



This 3DAdvisors Report Covers:

- ✓ **Insider Trading:** Insider Trading Behavior
- ✓ **Accounting:** Quality of Earnings Issues
- Governance:** Corporate Governance Issues
- ✓ **Fundamentals:** Analysis of fundamentals

More Suspect Selling Just Ahead of Bullish Guidance Biogen Idec Inc. (NASDAQ:BIIB) Update

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Business Description

Biogen Idec Inc. engages in the development, manufacture, and commercialization of novel therapies primarily in the areas of oncology, neurology, and immunology in the United States and internationally. The Company's current portfolio is comprised of five drugs: AVONEX, TYSABRI, RITUXAN, ZEVALIN, and FUMADERM. The Company also has numerous drugs in various stages of development, and has collaboration agreements with PDL BioPharma, Inc., Sunesis Pharmaceuticals, Inc., Vernalis plc, Vetter Pharma-Fertigung GmbH & Co. KG, Elan Corporation plc, Alnylam Pharmaceuticals, Inc., UCB SA, Johns Hopkins Brain Science Institute, and Schering AG. The Company was founded in 1985 and is based in Cambridge, Massachusetts.

Summary of 3DAdvisors Findings for BIIB

- ▶ **Fundamentals:** Beyond the hype, growth depends on controversial MS drug
- ▶ **Insider Trading:** Egregious selling under trading plans suddenly reemerges
- ▶ **Miscellaneous:** Various noteworthy legal, accounting and fundamental items

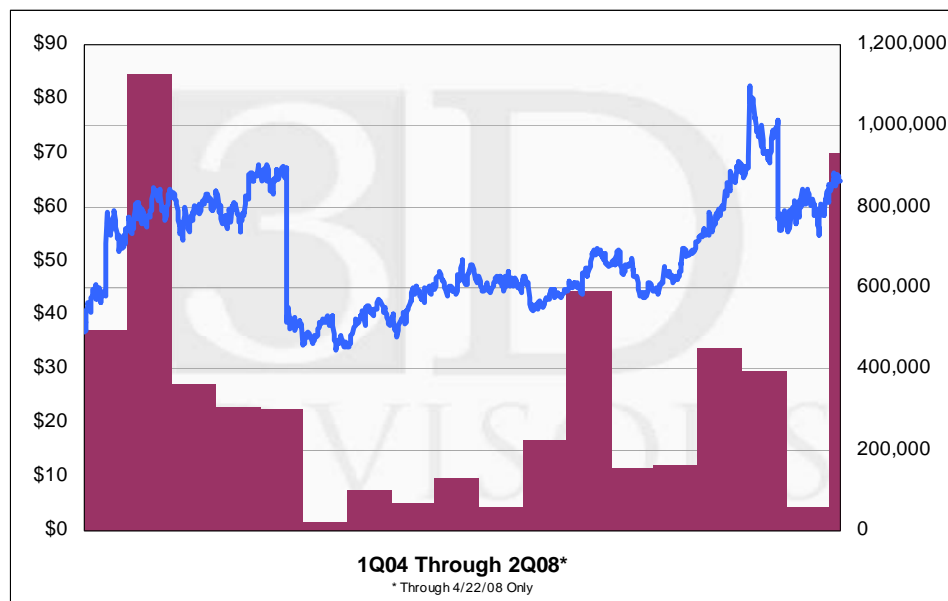
Discussion of 3DAdvisors Findings for BIIB

On 04/23/08 before the market open, BIIB released financial results for its fiscal first quarter (ended 03/31/08) which by all appearances were quite impressive. Revenue increased by 32% to \$942 million compared to the same period in 2007, driven primarily by sales of the Company's drugs used in the treatment of Multiple Sclerosis (MS), AVONEX and TYSABRI. Excluding acquisition-related and stock-compensation costs, earnings jumped to \$0.83 a share from \$0.59. Analysts had expected revenue of \$890 million and EPS of \$0.79. The Company raised its 2008 earnings forecast to \$3.25 to \$3.45 a share from \$3.20 to \$3.35, accompanied by 20% revenue growth. Analysts had been expecting earnings of \$3.30 a share on 18% revenue growth. In concluding his opening remarks at the start of the ensuing conference call, CEO **Jim Mullen** said, "...the future of Biogen Idec is extremely bright as evidenced by our recent operating

results. In my nearly two decades with the Company I don't believe the prospects for growth today and growth in the future have been any better for the Company.”

We found this statement by Mr. Mullen very interesting as little more than a week earlier (between 04/11/08 and 04/15/08) he exercised over 750,000 options from several different non-expiring option series and immediately sold the shares which accounted for 42% of his actionable position. This is a large and unusual reduction for any long-standing CEO, much more so for one spewing such bullish sentiment. The fact that these sales were reportedly executed as part of a 10b5-1 trading plan that he has not traded under in nearly 2 years comes as no surprise as his behavior is consistent with the incredibly egregious trading plan abuses of his peers that we have covered in detail in our earlier reports on the Company (see our full report on [11/05/07](#)). But Mullen was not acting alone; nine of eleven Section 16 officers together with two directors sold 991,283 shares between 02/06/08 and 04/15/08 at prices ranging from \$60 to \$65, well off the recent highs that were achieved after the Company announced it was putting itself up for sale, but then later conceded that no buyers could be found. Of the recent total sold, 932,000 came out in April alone, setting the stage for what promises to be the most prolific quarter of sales since Biogen and Idec merged in 2003.

Figure 1. BIIB Daily Closing Price, 01/02/04 through 04/22/08 (Blue line and left scale) and Quarterly Sales by Insiders, 1Q04 through 2Q08 (Red bars and right scale). Source: Reuters and BIIB SEC Filings.



