

ALEXION PHARMACEUTICALS INC

Form 10-Q/A

March 31, 2004

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934:

For the quarterly period ended January 31, 2004

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934:

For the transition period from _____ to _____

Commission file number: 0-27756

Alexion Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other

13-3648318
(I.R.S. Employer

jurisdiction of

Identification No.)

incorporation or

organization)

352 Knotter Drive, Cheshire, Connecticut 06410

(Address of principal executive offices) (Zip Code)

203-272-2596

(Registrant's telephone number, including area code)

N/A

(Former name, former address, and former fiscal year, if changed)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Common Stock, \$0.0001 par value
Class

21,956,277 shares
Outstanding at March 10, 2004

Table of Contents

Explanatory Note

The purpose of this Form 10-Q/A is to amend and restate in its entirety Items 1 and 2 of our Quarterly Report on Form 10-Q for the quarter ended January 31, 2004 entitled Consolidated Financial Statements (Unaudited) and Management's Discussion and Analysis of Financial Condition and Results of Operations. This restatement is the result of management's subsequent determination that the abandonment of our UniGraft xenotransplantation program which included our wholly owned subsidiary, Columbus Farming Corporation (CFC), was the cessation of a discrete research and development program and not a discontinuation of an operation. Accordingly, the accompanying consolidated financial statements and management's discussion and analysis of financial condition and results of operations have been restated so as not to show CFC as a discontinued operation. Such restatement, which affects only the classification of certain items in our unaudited financial statements, has no net impact on our net loss or net loss per share and no material impact on working capital. The financial information previously reported and the amounts as restated are shown in Note 15 to this Amendment No. 1 to this Form 10-Q. This Amendment No. 1 to Form 10-Q does not reflect events occurring after the filing of the original Form 10-Q or modify or update those disclosures affected by subsequent events. No other modifications or changes have been made to the Form 10-Q as originally filed or the exhibits filed therewith.

Table of Contents

ALEXION PHARMACEUTICALS, INC.

INDEX

	Page
PART I.	
FINANCIAL INFORMATION	
Item 1.	
Consolidated Financial Statements (Unaudited) (Restated)	
<u>Explanatory Note</u>	2
<u>Consolidated Balance Sheets as of January 31, 2004 and July 31, 2003</u>	4
<u>Consolidated Statements of Operations for the three and six months ended January 31, 2004 and 2003</u>	5
<u>Consolidated Statements of Cash Flows for the six months ended January 31, 2004 and 2003</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
Item 2.	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
PART II.	
<u>OTHER INFORMATION</u>	26
Item 6.	
<u>Exhibits</u>	26
<u>SIGNATURES</u>	27
CERTIFICATIONS	

Table of Contents**ALEXION PHARMACEUTICALS, INC.****Consolidated Balance Sheets**

(UNAUDITED)

(amounts in thousands)

	January 31, 2004	July 31, 2003
	(as restated, see Note 15)	(as restated, see Note 15)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,532	\$ 24,844
Marketable securities	212,691	190,566
Reimbursable contract costs	92	390
State tax receivable	933	1,012
Prepaid expenses and other current assets	2,946	2,948
	<hr/>	<hr/>
Total current assets	227,194	219,760
Property, plant, and equipment, net	10,577	12,276
Assets held for sale	1,210	
Goodwill	19,954	19,954
Deferred financing costs, net	1,833	2,119
Prepaid manufacturing costs	10,000	10,000
Other assets	1,351	1,968
	<hr/>	<hr/>
TOTAL ASSETS	\$ 272,119	\$ 266,077
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 7,985	\$ 7,560
Accrued expenses	2,904	4,312
Accrued interest	2,764	2,646
Deferred revenue	589	589
Deferred research and development payments	188	
Note payable (See Note 9)	3,920	
	<hr/>	<hr/>
Total current liabilities	18,350	15,107
Deferred revenue, less current portion included above	6,470	6,764
Deferred research and development payments, less current portion included above	1,296	
Note payable (See Note 9)		3,920
Convertible subordinated notes	120,000	120,000
	<hr/>	<hr/>
Total liabilities	146,116	145,791
	<hr/>	<hr/>
Commitments and contingencies (see Note 12)		
Stockholders' Equity:		
Preferred stock \$.0001 par value; 5,000 shares authorized; no shares issued or outstanding		
	2	2

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Common stock \$.0001 par value; 145,000 shares authorized; 21,959 and 18,257 shares issued at January 31, 2004 and July 31, 2003, respectively

Additional paid-in capital	430,419	385,498
Accumulated deficit	(304,025)	(265,266)
Other comprehensive income	207	652
Treasury stock, at cost; 37 shares	(600)	(600)
	<hr/>	<hr/>
Total stockholders' equity	126,003	120,286
	<hr/>	<hr/>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 272,119	\$ 266,077
	<hr/>	<hr/>

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**ALEXION PHARMACEUTICALS, INC.****Consolidated Statements of Operations**

(UNAUDITED)

(amounts in thousands, except per share amounts)

	Three months ended January 31,		Six months ended January 31,	
	2004 (as restated, see Note 15)	2003 (as restated, see Note 15)	2004 (as restated, see Note 15)	2003 (as restated, see Note 15)
CONTRACT RESEARCH REVENUES	\$ 147	\$ 220	\$ 294	\$ 543
OPERATING EXPENSES:				
Research and development	14,524	18,667	31,212	38,439
General and administrative	3,300	2,754	6,114	4,900
Total operating expenses	17,824	21,421	37,326	43,339
Operating loss	(17,677)	(21,201)	(37,032)	(42,796)
OTHER INCOME AND EXPENSE				
Investment income	994	1,662	1,995	3,544
Interest expense	(1,926)	(1,926)	(3,855)	(3,853)
Loss before state tax benefit	(18,609)	(21,465)	(38,892)	(43,105)
State tax benefit	62		133	
Net loss	\$ (18,547)	\$ (21,465)	\$ (38,759)	\$ (43,105)
BASIC AND DILUTED NET LOSS PER SHARE	\$ (0.85)	\$ (1.18)	\$ (1.85)	\$ (2.37)
SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	21,893	18,207	20,924	18,206

