8.6 Execution of Corporate Contracts and Instruments

The Board, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any

contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.7 Representation of Shares of Other Corporations

Each of the Chief Executive Officer, the President or any Vice President, the Chief Financial Officer or the Treasurer or any Assistant Treasurer, or the Secretary or any Assistant Secretary of the corporation is authorized to vote, represent and exercise on behalf of the corporation all rights incident to any and all shares of any corporation or corporations standing in the name of the corporation. The authority herein granted to said officers to vote or represent on behalf of the corporation any and all shares held by the corporation in any other corporation or corporations may be exercised either by such officers in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officers.

ARTICLE 9

Amendments

These bylaws may be altered, amended or repealed, in whole or in part, or new bylaws may be adopted by the stockholders or by the Board; *provided, however,* that notice of such alteration, amendment, repeal or adoption of new bylaws be contained in the notice of such meeting of the stockholders or the Board, as the case may be. Any such alteration, amendment, repeal or adoption must be approved by either the vote of the holders of a majority of the stock issued and outstanding and entitled to vote thereon or by a majority of the entire Board.

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, George A. Scangos, certify that:

1. I have reviewed this quarterly report of Biogen Idec Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2010

/s/ George A. Scangos
George A. Scangos
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul J. Clancy, certify that:

1. I have reviewed this quarterly report of Biogen Idec Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2010

/s/ Paul J. Clancy
Paul J. Clancy
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Biogen Idec Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 26, 2010

/s/ George A. Scangos
George A. Scangos
Chief Executive Officer
[principal executive officer]

Dated: October 26, 2010

/s/ Paul J. Clancy
Paul J. Clancy
Executive Vice President
and Chief Financial Officer
[principal financial officer]

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.