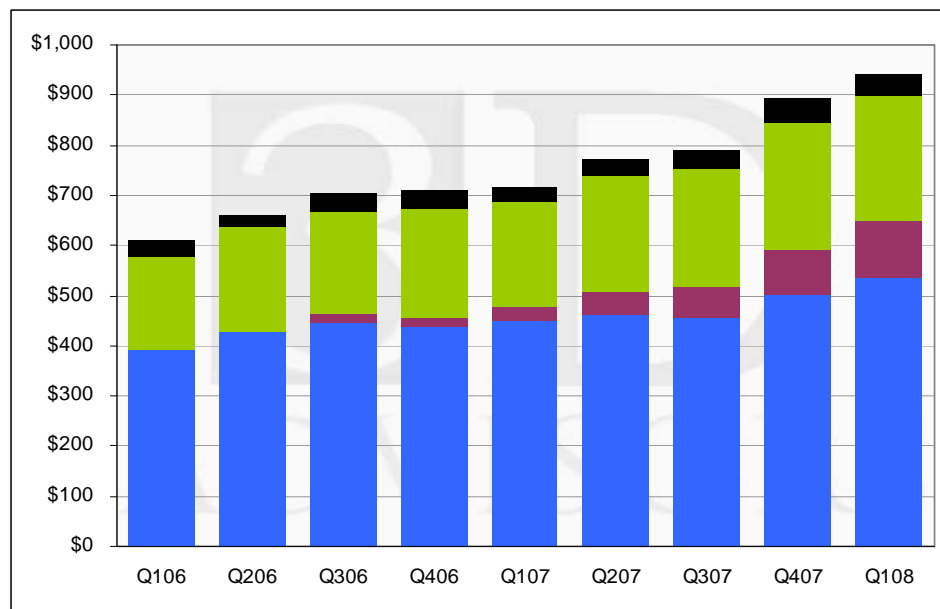
In this update report we examine in detail this most recent round of sales in the face of very bullish management guidance, but also delve into the Q1 results and conclude, despite considerable obfuscation, the Company has more or less bet the ranch on the controversial MS drug TYSABRI, which has many well-known attendant risks. Given the reliance placed on TYSABRI and the associated uncertainties, plus additional uncertainties stemming from the Company's escalating fight with Carl Icahn, we are not surprised to see the insiders dropping shares in a hurry, way off the recent highs, enabled by the highly questionable use of 10b5-1 trading plans.

Fundamentals: Beyond the hype, growth depends on controversial MS drug

In our analysis of the Company's reported 1Q08, we focused our attention on better understanding the sources of revenue growth and how they fit in with the bullish guidance articulated by management in the wake of the quarter's results. What we have concluded is that while the Company attempted to portray the growth in the quarter as coming from several sources, much of that growth came from price increases and currency gains and we also note that management conveniently avoids bringing up the sequential growth numbers (which were soft in several important areas), while using very positive language to explain the more upbeat year-over-year growth. In the end, the Company appears to be relying heavily on international sales of the controversial MS drug TYSABRI for growth, a strategy that has several associated risks.

It is pretty clear the revenue growth in the quarter primarily came from two places: AVONEX sales (up 19.4% year-over-year, but just 6.7% sequentially), and TYSABRI sales (total sales up 286% year-over-year, on a small base number). For convenience as a reference, Appendix A shows quarterly sales figures for each of the Company's principal portfolio drugs going back to 1Q06.

Figure 2. BIIB Quarterly Revenue, Q106 through Q108, Millions of \$. Blue is AVONEX; Red is TYSABRI; Green is RITUXAN; Black is All Other Revenue. Source: BIIB SEC Form 10-Q and 10-K Filings.



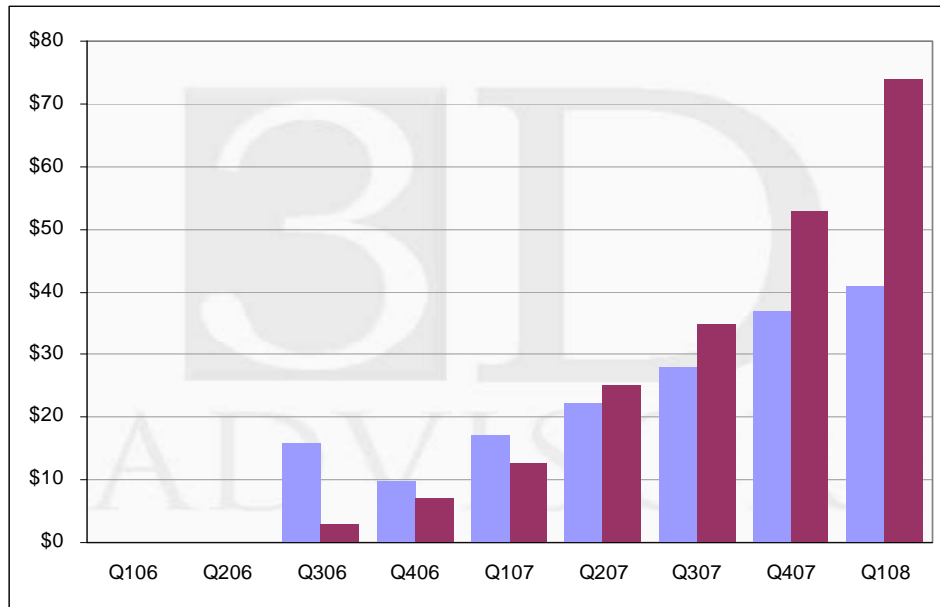
In the 2007 SEC Form 10-K, in the first item listed under the risk section, the Company said that AVONEX and RITUXAN together were 88% of sales, and if anything went wrong with either one of them, it would adversely impact the Company's financial results. In 1Q08, the Company did tout the 19% year-over-year growth for RITUXAN, but of course failed to mention that revenue declined 2.6% sequentially.

With regard to AVONEX in the U.S., the only thing driving the 14% year-over-year growth were price increases, which offset lower volume for the period. CFO **Paul**

Clancy stated in the conference call, “This revenue growth was supported by the strength of the AVONEX brand and its ability to support price increases in 2007.” Internationally, 10% of the 27% year-over-year growth came from currency gains, with the remainder coming from “volume and mix increases”. While the international year-over-year growth for AVONEX was 27%, the sequential increase was a meager 2.2%, so it is quite clear that were it not for the currency gains, sequentially international sales would have declined significantly. Nowhere in the announced results or conference call was there any mention of the sequential numbers for AVONEX, despite the fact that they were nearly a quarter (24.2%) of total revenue for the period.

TYSABRI 1Q08 growth year-over-year was 286%, growing from a small base of \$29.8 million in 1Q07 to \$115 million in 1Q08. The growth is being driven by sales outside of the U.S. as more countries approve its use. Interestingly, while the U.S. is still growing, it seems to be running out of steam as suggested by Figure 3 below.

Figure 3. Domestic (Blue) and International (Red) Sales of TYSABRI (Q306 through Q108; Millions \$). Source: BIIB SEC Filings.