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**ALEXION PHARMACEUTICALS, INC.****Consolidated Statements Of Cash Flows**

(UNAUDITED)

(amounts in thousands)

	Six months ended January 31,	
	2004	2003
	(as restated, see Note 15)	(as restated, see Note 15)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (38,759)	\$ (43,105)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,737	1,809
Compensation expense related to grant of stock options	57	67
Change in assets and liabilities:		
Reimbursable contract costs	298	474
State tax receivable	79	
Prepaid expenses	2	(635)
Other assets	601	(176)
Prepaid manufacturing costs		(7,250)
Accounts payable	425	(3,554)
Accrued expenses	(1,408)	(1,312)
Accrued interest	118	19
Deferred revenue	(294)	(251)
Deferred research and development payments	1,484	
Net cash used in operating activities	<u>(35,660)</u>	<u>(53,914)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(72,539)	(49,667)
Proceeds from maturity or sale of marketable securities	49,969	109,649
Investments in patents and licensed technology	(5)	(27)
Purchases of property, plant and equipment	(941)	(1,364)
Net cash provided by (used in) investing activities	<u>(23,516)</u>	<u>58,591</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of common stock	44,864	50
Net cash provided by financing activities	<u>44,864</u>	<u>50</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,312)	4,727
CASH AND CASH EQUIVALENTS, beginning of period	24,844	47,574
CASH AND CASH EQUIVALENTS, end of period	\$ 10,532	\$ 52,301

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest	\$ 3,450	\$ 3,568
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The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Organization and Operations -

Alexion Pharmaceuticals, Inc. (Alexion) was organized in 1992 and is engaged in the discovery and development of therapeutic products for the treatment of a wide array of severe disease states, including cardiovascular, hematologic and autoimmune disorders, inflammation, and cancer.

The accompanying consolidated financial statements include Alexion Pharmaceuticals, Inc. and our wholly owned subsidiaries, Alexion Antibody Technologies (AAT) and Columbus Farming Corporation (CFC). All significant inter-company balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to the prior year operating expenses for the three and six months ended January 31, 2003 to conform prior year expense classifications to current year expense classifications. With the abandonment of our UniGraft xenotransplantation research and development program in fiscal 2003, CFC activities were suspended (see Note 9). As further discussed in Note 15, these financial statements have been restated as a result of management's determination that the abandonment of our UniGraft xenotransplantation program which included our wholly owned subsidiary, Columbus Farming Corporation (CFC), was the cessation of a discrete research and development program and not a discontinuation of an operation.

The consolidated financial statements included herein have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of interim period results. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The results for the interim periods presented are not necessarily indicative of results to be expected for any future period. Certain amounts in the fiscal 2003 financial statements have been reclassified to conform to the fiscal 2004 presentation. These consolidated condensed financial statements should be read in conjunction with the audited financial statements and notes thereto included in our Form 10-K Annual Report for the fiscal year ended July 31, 2003. The year-end balance sheet data presented does not include all disclosures required by accounting principles generally accepted in the United States of America.

2. Accounting for Stock-Based Compensation -

As permitted by Statement of Financial Accounting Standards (SFAS) No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of SFAS 123 , we account for our stock-based compensation awards using the intrinsic method and disclose the effect on the net loss per share as if the fair value method had been used.

At January 31, 2004, we have two 6,000 shares ----- Mr. Groft 5,000 shares -----
RETIREMENT BENEFITS In order to attract and retain key executive talent at the Corporation and its utility subsidiary, Central Hudson, the Compensation Committee believes that it is important to provide the Named Executive Officers with retirement benefits. These retirement benefits are provided primarily under the Supplemental Executive Retirement Plan, which provides benefits in excess of those provided under

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the Retirement Income Plan. The Supplemental Executive Retirement Plan is designed to work in conjunction with the Retirement Income Plan to provide each Named Executive Officer, other than Mr. Groft, with a retirement benefit equal to 57% of his or her applicable final average pay at age 61 with 30 years of service. Base salary and annual incentives are included in a Named Executive Officer's final average pay. Therefore, adjustments to a Named Executive Officer's base salary and annual incentives have an impact on the amount of his retirement benefits. A participant's Supplemental Executive Retirement Plan benefit generally becomes vested if, while employed by the Corporation or its affiliates, he or she attains the normal retirement age of 61, or attains his or her early retirement date of age 55 with ten years or more of vesting service. The Compensation Committee believes that this vesting schedule enhances our retention program for our Named Executive Officers and rewards their long-term commitment to the Corporation. Based on information provided by the Hay Group, the Compensation Committee believes that the retirement program is consistent with the retirement programs and benefit levels offered by many of the companies in the comparator groups. In this regard, the terms and benefit levels were established in 2005 after consultation with the Hay Group and a review of benefit levels provided to senior executives in the comparator groups. In setting the benefit levels, the Compensation Committee did not consider compensation previously paid to our Named Executive Officers, including any accumulated gains under prior equity-based compensation awards, because they were relatively minor. Mr. Groft does not participate in the Corporation's defined benefit pension program because he is an employee at Griffith, which historically has not provided defined benefit retirement plans to its executives. Even though Mr. Groft does not participate in the defined benefit program, he is provided with the following retirement benefits: o He receives an enhanced profit sharing contribution to his 401(k) plan, the amount of which is set forth in the "All Other Compensation" column of the Summary Compensation Table; and 30 o The Corporation annually reimburses Mr. Groft for a portion of the annual premiums due under a \$664,000 whole life policy owned by him. The annual amounts paid by the Corporation equal 3% of Mr. Groft's then-current annual base compensation, "grossed-up" for applicable taxes. For more information on these retirement benefits and our retirement program, please refer to the "Pension Benefits" section of this proxy statement at page 36. HEALTH, WELFARE AND OTHER PERSONAL BENEFITS In addition to the principal compensation components described above, our Named Executive Officers are entitled to participate in all health, welfare, fringe benefit, and other arrangements generally available to other salaried employees. We also may, as considered reasonable and appropriate on a case-by-case basis, provide our officers, including our Named Executive Officers, with limited additional other personal benefits. For example, on March 1, 2004, the Corporation established a financial planning program for its executives, including its Named Executive Officers. After an executive completes his initial financial planning program, the executive is eligible for up to one thousand dollars of financial planning services on an annual basis. A full financial plan update is available to each executive in the sixth year (or the fourth year for those executives age 55 and over) following the completion of his initial financial planning program. The Compensation Committee believes that these health, welfare, and other personal benefits are reasonable and consistent with the practices of the companies in the relevant comparator groups. The Compensation Committee also believes that these benefits assist the Corporation in attracting and retaining key executives. SEVERANCE ARRANGEMENTS The Corporation does not have employment agreements with its executive officers. The Compensation Committee believes that the absence of employment agreements provides the Corporation with more flexibility in adjusting the compensation levels of its executive officers. However, the Corporation has entered into change in control agreements with its executive officers, including its Named Executive Officers. Under these agreements, each Named Executive Officer would be entitled to certain payments and benefits if a change in control were to occur and the Corporation or its affiliates terminated the executive's employment without "cause" or the executive terminated his employment with the Corporation or its affiliates for "good reason" within a three-year period (a two-year period for Mr. Groft) following such change in control. The benefit levels generally include a multiple of base salary and annual incentive, along with continued welfare benefits, and are described in more detail under the "Potential Payments Upon Termination or Change in Control" section of this proxy statement. The agreements are designed to encourage the executive's full attention and dedication to the Corporation currently and in the event of any threatened or pending change in control. As described above, the agreements only provide benefits on a "double trigger," meaning that the benefits are due only if our executives incur a qualifying termination in connection with a change in control. This approach strikes an appropriate balance between providing incentives for our executives to build long-term shareholder value while providing a potential acquirer the flexibility to retain executive talent after a transaction. The Compensation Committee believes that the protections afforded by the change in control agreements are a valuable incentive for attracting and retaining key executives and are competitive with those of other corporations. Based on information provided by the Hay Group, change in control arrangements are used by a vast majority of the companies in the comparator groups, and the terms of our change in control agreements are intended to be consistent with prevailing market practices. In this regard, the terms and benefit levels were established in 2005 after consultation with the Hay Group and a review of benefit levels provided to senior executives in the comparator groups. As described in more detail under the "Potential Payments Upon Termination or Change in Control" section of this proxy statement, base salary and annual incentives are included in a Named Executive Officer's severance benefit calculation under the change in control agreements. Therefore, adjustments to a Named Executive Officer's base salary and annual incentives have an impact on the amount of his severance benefits under the change in control agreements. This fact did not affect decisions made with respect to base salary and annual incentive adjustments in 2007, as these change in control agreements may never come into effect. 31 All equity awards held by our Named Executive Officers would immediately vest upon a change in control. Unlike the cash severance described above, the vesting is not contingent upon a qualifying termination within a certain period following a change in control. This "single trigger" is appropriate because the Compensation Committee wants our Named Executive Officers to have the opportunity to fully recognize the value of equity awards at the time of a change in control to the same extent as our shareholders. COMPENSATION COMMITTEE REPORT The Compensation Committee reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement with the management of the Corporation and, based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. The Compensation Committee: Stanley J. Grubel, Chair Margarita K. Dille Manuel J. Iraola Ernest R. Verebelyi 32 SUMMARY COMPENSATION TABLE The following table sets forth information regarding the compensation of the Named Executive Officers for 2006 and 2007. Mr. Groft was not a Named Executive Officer in 2006. -----

CHANGE IN PENSION VALUE AND NON-EQUITY NONQUALIFIED INCENTIVE DEFERRED STOCK OPTION PLAN

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COMPENSATION ALL OTHER NAME AND BONUS AWARDS AWARDS COMPENSATION EARNINGS COMPENSATION
 PRINCIPAL SALARY (\$) (\$) (\$) (\$) (\$) (\$) TOTAL POSITION YEAR (\$) (1) (2) (3) (4) (5) (6) (\$)

58,511	180,636	4,406	390,075	235,700	10,330	1,404,658	Chairman	2006	490,000	56,840	220,996	15,658	284,200	481,300	7,500	1,556,494	of the Board, President, and Chief Executive Officer	Steven V. Lant, 2007	525,000
25,740	54,844	0	128,700	56,300	8,542	534,126	Capone, 2006	240,000	14,616	66,077	0	97,440	54,900	7,500	480,533		Executive Vice President and Chief Financial Officer	Christopher M. 2007	260,000
518,369	309,000	20,394	60,032	4,687	135,960	0	12,035	542,108	Executive	2006	291,000	16,456	72,076	14,730	109,707	6,900	7,500	Carl E. Meyer, 2007	309,000
207,000	33,413	55,928	2,604	133,650	6,500	10,123	512,218	DeVirgilio, Jr., 2006	250,000	0	67,307	8,592	101,500	145,200	7,500	580,099	Executive Vice President --Corporate Services and Administration	Joseph J. 2007	270,000
32,865	2,604	136,422	0	33,074	457,589		Groft, President and Chief Operating Officer of Griffith	2007	240,000		12,624							W. Randolph	240,000