The focus on international sales of TYSABRI did come up several times during the conference call, such as in this exchange:

Analyst: Looking at the trends for TYSABRI, in the U.S. the actual number of patients added was flat compared to the fourth quarter whereas in ex U.S. you had a significant increase. Going forward was there something unique about Europe in terms of this quarter in terms of the rollout in countries where we think this might temper a little bit going forward? Or should we think of this as a run rate -- in the U.S. based on this new updated safety would you expect an inflection in the outer quarters or the next few quarters given the recent safety update?

Bill Sibold, SVP U.S. Neurology Business Unit: So internationally we did see the benefit of additional countries coming on board and we expect that that effect will continue through the year and into the future. In the U.S. Q1 was what we had expected and we expect that there will be a steady growth in the number of new patient adds which puts us on track overall for 2010 of our goal of 100,000 patients.

Perhaps feeling a little uncomfortable with the response, the CFO jumps in:

Paul Clancy, CFO: I'd just add and try to echo the fact that as we've articulated our longer-term goals we've always thought about the contribution of TYSABRI in terms of patients to be kind of in the 60% outside the U.S., 40% inside the U.S. and that's just based on kind of market projections and planning. In the early read, based on Q4 and Q1 now, is that that assumption may really start to be coming to fruition.

Risks associated with reliance on TYSABRI are covered with new detail in the 2007 SEC Form 10-K filed on 02/14/08 and the 1Q08 SEC Form 10-Q, just filed on 04/23/08. Bolding is ours for emphasis:

A substantial portion of our growth in the near-term is dependent on anticipated sales of TYSABRI. TYSABRI is expected to diversify our product offerings and revenues, and **to drive additional revenue growth over the next several years. If we are not successful in growing sales of TYSABRI, that would result in a significant reduction in diversification and expected revenues, and adversely affect our business.**

Achievement of anticipated sales growth of TYSABRI will depend upon its acceptance by the medical community and patients, **which cannot be certain given the significant restrictions on use and the significant safety warnings in the label. Additional cases of the known side effect PML at a higher rate than indicated in the prescribing information or the occurrence of other unexpected side effects could harm acceptance and limit TYSABRI sales.** Any significant lack of acceptance of TYSABRI by the medical community or patients would materially and adversely affect our growth and our plans for the future.

As a relatively new entrant to a maturing MS market, **TYSABRI sales may be more sensitive to additional new competing products.** A number of such products are expected to be approved for use in MS in the coming years. If these products have a similar or more attractive overall profile in terms of efficacy, convenience and safety, future sales of TYSABRI could be limited.

So in conclusion, it looks like the growth they are getting from AVONEX is driven to a large degree by price increases and currency gains, and sequentially it looks flat. RITUXAN likewise looks like it is running out of gas, and declined sequentially in 1Q08. What it all boils down to, despite management's attempts at obfuscation, is that the Company is depending heavily on continued international sales of TYSABRI with its attendant risks and checkered past. This risky position may be more than enough to explain the recent spike in significant insider selling, all under the supposed cover of 10b5-1 trading plans.

Insider Trading: Egregious selling under trading plans suddenly reemerges

Although many of the faces have changed since the SEC investigated Biogen Idec for insider trading violations three years ago, which we should add, led to the resignation of the Company's Chief Counsel, it would seem the framework was put in place for future officers to exploit Rule 10b5-1 on a level not seen at any other company we have ever analyzed. As we have reported in multiple 3DA reports between January 2006 and January 2008, Biogen Idec insiders have shown a complete disregard for the letter and spirit of the Rule, executing sale after sale that violate most of the trading plan 'best practices' suggested by securities attorneys, governance watchdogs, and even the SEC. Their behavior has been an affront to shareholders who have endured plenty of executive shenanigans in recent years, the most recent of which occurred last December when management's debatable efforts to sell the Company backfired, resulting in a market cap loss of 30%. Just weeks later certain officers resumed trading at the steeply lower prices and the activity has since evolved into a wholesale sell-off at an unprecedented pace by nearly the entire management team, including the first sales in nearly two years by President, CEO Jim Mullen.

Figure 4. BIIB Daily Closing Price, 04/02/07 through 04/22/08. Red shaded area is where 11 insiders sold 991,283 shares; Red diamond is the date of the 3DA full report on BIIB ([11/05/07](#)); Yellow diamond is the date of the most recent 3DA coverage in Research Notes ([01/11/08](#)). Sources: Reuters, 3DAdvisors, LLC and BIIB SEC Filings.



In total, nine of eleven Section 16 officers together with two directors sold 991,283 shares between February 6th and April 15th at prices ranging from \$60 to \$65. Of the total sold, 932,000 came out in April alone, setting the stage for what promises to be the most prolific quarter of sales since Biogen and Idec merged in 2003. The previous record was established in the second quarter of 2004 when BIIB traded at comparable prices. What first jumps off the page at us is that these sales occurred in the wake of the fallout from the shelved sale of the Company. The issue had barely recaptured any of the 30% loss when many of the earlier sales were executed and even

those in April after the issue advanced to the \$63 to \$65 range were still 25% off the 52-week high. This marks a significant deviation from other en masse trading periods we have seen in the past year when Biogen management had taken advantage of four occasions to sell into rallies, three of which were created by their own bullish disclosures. Each of the key announcements, subsequent rallies and then trading by insiders under 10b5-1 plans is summarized in the table below:

Date	Event	Stock Price Change	# Sellers Within 2 Days	Shares Sold Within 2 Days	Volume Over Next 2 Weeks
5/30/07	\$3 billion share repurchase announced	6%	3	28,369	0
7/24/07	Q2 earnings surprise	5%	5	224,007	0
8/24/07	Icahn receives approval to increase position	5%	5	61,256	122,864
9/6/07	Long-term guidance (bullish) provided for first time	6%	1	66,639	0
10/12/07	Company announces it is seeking buyer	19%	6	350,995	0

The above mentioned behavior is the first of many questionable 10b5-1 practices we have seen from this management team. Never before have we seen this many supposed ‘prearranged’ sales that look like nothing more than calculated open market trades. With regards to Biogen insider 10b5-1 sales in 2007, 65% of them came within two days of bullish news announcements (see table above). In total, 75% of the 1.14 million shares sold came within two weeks of the same announcements. We have not found 10b5-1 trade timing with stronger correlation to news related rallies since the inception of the rule in 2000. Given this, the notion that these 10b5-1 trades are simply routine selling for diversification needs should be considered highly suspect. This is substantiated by the fact a number of key operating officers have depleted their actionable ownership between 42% and 99% over the past 52 weeks and continue to monetize stock and options shortly after vesting. For example, **Craig Schneier**, head of Human Resources, cleared out two separate option series (his only available options at the time) on the very day each vested in February. We should point out that all unvested stock and options held by BIIB officers vest each February, so there will not be any new exercisable equity until February 2009. Any further selling throughout the remainder of the year will be even more significant as the holdings across the board have already been depleted to very low levels.