(1) Reflects the contributor adjustment, if any, in the short-term incentive amounts for our Named Executive Officers. For additional information about the 2007 short-term incentive opportunities, please refer to the "Grants of Plan-Based Awards" section of this proxy statement at page 34. (2) Reflects the aggregate dollar amount recognized for financial statement reporting purposes with respect to performance share awards granted to each Named Executive Officer in 2007 and in prior years. The aggregate dollar amount was determined in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), SHARE BASED 33 PAYMENT ("FAS 123R"); however, the calculations disregard the estimate of forfeitures related to service-based vesting conditions. See Note 11 of the Consolidated Financial Statements contained in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2007 ("Annual Report") for an explanation of the assumptions made by the Corporation in the valuation of these awards. For information about the performance shares granted in 2007, please refer to the "Grants of Plan-Based Awards" section of this proxy statement at page 34. (3) Reflects the aggregate dollar amount recognized for financial statement reporting purposes with respect to outstanding stock options granted to our Named Executive Officers in 2003. The aggregate dollar amount was determined in accordance with FAS 123R; however, the calculations disregard the estimate of forfeitures related to service-based vesting conditions. See Note 11 of the Consolidated Financial Statements contained in the Annual Report for an explanation of the assumptions made by the Corporation in the valuation of these awards. (4) Reflects the short-term incentive opportunity earned by our Named Executive Officers. Please refer to the "Bonus" column of the Summary Compensation Table for the amount of the contributor adjustment, if any, in the short-term incentive award earned by our Named Executive Officers. For additional information about the 2007 short-term incentive opportunities, please refer to the "Grants of Plan-Based Awards" section of this proxy statement at page 34. (5) Reflects the increase in the present value of the accumulated benefits under the Retirement Income Plan, Supplemental Executive Retirement Plan and Retirement Benefit Restoration Plan. The increase in the present value of the accumulated benefits was based on a September 30 fiscal year-end for the Retirement Income Plan and a calendar year-end for the Supplemental Executive Retirement Plan and Retirement Benefit Restoration Plan. For 2007, Mr. Meyer's accumulated benefits actually decreased by \$26,300. For information on these plans and benefits, please refer to the "Pension Benefits" section of this proxy statement at page 36. Our Named Executive Officers did not accrue any above-market earnings under the Directors and Executives Deferred Compensation Plan, and therefore we have not reported any earnings credited under that plan in this column. (6) Reflects the contributions made on behalf of each Named Executive Officer under the 401(k) Plan, which equaled \$19,386 for Mr. Groft and \$7,750 for each other Named Executive Officer. This column also reflects the reimbursement of Mr. Groft in the amount of \$13,247 for premiums paid on a life insurance policy. Finally, the column reflects premiums paid for group term life insurance in excess of \$50,000. GRANTS OF PLAN-BASED AWARDS The following table sets forth information for each Named Executive Officer regarding estimated payouts of the (i) short-term incentive opportunities established during 2007, and (ii) performance shares granted under the Long-Term Equity Incentive Plan during 2007.

FUTURE PAYOUTS UNDER ESTIMATED FUTURE PAYOUTS UNDER FAIR VALUE NON-EQUITY INCENTIVE PLAN AWARDS(1)		EQUITY INCENTIVE PLAN AWARDS(2) OF STOCK		AND OPTION GRANT THRESHOLD TARGET MAXIMUM THRESHOLD TARGET MAXIMUM AWARDS NAME DATE (\$)(#)(#)(\$)(3)	
THRESHOLD	TARGET	THRESHOLD	TARGET	MAXIMUM	AWARDS
315,000	472,500	238	7,200	10,800	281,518
52,000	104,000	156,000	67	2,040	3,060 79,763
123,600	185,400	80	2,420	3,630	94,621
54,000	108,000	162,000	70	2,120	3,180 82,891
96,000	144,000	39	1,180	1,770	46,138 10,182

(1) This column provides information about the short-term incentive opportunities established during 2007 for our Named Executive Officers. The information included in the "Threshold," "Target," and "Maximum" columns reflects the range of potential payouts when the performance goals were established by the Compensation Committee and the Board of Directors in December 2006. The threshold equals 50% of the target award and the maximum equals 150% of the target award. With respect to Mr. Groft, the column also shows the target amount available under his acquisition incentive program.

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There is no threshold or maximum payout available under this program. Please refer to the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table for the amount of the short-term incentive award earned by our Named Executive Officers for 2007 and the "Bonus" column of the Summary Compensation Table for the amount of the contributor adjustments, if any, in the short-term incentive award. 34 For a brief description of the short-term incentive program, please refer to the "Compensation Discussion and Analysis" section of this proxy statement at page 19. (2) This column provides information about the performance shares granted under the Long-Term Equity Incentive Plan during 2007 to our Named Executive Officers. The information included in the "Threshold," "Target," and "Maximum" columns reflects the range of potential payouts under the performance shares when the performance goals were established by the Compensation Committee in January 2007. The threshold equals 3.3% of the target award and the maximum equals 150% of the target award. The actual payout will depend on the extent to which the Corporation achieves the applicable performance goals during the performance period commencing January 1, 2007 and ending December 31, 2009. For a brief description of the performance shares, please refer to the "Compensation Discussion and Analysis" section of this proxy statement at page 19 and the narrative following this table. (3) Reflects the grant date fair value, as determined in accordance with FAS 123R, of performance share awards. See Note 11 of the Consolidated Financial Statements contained in the Annual Report for an explanation of the assumptions made by the Corporation in the valuation of these awards. VESTING OF PERFORMANCE SHARES Payment of any performance shares listed in the "Estimated Future Payouts Under Equity Incentive Plan Awards" column that become earned will be made in the form of shares of the Corporation's Common Stock in 2010. An executive's right to receive the performance shares will be forfeited if he or she terminates employment with the Corporation and its affiliates for any reason (other than his or her death or retirement) prior to payment of the performance shares. If, however, an executive retires or dies during the performance period, the Board of Directors (or appropriate committee thereof) would determine the extent to which the applicable performance goals had been achieved during the full fiscal quarters completed during the performance period, and the resulting award would be pro-rated based on the number of days the executive had been employed during the performance period. Upon a "change in control" of the Corporation, the Board of Directors (or appropriate committee thereof) would determine the extent to which the applicable performance goals have been achieved through the full fiscal quarters completed prior to that date and the resulting award would be paid without pro-ration. The Named Executive Officers have no right to dividends and no right to vote the performance shares until they are paid. OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END The following table sets forth information for each Named Executive Officer with respect to (i) each option to purchase shares of the Corporation's Common Stock that had not been exercised and remained outstanding as of December 31, 2007, and (ii) each award of performance shares that had not vested and remained outstanding as of December 31, 2007.