We should establish the Company's involvement with its executives' 10b5-1 plans to shed light on the root of their behavior. It was first revealed in a 09/13/04 employment offer letter to Executive V.P. **Faheem Hasnain** that BIIB “encourages” its officers to enter into a trading plan upon joining the Company. Subsequent offer letters for two new execs who joined the Company in June 2006 and August 2007 use different language, as it is now “required” executives adopt a trading plan upon the commencement of their service. The Company incorporates the disclaimer that trading

plans can be used for buying or selling stock, but we have yet to see an officer accumulate stock through a plan. Officers are steered to Smith Barney, a division of Citigroup Capital Markets and underwriter on BIIB debt offerings, for their 10b5-1 plan administration and a discount on transaction fees. Citigroup also owns 4.2 million BIIB shares. Are we the only ones who see a conflict of interest here? Biogen is the only company we have seen where evidence shows the officers are coerced to trade exclusively under a sales plan.

Insider	Position	% Sold Last 52 Weeks
J. Mullen	President, CEO	42%
J. Dunn	EVP of New Ventures	63%
H. Hasler	EVP of Global Neurology	85%
C. Schneier	EVP of Human Resources	99%
M. Wiggins	EVP of Corp and Bus Dev	97%
B. Adelman ¹	Consultant, Former Exec	84%

¹ Burt Adelman resigned from his executive position at the end of 2007 but was provided a six month consulting agreement

Sales plans have been utilized by BIIB officers since the consummation of the merger in late 2003. In fact, they were one of the more candid companies we saw in terms of full disclosure in the early years of the Rule. Between November 2003 and March 2006 the Company issued ten SEC Form 8-Ks unveiling the 10b5-1 adoptions of different officers, providing key information such as the number of shares to be sold, types of derivative equity included in the plans and even the duration of the plans. But all disclosure abruptly ended in March 2006, shortly after the Company was cleared by the SEC of any violations of federal securities laws associated with the TYSABRI withdrawal and also right around the same time the Company made 10b5-1 adoptions mandatory for all executives. With other officers having successfully defended themselves from insider trading charges by claiming the sales took place under 10b5-1 trading plans that were fully disclosed in detail, it seems odd that adoption of plans has become mandatory but detailed disclosure concerning the plans has been dropped, which may be change that comes back to haunt several insiders.

The most notable seller this year has been CEO Mullen, who systematically traded under a sales plan in 2004, selling a consistent number of shares on a monthly basis. His activity under his existing plan, entered into in February 2006, has proven to be quite different than his earlier plan sales and may jeopardize his safe harbor protection under Rule 10b5-1. It was reported that Mullen intended to sell 2.5 million shares between April 2006 and April 2009, with the actual number of shares being dependent upon a number of factors, including the attainment of share price targets and the vesting of certain stock options included in the plan. He first sold 8,600 shares on 04/28/06, but then waited seven months (November 2006) to unload 471,000 after BIIB rallied 10% on a 3Q06 earnings surprise. The issue sold off shortly after his sales. He

would not surface again for seventeen months at which time he sold 760,000 shares (42% of his holdings) between 04/11/08 and 04/15/08, just days after Carl Icahn sued the Company to gain access to documents related to the Company's failed sale, and just over a week before the Company reported 1Q08 results. If Mullen's plan sales are genuinely triggered by share price and option vesting dates, we would like to inquire why there have been seven and seventeen month intervals between sales. He did not trade when a lion's share of options vested in February 2007 and 2008, nor did he sell with his peers who took profits back last October when BIIB traded in the \$80s. This might be a good example why the Company stopped filing 10b5-1 particulars.

On a final note, we call into question certain themes addressed in the Company's compensation philosophy and objectives. It is common practice for a company to state that long-term incentive awards are provided to align executive interests with those of the shareholders. While BIIB does include this mantra, it goes a step further to offer that officer grants are intended to "promote long-term retention and stock ownership, and hold executives accountable for enhancing stockholder value". Additionally, it is stated that the restricted stock awarded to executives provides "strong retention value" and "support an ownership mentality". This could not be further from the truth in this case as executives have monetized their stock and options immediately upon vesting and are yet to build any type of meaningful common stock ownership position with the shares handed to them by the Company. If they were sincere in their pursuit of insider ownership, they would implement stock ownership and retention guidelines that would not only facilitate stock accumulation, but hold insiders accountable for failing to do so.

Below we have provided additional color on the trading activity of the most noteworthy sellers in 2008:

- **James Mullen (49)** – President, Chief Executive Officer, Director. Mullen made quite a statement with his first trades in 17 months. Between April 11th and April 15th he exercised 758,750 options from four different series with plenty of time remaining before expiration (dates: December 2010, December 2012, February 2014 and February 2016). He immediately sold all exercised for shares under a pre-arranged trading plan at roughly \$65 after not having sold with many of his peers in late 2007 when BIIB traded in the \$70 to \$80 range. The disposed stock accounted for 42% of his actionable holdings and we even took into account options that are currently under water. His current 10b5-1 plan, under which he last sold 471,000 shares in November 2006, lasts through April 2009 and has another 1.2 million shares reserved for sale. Mullen will not have any more stock or options become actionable through the remainder of 2008 (see Appendix B).
- **Mark Wiggins (52)** – Executive V.P. of Corporate and Business Development. Wiggins represents another officer who has monetized nearly his entire position under the cover of Rule 10b5. Over the last twelve months he has sold 344,000 shares, including the 16,211 shares sold on February 6th and February 12th. These sales were carried out at considerably lower prices than he accepted for his stock in October. Company disclosures indicate that Wiggins traded under two simultaneous plans from which he was allowed to sell a total of 104,000 shares through May 2008. Obviously he has sold considerably more, which suggests to us the Company failed to disclose a plan amendment or quite possibly a third concurrent plan which increased his total allocation. Regardless, he has surreptitiously sold more than was reported to the investor community. Like many of his peers, Wiggins has taken

profits through his plan immediately after Biogen-created bullish disclosures that rallied the shares. He will have 5,000 options become actionable in June but that will be it until more vest in February 2009 (see Appendix B).

- **Craig Schneier (60)** – Executive V.P. of Human Resources, Public Affairs and Communication. Schneier continues to sell under a 10b5-1 sales plan he adopted in February 2006. So far he has sold 340,000 of the 411,000 shares allocated, including the 33,478 sold between February 6th and February 19th at prices from \$60 to \$63. He has another 12 months to sell the remainder. Of the total sold in February, 24,725 came from options that had just vested that week, including some that carried a \$49 strike price. These were his only actionable options at the time, while the others were shares that had just become unrestricted. His sales in the past 52 weeks have covered 99% of his position. It is important to note Schneier was a seller last October at prices as high as \$82 and has since sold at prices as low as \$57 to \$60. He will not vest in any new derivative equity until February 2009, at which time 52,000 new options and shares will become actionable (see Appendix B).
- **Hans Peter Hasler (52)** – Executive V.P. of Global Neurology, Head of International. Since February 2007 Hasler has traded under an anonymous sales plan which has facilitated the divestiture of 85% of his ownership. His last three ‘planned’ sales of 2007 were executed immediately after key BIIB announcements that rallied the stock between 5% and 16%. This year, Hasler sold 28,493 shares on April 8th at roughly \$64, nearly 22% below the prices he last accepted for his shares. The shares were comprised of those acquired from non-expiring options and others sold out of his common holdings. He will not have any new options become actionable during the remainder of the year (see Appendix B).

Miscellaneous: Various noteworthy legal, accounting and fundamental items

- **Legal:** Back on 10/12/07, BIIB announced its intention to seek buyers for the Company, in part due to activist Carl Ichan, who used his sizable stake to pressure management into considering a sale of the business. In our full report on the Company back on 11/05/07, we looked at specific insider trading behavior immediately after the announcement of the possible sale and some serious questions about several of the key drugs in the Company’s portfolio that would likely discourage any serious bids and concluded that a sale was highly unlikely. So when the Company announced on 12/12/07 that it was taking itself off the market and that not a single serious bid had been received, we were not surprised, but apparently Mr. Ichan was.

Ichan filed a law suit on 04/08/08 in a Delaware court demanding BIIB give him documents related to its unsuccessful effort to sell itself. Ichan has previously charged that the sale process, which was carried out under pressure from him, was deliberately undermined by BIIB executives. Analysts have suggested uncertainties regarding future sales of TYSABRI and questions about ownership rights under a change of control situation for drugs with whom the Company has partnerships to produce or distribute were probably what scared away any potential bidder. Ichan has also nominated three board members for the three seats opening soon, and has threatened to nominate more next year in a bid to gain a majority on the board and force a sale of the Company. As we have also noted above, we find it interesting

that CEO Jim Mullen exercised a significant number of options and sold all the shares just after news of Ichan's latest legal moves became public.

In the risk section of the Company's recent 2007 SEC Form 10-K, filed before Ichan filed his suit in Delaware court seeking documents related to the failed effort to sell the business, the Company cautioned investors as follows:

Our business could be negatively affected as a result of a threatened proxy fight and other actions of activist shareholders

We recently received a notice from Icahn Partners and certain of its affiliates nominating three individuals for election to our Board of Directors at the 2008 annual meeting and proposing to amend our bylaws to set the number of directors at twelve. If a proxy contest results from this notice, our business could be adversely affected because:

- Responding to proxy contests and other actions by activist shareholders can be costly and time-consuming, disrupting our operations and diverting the attention of management and our employees;
- 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 retain business partners; and
- If individuals are elected to our board of directors with a specific agenda, it may adversely affect our ability to effectively and timely implement our strategic plan.

These actions could cause our stock price to experience periods of volatility.

- **Legal:** The Company has a standard response to various pending litigation, namely, that they haven't formed any opinion as to the likely outcome or as to the magnitude of any potential loss. Our guess is that they will have a significant cash outlay to settle the Massachusetts excise tax matter amounting to almost \$40 million.

Another interesting legal exposure, where the Company also says it has not formed an opinion as to the likelihood of a loss, is related to a class-action lawsuit originally filed on 03/05/08 that alleges that Company insiders (among them current CEO Jim Mullen) withheld information on PML problems with TYSABRI back in 2005, and sold shares under 10b5-1 plans before disclosing the information. On 09/14/07, the District Court Judge entered an Order allowing the Motions to Dismiss of all defendants. On 10/15/07, the plaintiffs filed a notice of appeal to the United States Court of Appeals for the First Circuit. Plaintiff filed its principal brief on appeal on 02/06/08.

Aside from the interesting parallels with the recent insider trading behavior, what's interesting is that the boiler plate disclosure pertaining to the exposure the suit represents changed somewhat after this most recent turn of events. First, from the 2006 SEC Form 10-K:

We believe that the actions are without merit and intend to contest them vigorously. At this early stage of litigation, we cannot make any estimate of a potential loss or range of loss.

Then, from the recent 2007 SEC Form 10-K that was filed after the plaintiff filed their appeal:

We have not formed an opinion that an unfavorable outcome is either “probable” or “remote” and do not express an opinion at this time as to the likely outcome of the matter or as to the magnitude or range of any potential loss. We believe that we have good and valid defenses to the complaint and intend to vigorously defend the case.

Our suspicion is that the auditors requested this more detailed explanation to support the fact that the Company has not taken any reserves for potential losses, as is their habit regarding all legal matters.

- **Accounting:** Clearly RITUXAN is a major driver of the overall earnings of the Company. Co-promotion profits generated from the Company's agreement with Genentech, the reimbursement by Genentech of RITUXAN-related expenses and royalty revenue from sales of RITUXAN outside the U.S. amounted to \$247 million for the first quarter of 2008, representing 26% of total revenues.

No information is provided as to how much, if any, of the costs and expenses shown on the income statement is attributable to RITUXAN revenues. Absent information that there are further costs and expenses attributable to RITUXAN, a reasonable assumption may be that the product RITUXAN accounts for a major portion, if not most, of the Company's pre tax income.

This relates back to our conclusions above, and confirmed by the risk disclosures in recent SEC filings, that the Company is relying heavily on the drug TYSABRI for future success. With greater competition for RITUXAN sure to develop and the likelihood that co-promotion profits and royalties from sales of RITUXAN outside the US will decline in the next few years, the risk inherent in relying on TYSABRI is underscored even further.