OPTION AWARDS STOCK AWARDS												
EQUITY INCENTIVE PLAN AWARDS: EQUITY												
INCENTIVE MARKET OR PLAN AWARDS: PAYOUT VALUE	NUMBER OF SECURITIES UNEXERCISED	NUMBER OF SECURITIES UNEXERCISED	NUMBER OF UNEXERCISED SHARES, UNITS OR RIGHTS THAT HAVE NOT VESTED	NUMBER OF UNDERLYING EXERCISABLE UNEXERCISABLE	NUMBER OF UNDERLYING UNEXERCISABLE	NUMBER OF UNDERLYING OPTION SHARES, UNITS OTHER RIGHTS THAT HAVE NOT VESTED	EXERCISE OR OTHER RIGHTS THAT HAVE NOT VESTED	EXERCISE OR OTHER RIGHTS THAT HAVE NOT VESTED	EXERCISE OR OTHER RIGHTS THAT HAVE NOT VESTED	EXERCISE OR OTHER RIGHTS THAT HAVE NOT VESTED	EXERCISE OR OTHER RIGHTS THAT HAVE NOT VESTED	EXERCISE OR OTHER RIGHTS THAT HAVE NOT VESTED
(\$)	(#)	(#)	(#)	(#)	(#)	(#)	(#)	(#)	(#)	(#)	(#)	(#)
NAME	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Steven V. Lant	2,600	0	44.06	1/1/11								
Christopher M. Capone	0	0	N/A	6,760	301,077							
Carl E. Meyer	720	720	48.62	1/1/13								
Joseph J. DeVirgilio, Jr.	0	0		6,920	308,203							
W. Randolph Groft	400	400	48.62	1/1/13	4,120	183,497						

(1) Reflects the number of shares underlying outstanding stock options that have vested as of December 31, 2007. (2) Reflects the number of shares underlying outstanding stock options that have not vested as of December 31, 2007. The remaining stock options vested on the next day, or January 1, 2008. 35 (3) Reflects the exercise price for each stock option reported in the table, which equaled the fair market value per share of the underlying option shares on the date of grant. (4) Reflects the aggregate number of performance shares outstanding as of December 31, 2007, assuming performance at the "target" level, for the 2005-2007 performance cycle (including re-invested dividends), the 2006-2008 performance cycle and the 2007-2009 performance cycle. The performance shares vest based on the extent to which the Corporation achieves the applicable performance goals as of the end of the applicable performance period. Please note that the performance shares for the 2005-2007 performance cycle are included in this column. The vesting of the performance shares for that performance cycle depends on the Corporation's performance relative to companies in the EEI Index during the period commencing January 1, 2005 and ending December 31, 2007. As of the date of this proxy statement, the financial information for all the companies in the EEI Index was not yet available and, therefore, the Corporation was not able to determine the payout level. (5) Reflects the product of (i) the aggregate number of outstanding performance shares, multiplied by (ii) \$44.54, which is the closing price of our shares on December 31, 2007. OPTION EXERCISES AND STOCK VESTED AT FISCAL YEAR-END The following table sets forth information for each Named Executive Officer with respect to the exercise of options to purchase shares of the Corporation's Common Stock during 2007.

OPTION AWARDS STOCK AWARDS												
NUMBER OF VALUE REALIZED NUMBER OF SHARES ON EXERCISE												
SHARES VALUE REALIZED DATE OF ACQUIRED ON (\$)	ACQUIRED ON ON VESTING	NAME	EXERCISE EXERCISE (#)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
VESTING (#) (\$)												
Steven V. Lant	3/12/07		1,000									
Christopher M. Capone	0	0	0	0								
Carl E. Meyer	0	0	0	0								
Joseph J. DeVirgilio, Jr.	0	0	0	0								
W. Randolph Groft	0	0	0	0								

(1) Reflects the product of (i) the

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number of shares acquired upon the exercise of the stock option, multiplied by (ii) the excess of (x) the average of the high and low price per share of the Corporation's Common Stock on the date of exercise, over (y) the per share exercise price of the stock option. PENSION BENEFITS The following table sets forth information regarding the pension benefits of our Named Executive Officers.

-----	PRESENT PAYMENTS NUMBER OF
VALUE OF DURING YEARS CREDITED ACCUMULATED LAST FISCAL SERVICE BENEFIT YEAR NAME PLAN NAME (1) (#)	
(\$)(2) (\$)	
-----	-----
Plan 26 yrs. 11 mos. 961,800 0 Supplemental Executive Retirement Plan 27 yrs. 1 mo. 1,690,500 0 Retirement Benefit Restoration Plan 27 yrs. 1 mo. 325,800 0	----- Steven V. Lant Retirement Income Plan ----- Christopher M. Capone Retirement Income Plan 6 yrs. 5 mos. 145,500 0 Supplemental Executive Retirement Plan 6 yrs. 8 mos. 78,400 0 Retirement Benefit Restoration Plan 6 yrs. 8 mos. 1,500 0
-----	-----
Retirement Income Plan 37 yrs. 2 mos. 1,588,100 0 Supplemental Executive Retirement Plan 37 yrs. 5 mos. 532,100 0 Retirement Benefit Restoration Plan 37 yrs. 5 mos. 481,100 0	----- Carl E. Meyer Retirement Income Plan 37 yrs. 2 mos. 1,588,100 0 Supplemental Executive Retirement Plan 37 yrs. 5 mos. 532,100 0 Retirement Benefit Restoration Plan 37 yrs. 5 mos. 481,100 0
-----	-----
Joseph J. DeVirgilio, Jr. Retirement Income Plan 34 yrs. 3 mos. 1,550,700 0 Supplemental Executive Retirement Plan 34 yrs. 6 mos. 583,000 0 Retirement Benefit Restoration Plan 34 yrs. 6 mos. 24,700 0	----- W. Randolph Groft Retirement Income Plan
-----	-----
N/A N/A N/A Supplemental Executive Retirement Plan N/A N/A N/A Retirement Benefit Restoration Plan N/A N/A N/A	----- 36 ----- (1) The formal name of each plan

is as follows: o Retirement Income Plan of Central Hudson Gas & Electric Corporation ("Retirement Income Plan" or "RIP") o CH Energy Group, Inc. Supplemental Executive Retirement Plan (the "SERP") o Central Hudson Retirement Benefit Restoration Plan ("RBRP") (2) The number of years of credited service and the present value of accumulated benefit are calculated based on a September 30 fiscal year-end for the Retirement Income Plan and a calendar year-end for the Supplemental Executive Retirement Plan and Retirement Benefit Restoration Plan. The present value of accumulated benefits was prepared based on the same assumptions used in the Consolidated Financial Statements contained in the Annual Report, including (i) a 6.2% discount rate for the Retirement Income Plan and a 6.4% discount rate for the Supplemental Executive Retirement Plan and Retirement Benefit Restoration Plan, (ii) the Retirement Plan 2000 Combined Table Projected to 2006, no collar adjustment, and (iii) a retirement age of 61 under the Supplemental Executive Retirement Plan and a retirement age of 55 under the Retirement Income Plan and the Retirement Benefit Restoration Plan. DESCRIPTION OF DEFINED BENEFIT RETIREMENT PLANS The retirement program is designed to provide each Named Executive Officer, other than Mr. Groft, with a retirement benefit equal to 57% of his or her applicable final average pay (as defined below) at age 61 with 30 years of service. The program consists primarily of the Retirement Income Plan ("RIP") and the Supplemental Executive Retirement Plan ("SERP"). Benefit accruals under prior non-qualified plans have been frozen. A more detailed description of each of the defined benefit plans that comprise the Corporation's retirement program follows. RETIREMENT INCOME PLAN. The RIP is a tax-qualified defined benefit plan and generally covers all employees of Central Hudson hired prior to January 1, 2008. Each Named Executive Officer, other than Mr. Groft, is a RIP participant and eligible for a RIP benefit. The RIP benefit is based on a "service" formula and an "account" formula. SERVICE FORMULA. Each Named Executive Officer, other than Mr. Groft, is entitled to receive benefits under the RIP based on a service formula, which is equal to the sum of the following two benefits: o The regular service benefit equals the sum of the benefit earned each year after October 1, 2003, based on 2% of "annual compensation" for each year of benefit service beginning before age 50 and 2.5% for each year beginning after age 50. The term "annual compensation" means base salary at October 1, plus, for periods after 2004, short term incentives in the prior 12 months. o The supplementary past service benefit equals a participant's years of benefit service at October 1, 2003 multiplied by the sum of 1.45% of "average earnings" up to \$37,500 and 1.75% of average earnings in excess of \$37,500. If larger, a participant will receive the prior regular service benefit at September 30, 2003. The term "average earnings" means the average of 100% of base salary at October 1, 2001 and 2002 and 50% of base salary at October 1, 2000 and 2003. In no event, however, may the sum of the two benefits described above exceed the maximum service benefit. This benefit equals (i) 57% of a participant's highest consecutive 3-year average of base salary and short-term incentive during the ten-year period that precedes the participant's termination of employment, multiplied by (ii) a fraction, the numerator of which is the participant's years of benefit service (not to exceed 30) and the denominator of which is 30. The benefit is reduced by 0.333% for each full month the benefit begins before age 61. The service formula benefit is payable as a monthly life annuity following normal retirement at age 65. The monthly benefit (unreduced for early commencement) is also payable following early retirement at or after age 55 with at least ten years of service. Messrs. Meyer and DeVirgilio have currently satisfied the eligibility requirements for early retirement. The service formula benefit may also be paid in certain joint and survivor annuity forms, which provide a reduced monthly amount for the participant's life and, following the participant's death, payment for a named beneficiary's life. The RIP generally provides pre-retirement death benefits to a participant's surviving spouse. ACCOUNT FORMULA. Each Named Executive Officer, other than Messrs. Capone and Groft, also has a hypothetical account balance under the RIP that is credited with the aggregate of the following amounts: o For participants on January 1, 1987, 10% of their base salary on that date. 37 o For participants on September 30, 1991, 5% of their base salary on that date. o For participants on September 30, 1997, 5% of their base salary on that date. o For participants on September 30, 1999, 5% of their base salary on that date. o Annual interest, generally based on the yield for 30-year Treasury Bonds. Following termination of employment, a participant may receive the hypothetical account balance as a lump sum. Certain annuity forms of payment, which are the actuarial equivalent of the account balance, are also available. If the participant dies before payment begins, the account balance is payable in a lump sum to the participant's beneficiary (or, if the beneficiary is the participant's spouse, as a lump sum or an annuity). SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN. Each of our Named Executive Officers, other than Mr. Groft, participate in the SERP. The SERP is an unfunded, unsecured pension benefit plan for a select group of highly compensated employees. A participant's SERP benefit becomes vested if, while employed by the Corporation or its affiliates, he or she attains the normal retirement age of 61, attains his or her early retirement date of age 55 with ten years or more of vesting service, or a change in control occurs. A participant will forfeit his or her SERP benefit (whether or not vested at the time) if his or her employment with the Corporation is terminated for "cause." The SERP retirement benefit of a participant equals the excess, if any, of the (i) participant's normal retirement benefit or early retirement benefit described below, over (ii) the actuarial equivalent