- **Accounting:** The \$3 billion the Company spent last year purchasing a huge percentage of the outstanding shares is unquestionably a large amount to spend on a buyback for a Company the size of BIIB. In fact, we would almost consider such a large buyback to be a partial liquidation of the Company, with billions taken out of equity, substantial new debt taken on, and large reductions in cash and securities. Of course it is not lost on us that insiders were heavily selling their own shares at the same time.
- **Fundamentals:** While current pressure on the FDA to become more active and with Congress leaning toward more legislation to enable FDA to do so, we would think all of this would be of great concern to a smaller player in the industry such as Biogen.

Also, the approval in Europe of so-called biosimilars, the equivalent of generic drugs in the non biotechnology drug category, has to be of considerable concern to the Company, especially since all indications are that there will be heavy reliance on

sales of TYSABRI in Europe for much of the Company's near-term growth. The first biosimilars have been approved in Europe and it could well happen to one or more of the Company's products in Europe and later in the US. That points to the possible step of the Company's becoming just a product line of a larger major biotechnology company.

- **Fundamentals:** The Company appears to be counting rather heavily on getting approval for their new production process for TYSABRI and absent obtaining that approval, they expect a capital expenditure requirement to expand the North Carolina and Denmark facilities significant enough to affect the business, cash position and results of operations. That sounds like a lot of cash. The urgency is accentuated by the fact that TYSABRI cost of sales are expected to go up anyway as the benefit they had been receiving by relying on the inventory that had previously been written off is going, or has already gone, away.

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Appendix A

Biogen Idec Inc. Quarterly Revenue by Drug, Q106 through Q108, Millions \$

Source: Biogen Idec Inc. SEC Form 10-Q and 10-K Filings

	Q106	Q206	Q306	Q406	Total 2006	Q107	Q207	Q307	Q407	Total 2007	Q108	Q407 to Q108 Chg (\$)	Q107 to Q108 Chg (\$)	Q407 to Q108 Chg (%)	Q107 to Q108 Chg (%)
AVONEX															
U.S.	\$ 232.1	\$ 260.6	\$ 268.3	\$ 261.2	\$ 1,022.2	\$ 270.0	\$ 269.6	\$ 266.4	\$ 279.0	\$ 1,085.0	\$ 308.0	\$ 29.0	\$ 38.0	10.4%	14.1%
Non-U.S.	\$ 161.4	\$ 168.8	\$ 176.9	\$ 177.4	\$ 684.5	\$ 178.8	\$ 192.0	\$ 188.5	\$ 223.2	\$ 782.5	\$ 228.0	\$ 4.8	\$ 49.2	2.2%	27.5%
Total	\$ 393.5	\$ 429.4	\$ 445.2	\$ 438.6	\$ 1,706.7	\$ 448.8	\$ 461.6	\$ 454.9	\$ 502.2	\$ 1,867.5	\$ 536.0	\$ 33.8	\$ 87.2	6.7%	19.4%
TYSABRI															
U.S.	\$ (196.0)	\$ (0.2)	\$ 15.9	\$ 9.9	\$ 25.8	\$ 17.0	\$ 22.3	\$ 28.1	\$ 37.0	\$ 104.4	\$ 41.0	\$ 4.0	\$ 24.0	10.9%	140.5%
Non-U.S.	\$ -	\$ -	\$ 2.8	\$ 7.2	\$ 10.0	\$ 12.7	\$ 25.2	\$ 34.8	\$ 52.8	\$ 125.5	\$ 74.0	\$ 21.2	\$ 61.3	40.2%	482.0%
Total	\$ (196.0)	\$ (0.2)	\$ 18.7	\$ 17.1	\$ 35.8	\$ 29.8	\$ 47.5	\$ 62.9	\$ 89.7	\$ 229.9	\$ 115.0	\$ 25.3	\$ 85.2	28.1%	286.4%
RITUXAN															
Total	\$ 183.4	\$ 206.1	\$ 203.8	\$ 217.6	\$ 810.9	\$ 207.2	\$ 230.6	\$ 234.6	\$ 253.7	\$ 926.1	\$ 247.0	\$ (6.7)	\$ 39.8	-2.6%	19.2%
Sub-Total	\$ 576.9	\$ 635.5	\$ 667.7	\$ 673.3	\$ 2,553.4	\$ 685.8	\$ 739.7	\$ 752.4	\$ 845.6	\$ 3,023.5	\$ 898.0	\$ 52.4	\$ 212.2	6.2%	30.9%
Other Revenue	\$ 34.3	\$ 24.5	\$ 35.8	\$ 35.0	\$ 129.6	\$ 30.2	\$ 33.5	\$ 36.8	\$ 47.6	\$ 148.1	\$ 44.2	\$ (3.5)	\$ 14.0	-7.3%	46.6%
Total Revenue	\$ 611.2	\$ 660.0	\$ 703.5	\$ 708.3	\$ 2,683.0	\$ 715.9	\$ 773.2	\$ 789.2	\$ 893.3	\$ 3,171.6	\$ 942.2	\$ 48.9	\$ 226.3	5.5%	31.6%

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Appendix B

Option and Restricted Stock Vesting Schedules for Selected Biogen Idec, Inc. Insiders

Grant Date	Equity Type	Options/Shares	Strike Price (Options)	First Vesting Date	Expiration Date (Options)	Remaining Options/Shares in Series	Unvested Options/Shares in Series	Vesting Dates of Remaining Restricted Shares/Options
Burt Adelman, Consultant (former Executive V.P. of Portfolio Strategy). Common stock holdings: 21,737 shares								
02/06/04	Options	35,000	\$43.50	12/31/04	02/06/14	8,750	0	Fully Vested
2/17/05 ¹	Options	75,000	\$67.57	02/17/06	02/17/15	37,500	0	02/17/09
02/06/06	Options	40,900	\$44.24	02/06/06	02/05/16	30,675	0	02/07/09, 02/07/10
02/12/07	Options	32,400	\$49.17	02/12/08	02/12/17	32,400	0	02/12/09, 02/12/10, 02/12/11
Paul Clancy, Executive V.P. of Finance, Chief Financial Officer. Common stock holdings: 3,641 shares								
03/05/01	Options	28,750	\$58.99	03/05/02	03/05/11	28,750	0	Fully Vested
12/14/01	Options	4,761	\$49.03	12/14/02	12/14/11	4,761	0	Fully Vested
12/06/02	Options	10,005	\$37.45	12/06/03	12/06/12	10,005	0	Fully Vested
02/06/04	Options	13,000	\$43.50	02/06/05	02/06/14	13,000	0	Fully Vested
02/17/05	Options	8,400	\$67.57	02/17/06	02/17/15	8,400	0	Fully Vested
02/06/06	Options	10,990	\$44.24	02/06/07	02/06/16	10,990	5,495	02/06/09, 02/06/10
02/06/06	R. Stock	4,440	N/A	02/06/07	02/06/09	1,480	1,480	02/06/09
08/01/06	Options	6,000	\$41.03	08/01/07	08/01/16	6,000	4,500	08/01/08, 08/01/09, 08/01/10
08/01/06	R. Stock	2,500	N/A	08/01/07	08/01/09	1,666	1,666	08/01/08, 08/01/09
02/12/07	Options	18,100	\$49.17	02/12/08	02/12/17	18,100	13,575	02/12/09, 02/12/10, 02/12/11
02/12/07	R. Stock	7,000	N/A	02/12/08	02/12/10	4,666	4,666	02/12/09, 02/12/10
06/01/07	R. Stock	9,000	N/A	06/01/08	06/01/10	9,000	9,000	06/01/08, 06/01/09, 06/01/10
09/04/07	Options	20,000	\$63.55	09/04/08	09/03/17	20,000	20,000	09/04/08, 09/04/09, 09/04/10, 09/04/11
09/04/07	R. Stock	8,000	N/A	09/04/08	09/04/10	8,000	8,000	09/04/08, 09/04/09, 09/04/10
02/12/08	Options	43,940	\$60.56	02/12/09	02/11/18	43,940	43,940	02/12/09, 02/12/10, 02/12/11, 02/12/12
02/12/08	R. Stock	15,690	N/A	02/12/09	02/12/11	15,690	15,690	02/12/09, 02/12/10, 02/12/11
John Dunn, Executive V.P. of New Ventures. Common stock holdings: 2,974 shares								
02/06/04	Options	32,970	\$43.50	12/31/04	02/06/14	12,970	0	Fully Vested
2/17/05 ¹	Options	60,000	\$67.57	02/17/06	02/17/15	60,000	15,000	02/17/09
02/07/06	Options	27,300	\$44.59	02/07/07	02/07/16	27,300	13,650	02/07/09, 02/07/10
02/07/06	R. Stock	10,900	N/A	02/07/07	02/07/09	3,634	3,634	02/07/09
02/12/07	Options	38,900	\$49.17	02/12/08	02/12/17	38,900	29,175	02/12/09, 02/12/10, 02/12/11
02/12/07	R. Stock	15,000	N/A	02/12/08	02/12/10	10,000	10,000	02/12/09, 02/12/10
02/12/08	Options	29,210	\$60.56	02/12/09	02/11/18	29,210	29,210	02/12/09, 02/12/10, 02/12/11, 02/12/12
02/12/08	R. Stock	10,430	N/A	02/12/09	02/12/11	10,430	10,430	02/12/09, 02/12/10, 02/12/11



Appendix B

Option and Restricted Stock Vesting Schedules for Selected Biogen Idec, Inc. Insiders

Grant Date	Equity Type	Options/Shares	Strike Price (Options)	First Vesting Date	Expiration Date (Options)	Remaining Options/Shares in Series	Unvested Options/Shares in Series	Vesting Dates of Remaining Restricted Shares/Options
Robert Hamm, Executive V.P. of Pharmaceutical Operations & Technology. Common stock holdings: 306 shares								
12/09/99	Options	28,750	\$62.28	12/09/00	12/09/09	28,750	0	Fully Vested
12/15/00	Options	5,750	\$45.46	12/15/01	12/15/10	5,750	0	Fully Vested
12/14/01	Options	10,062	\$49.03	12/14/02	12/14/11	10,062	0	Fully Vested
12/06/02	Options	20,124	\$37.45	12/06/03	12/06/12	20,124	0	Fully Vested
02/06/04	Options	27,475	\$43.45	12/31/04	02/06/14	27,475	0	Fully Vested
02/17/05	Options	45,000	\$67.57	02/17/06	02/17/15	45,000	0	Fully Vested
02/06/06	Options	40,900	\$44.24	02/06/07	02/06/16	40,900	20,450	02/06/09, 02/06/10
02/06/06	R. Stock	16,400	N/A	02/06/07	02/06/09	5,466	5,466	02/07/09
02/12/07	Options	38,900	\$49.17	02/12/08	02/12/17	38,900	29,175	02/12/09, 02/12/10, 02/12/11
02/12/07	R. Stock	15,000	N/A	02/12/08	02/12/10	10,000	10,000	02/12/09, 02/12/10
11/01/07	Options	6,900	\$72.87	11/01/08	11/01/17	6,900	6,900	11/01/08, 11/01/09, 11/01/10, 11/01/11
11/01/07	R. Stock	14,700	N/A	11/01/08	11/01/09	14,700	14,700	11/01/08, 11/01/09, 11/01/10
02/12/08	Options	39,320	\$60.56	02/12/09	02/11/18	39,320	39,320	02/12/09, 02/12/10, 02/12/11, 02/12/12
02/12/08	R. Stock	14,040	N/A	02/12/09	02/12/11	14,040	14,040	02/12/09, 02/12/10, 02/12/11
Hans Peter Hasler, Executive V.P. of Global Neurology, Head of International. Common stock holdings: 11,394 shares								
2/17/05 ¹	Options	45,000	\$67.57	02/17/06	02/17/15	22,500	11,250	02/17/09
02/07/06	Options	40,900	\$44.59	02/07/07	02/07/16	20,450	10,225	02/07/09, 02/07/10
02/07/06	R. Stock	16,400	N/A	02/07/07	02/07/09	5,467	5,467	02/07/09
02/12/07	Options	51,800	\$49.17	02/12/08	02/12/17	51,800	38,850	02/12/09, 02/12/10, 02/12/11
02/12/07	R. Stock	20,000	N/A	02/12/08	02/12/10	13,334	13,334	02/12/09, 02/12/10
02/12/08	Options	48,750	\$60.56	02/12/09	02/11/18	48,750	48,750	02/12/09, 02/12/10, 02/12/11, 02/12/12
02/12/08	R. Stock	17,340	N/A	02/12/09	02/12/11	17,340	17,340	02/12/09, 02/12/10, 02/12/11
Faheem Hasnain, Executive V.P. of Oncology/Rheumatology Strategic Business Unit . Common stock holdings: 8,986 shares								
10/04/04	Options	25,000	\$62.44	10/04/05	10/04/14	25,000	0	Fully Vested
02/17/05	Options	10,000	\$67.57	02/17/06	02/17/15	10,000	0	Fully Vested
02/07/06	Options	40,900	\$44.59	02/07/07	02/07/16	40,900	20,450	02/07/09, 02/07/10
02/07/06	R. Stock	16,400	N/A	02/07/07	02/07/09	5,467	5,467	02/07/09
02/12/07	Options	38,900	\$49.17	02/12/08	02/12/17	38,900	29,175	02/12/09, 02/12/10, 02/12/11
02/12/07	R. Stock	15,000	N/A	02/12/08	02/12/10	10,000	10,000	02/12/09, 02/12/10
11/01/07	Options	6,900	\$72.87	11/01/08	11/01/17	6,900	6,900	11/01/08, 11/01/09, 11/01/10, 11/01/11
11/01/07	R. Stock	2,700	N/A	11/01/08	11/01/10	2,700	2,700	11/01/08, 11/01/09, 11/01/10