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of the participant's cumulative benefits under the RIP (excluding the account benefit component) and Central Hudson Retirement Benefit Restoration Plan (excluding the account benefit component), each calculated as though paid in the form of a single life annuity as the normal retirement benefit becomes payable under the SERP. o NORMAL RETIREMENT BENEFIT. If a participant terminates employment on or after the date he or she attains age 61, he or she will be entitled to a normal retirement benefit. The annualized normal retirement benefit is equal to the product of (i) 57% of the participant's highest consecutive 3-year average of base salary and short-term incentive during the ten-year period that precedes the participant's termination of employment, and (ii) a fraction, the numerator of which is the participant's years of benefit service under the RIP (not to exceed 30) and the denominator of which is 30. o EARLY RETIREMENT BENEFIT. Upon the participant's vested termination of employment before the date he or she attains age 61, the participant will be entitled to an early retirement benefit equal to the normal retirement benefit (described above) reduced by 0.333% for each full month by which his or her benefit commencement date precedes the date the participant attains age 61. Messrs. Meyer and DeVirgilio are entitled to the early retirement benefit. The SERP retirement benefit commences on the first day of the seventh month following the participant's vested termination of employment and is paid monthly in the form of a life annuity elected by the participant, except that a participant who is vested solely as a result of a change in control shall commence to receive payment on the later of the first day of the seventh month following his or her termination of employment or age 55. The normal form of benefit under the SERP is a single life annuity for single participants and a joint and 100% survivor annuity for married participants. However, participants may select a single life annuity or a 30%, 40%, 50%, 75%, or 100% joint and survivor annuity (or other annuity permitted by the Corporation). If elected by the participant, upon the death of the participant's spouse the surviving participant's monthly annuity may be converted to the single life annuity the participant would have received, had he or she elected a single life annuity at retirement. A SERP benefit is also payable if a participant is vested in his or her benefit at the time of his or her death or disability. A participant's compensation and years of additional benefit service provided under a change in control agreement between the Corporation and the participant will be used in calculating the participant's SERP benefit if the participant's vested termination occurs in connection with a change in control. For more information on the death, disability and change in control benefits under the SERP, please refer to the applicable description under the heading "Potential Payments Upon Termination or Change in Control" on page 40 of this proxy statement. 38 CENTRAL HUDSON RETIREMENT BENEFIT RESTORATION PLAN. Each of our Named Executive Officers, other than Mr. Groft, participate in the RBRP. The RBRP is an unfunded, unsecured pension benefit plan for a select group of highly compensated employees. As of December 31, 2005, the RBRP was terminated with respect to any participant who was not vested, closed to new participants, and frozen with respect to additional benefit accruals of vested participants. The RBRP provides a benefit in excess of the Internal Revenue Service ("IRS") compensation and benefit limits imposed by Sections 401(a)(17) and 415 of the Internal Revenue Code, respectively, with respect to the service benefit component of the RIP and the account benefit component of the RIP. The pension benefit under the RBRP is calculated as the excess, if any, of (x) the participant's RIP benefit as of December 31, 2005, without regard to the Section 401(a)(17) compensation limit (\$210,000 for 2005) and without regard to the Section 415 benefit limitation (\$170,000 for 2005) over (y) the participant's actual RIP benefit as of December 31, 2005. Compensation and years of service under the RBRP have the same meanings provided under the RIP. Benefits generally become payable under the RBRP on the later of (i) the participant's 55th birthday or (ii) the six-month anniversary of the participant's termination of employment. Benefits are payable in the form of a life annuity or any other actuarially equivalent annuity form available under the Supplemental Executive Retirement Plan, as selected by the participant prior to the commencement date. NONQUALIFIED DEFERRED COMPENSATION The following table sets forth information regarding the nonqualified deferred compensation of our Named Executive Officers as of December 31, 2007.

AGGREGATE AGGREGATE BALANCE CONTRIBUTIONS CONTRIBUTIONS EARNINGS IN WITHDRAWALS/ AT LAST IN LAST FY IN LAST FY LAST FY DISTRIBUTIONS FYE NAME (\$)(1) (\$ (\$ (\$ (\$ (\$)(2)	-----	-----	-----	-----	-----	-----	-----	-----
-----	Steven V. Lant	0	0	(20,912)	0	239,678		
-----	Christopher M. Capone	0	0	9,735	0	134,848		
-----	Carl E. Meyer	46,350	0	81,177	0	1,230,426		
-----	Joseph J. DeVirgilio, Jr.	0	0	10,016	0	387,488		
-----	W. Randolph Groft	19,171	0	171	0	19,342		

(1) Each Named Executive Officer is eligible to defer base salary, short-term incentive awards, and performance shares under the terms of the Directors and Executives Deferred Compensation Plan, described below. The "Executive Contributions in Last FY" column shows the aggregate deferrals for each Named Executive Officer during 2007. The base salary deferrals are included in the "Salary" column of the Summary Compensation Table. (2) The aggregate balance as of December 31, 2007 for each Named Executive Officer includes prior deferrals of base salary, short-term incentives, and performance shares that were previously earned and reported as compensation on the Summary Compensation Table for prior years. For example, from 2000-2006, our Named Executive Officers deferred the following amounts under the Directors and Executives Deferred Compensation Plan that were previously reported as compensation in the Summary Compensation Table: (i) Mr. Lant--\$290,287; (ii) Mr. Capone--\$90,060; (iii) Mr. Meyer--\$774,743; (iv) Mr. DeVirgilio--\$291,885; and (v) Mr. Groft--\$0.00. These amounts have since been adjusted, pursuant to the terms of the Directors and Executives Deferred Compensation Plan, for investment performance (E.G., earnings and losses), deferrals credited during 2007, and in-service distributions. DESCRIPTION OF DIRECTORS AND EXECUTIVES DEFERRED COMPENSATION PLAN The amounts reflected in the above table are maintained under the CH Energy Group, Inc. Directors and Executives Deferred Compensation Plan, which is an unfunded, unsecured deferred compensation plan for Directors and a select group of highly compensated employees. Under the Directors and Executives Deferred Compensation Plan, our Named Executive Officers may elect to defer up to 50% of their base salary and up to 100% of their short-term incentive and performance shares on a pre-tax basis. Payments are made under the Directors and Executives Deferred Compensation Plan in cash at certain future dates specified by participants or upon his or her earlier termination of employment, death, or disability. If a participant terminates employment on or after age 55, as a result of his or her long-term disability, or in certain circumstances in connection with a "change in control" of the Corporation, then amounts credited to his or her account generally will be paid in a lump sum or in equal quarterly installments over a period of five, ten, or fifteen years as elected by the 39 participant. Otherwise, amounts are payable in a

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single lump sum. The Corporation may accelerate payment in the event of a participant's "financial hardship." Moreover, a participant may elect to receive an immediate distribution of all or a portion of any amounts deferred prior to January 1, 2005 (and related earnings), provided, however, that he or she will forfeit 10% of the amount of his or her account(s) that he or she has elected to receive. The deferred compensation is credited with earnings, gains, and losses in accordance with deemed investment elections made by participants from among various crediting options established by the Corporation from time to time. Participants are permitted to change their deemed investment elections daily. For 2007, the investment options tracked returns on the Corporation's Common Stock and returns under publicly available and externally managed investment funds such as mutual funds.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL The Corporation has entered into certain agreements and maintains certain plans and arrangements that require the Corporation or its successors to pay or provide certain compensation and benefits to its Named Executive Officers in the event of certain terminations of employment or a change in control of the Corporation. The estimated amount of compensation and benefits payable or provided to each Named Executive Officer in each situation is summarized below. These estimates are based on the assumption that the various triggering events occur on December 31, 2007. We have noted below other material assumptions used in calculating the estimated compensation and benefits under each triggering event. The actual amounts that would be paid to a Named Executive Officer upon certain terminations of employment or upon a change in control can only be determined at the time the actual triggering event occurs. The estimated amount of compensation and benefits described below does not take into account compensation and benefits that a Named Executive Officer has earned prior to the applicable triggering event, such as equity awards or other incentives that have previously vested in accordance with their terms, or vested benefits otherwise payable under the retirement plans and programs. As a result, it does not provide information on the payout of the performance shares for the 2005-2007 performance cycle and the 2007 short-term incentive, as both of these awards were earned as of December 31, 2007 in accordance with their terms, regardless of whether the executive terminated employment or a change in control occurred. In this regard, please refer to the Outstanding Equity Awards at Fiscal Year-End table for a complete summary of each Named Executive Officer's vested equity awards and the Pension Benefits table for a complete summary of each Named Executive Officer's vested retirement benefit.