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Option and Restricted Stock Vesting Schedules for Selected Biogen Idec, Inc. Insiders

Grant Date	Equity Type	Options/Shares	Strike Price (Options)	First Vesting Date	Expiration Date (Options)	Remaining Options/Shares in Series	Unvested Options/Shares in Series	Vesting Dates of Remaining Restricted Shares/Options
02/12/08	Options	29,210	\$60.56	02/12/09	02/11/18	29,210	29,210	02/12/09, 02/12/10, 02/12/11, 02/12/12
02/12/08	R. Stock	10,430	N/A	02/12/09	02/12/11	10,430	10,430	02/12/09, 02/12/10, 02/12/11
James Mullen, President, Chief Executive Officer, Director. Common stock holdings: 179,494 shares								
12/09/99	Options	718,750	\$62.28	12/09/00	12/09/09	172,500	0	Fully Vested
06/16/00	Options	287,499	\$51.85	06/16/01	06/16/10	287,499	0	Fully Vested
12/14/01	Options	402,500	\$49.03	12/14/02	12/14/11	402,500	0	Fully Vested
2/17/05 ¹	Options	325,000	\$67.57	02/17/06	02/17/15	325,000	81,250	02/17/09
02/07/06	Options	240,000	\$44.59	02/07/07	02/07/16	120,000	120,000	02/07/09, 02/07/10
02/07/06	R. Stock	80,000	N/A	02/07/07	02/07/09	13,334	13,334	02/07/09
02/13/07	Options	210,000	\$49.17	02/13/08	02/13/17	157,500	157,500	02/13/09, 02/13/10, 02/13/11
02/13/07	R. Stock	70,000	N/A	02/13/08	02/13/10	46,667	46,667	02/13/09, 02/13/10
02/12/08	Options	166,100	\$60.56	02/12/09	02/11/18	166,100	166,100	02/12/09, 02/12/10, 02/12/11, 02/12/12
02/12/08	R. Stock	59,300	N/A	02/12/09	02/12/11	59,300	59,300	02/12/09, 02/12/10, 02/12/11
Cecil Pickett, President of Research & Development. Common stock holdings: 43,323 shares								
10/02/06	R. Stock	120,000	N/A	10/02/07	10/02/10	90,000	90,000	10/02/08, 10/02/09, 10/02/10
10/02/06	R. Stock	44,400	N/A	10/02/07	10/02/09	29,600	29,600	10/02/08, 10/02/09
02/12/08	R. Stock	27,000	N/A	02/12/09	02/12/11	27,000	27,000	02/12/09, 02/12/10, 02/12/11
Craig Schneier, Executive V.P. of Human Resources, Public Affairs & Communications. Common stock holdings: 2,545 shares								
2/17/05 ¹	Options	75,000	\$67.57	02/17/06	02/17/15	56,250	18,750	02/17/09
02/07/06	Options	60,000	\$44.59	02/07/07	02/07/16	30,000	30,000	02/07/09, 02/07/10
02/07/06	R. Stock	24,000	N/A	02/07/07	02/07/09	8,000	8,000	02/07/09
02/12/07	Options	38,900	\$49.17	02/12/08	02/12/17	29,175	29,175	02/12/09, 02/12/10, 02/12/11
02/12/07	R. Stock	15,000	N/A	02/12/08	02/12/10	10,000	10,000	02/12/09, 02/12/10
02/12/08	Options	39,320	\$60.56	02/12/09	02/11/18	39,320	39,320	02/12/09, 02/12/10, 02/12/11, 02/12/12
02/12/08	R. Stock	14,040	N/A	02/12/09	02/12/11	14,040	14,040	02/12/09, 02/12/10, 02/12/11
Mark Wiggins, Executive V.P.-Corporate and Business Development. Common stock holdings: 3,369 shares								
06/15/04	Options	20,000	\$59.39	06/15/05	06/15/14	6,250	5,000	06/15/08
2/17/05 ¹	Options	51,000	\$67.57	02/17/06	02/17/15	25,500	12,750	02/17/09



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Grant Date	Equity Type	Options/Shares	Strike Price (Options)	First Vesting Date	Expiration Date (Options)	Remaining Options/Shares in Series	Unvested Options/Shares in Series	Vesting Dates of Remaining Restricted Shares/Options
02/07/06	Options	47,700	\$44.59	02/07/07	02/07/16	23,850	23,850	02/07/09, 02/07/10
02/07/06	R. Stock	19,100	N/A	02/07/07	02/07/09	6,367	6,367	02/07/09
02/12/07	Options	29,800	\$49.17	02/12/08	02/12/17	29,800	22,350	02/12/09, 02/12/10, 02/12/11
02/12/07	R. Stock	11,500	N/A	02/12/08	02/12/10	7,667	7,667	02/12/09, 02/12/10
02/12/08	Options	29,210	\$60.56	02/12/09	02/11/18	29,210	29,210	02/12/09, 02/12/10, 02/12/11, 02/12/12
02/12/08	R. Stock	10,430	N/A	02/12/09	02/12/11	10,430	10,430	02/12/09, 02/12/10, 02/12/11

¹ These options are fully vested but the sale of shares is restricted until the dates provided.

² Red highlight indicates options that are currently under water.