VOLUNTARY TERMINATION OR INVOLUNTARY TERMINATION FOR "CAUSE" The Corporation does not maintain any plans or arrangements that would provide benefits to our Named Executive Officers solely as a result of a voluntary termination (other than upon "retirement" as described below) or an involuntary termination for cause.

INVOLUNTARY TERMINATION WITHOUT "CAUSE" Pursuant to its corporate policy, the Corporation would have provided each Named Executive Officer with outplacement services from a recognized outplacement provider, with a value not to exceed \$30,000, in the event of the executive's involuntary termination without "cause" (as defined under the heading "Qualifying Termination Following Change in Control" below) on December 31, 2007.

RETIREMENT OR DEATH As described below, a Named Executive Officer's termination of employment with the Corporation due to "retirement" (as defined below) or death can result in enhanced benefits under the outstanding performance shares and stock options. For this purpose, the term "retirement" means termination of employment either (i) on or after age 65 or (ii) on or after age 55 with ten years or more of service pursuant to the early retirement provisions of the Retirement Income Plan. Only Messrs. Meyer and DeVirgilio would have satisfied this definition of "retirement" on December 31, 2007.

PERFORMANCE SHARES. Except as otherwise provided below, a Named Executive Officer would forfeit his right to all outstanding performance shares for the 2006-2008 and the 2007-2009 performance cycles if his employment terminated during the applicable performance period. If, however, a Named Executive Officer had retired or died during a performance period, then the Board of Directors (or appropriate committee thereof) would have determined the extent to which the applicable performance goals had been achieved as of such time, and the resulting award would have been prorated based on the executive's service during the performance period. Such amounts would have been paid in a single lump sum in the form of shares of the Corporation's Common Stock.

STOCK OPTIONS. Except as otherwise provided below, a Named Executive Officer would forfeit his unvested stock options upon termination of employment. If, however, a Named Executive Officer had died on or before December 31, 2007, then all unvested stock options held by him would have become fully vested and remained exercisable for 3 years (or if shorter, the remaining term). Based on the above, the Corporation would have provided each Named Executive Officer or his beneficiary with the following estimated payments, in a lump sum, if he had "retired" from the Corporation and its affiliates on December 31, 2007, or if he had died while employed with the Corporation or its affiliates on December 31, 2007.

	PERFORMANCE SHARES ----- 2006-2008			2007-2009 EXECUTIVE PERFORMANCE PERIOD(1) PERFORMANCE PERIOD(2) TOTAL(3) -----			
Steven V. Lant	\$ 206,072	\$ 106,896	\$ 312,968	Christopher M. Capone	54,042	30,287	84,329
Carl E. Meyer	65,622	35,929	101,551	Joseph J. DeVirgilio, Jr.	56,417	31,475	87,892
W. Randolph Groft	35,632	17,519	53,151				

(1) The value of the performance shares for the 2006-2008 performance period is calculated as follows (i) the number of performance shares earned assuming a payout of 100% of target, prorated based on the performance of services during 2/3 of the performance period, multiplied by (ii) the closing price of the Corporation's Common Stock on December 31, 2007, of \$44.54 per share. (2) The value of the performance shares for the 2007-2009 performance period is calculated as follows (i) the number of performance shares earned assuming a payout of 100% of target, prorated based on the performance of services during 1/3 of the performance period, multiplied by (ii) the closing price of the Corporation's Common Stock on December 31, 2007, of \$44.54 per share. (3) All stock options had an exercise price in excess of the fair market value of the underlying shares as of December 31, 2007, and are therefore not included in these calculations.

DISABILITY As described below, a Named Executive Officer's termination of employment with the Corporation due to "disability" (as defined below) can result in enhanced benefits under the Supplemental Executive Retirement Plan. Specifically, if a Named Executive Officer who was vested under the SERP had become disabled (within the meaning of the Corporation's long-term disability plan) on December 31, 2007, then his benefit would have been calculated as if he had received additional years of benefit service (up to five), consistent with the disability crediting rules under the Retirement Income Plan. For additional information about the SERP, please refer to the "Pension Benefits" section of this proxy statement at page 36. Based on the above, the Corporation would have provided each Named Executive Officer, other than Mr. Groft, with the following estimated payments or benefits if he had become "disabled" while employed with the Corporation and its affiliates on December 31, 2007.

	ADDITIONAL SERVICE CREDIT EXECUTIVE UNDER THE SERP(1) -----				
Steven V. Lant	\$ --	Christopher M. Capone	--	Carl E. Meyer	--
Joseph J. DeVirgilio, Jr.	173,500	W. Randolph Groft	N/A		

(1) The value of the additional service credit under the SERP equals the excess, if any, of (i) the present value of the individual's VESTED SERP benefit as of December 31, 2007, calculated as if he remained employed for an additional 5

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years, over (ii) the present value of the individual's VESTED SERP benefit as of December 31, 2007. The present value was determined based on a 6.40% discount rate and the Retirement Plan 2000 Combined Table Projected to 2006, no collar adjustment, and assuming that no additional service is credited past age 60. For additional information about the SERP, please refer to the "Pension Benefits" section of this proxy statement at page 36. 41 CHANGE IN CONTROL As described below, each Named Executive Officer would be entitled to accelerated vesting of outstanding performance shares and stock options, along with accelerated vesting of his Supplemental Executive Retirement Plan benefit in the event of a "change in control" (as defined under the heading "Qualifying Termination Following Change in Control" immediately below).

o PERFORMANCE SHARES. Upon a change in control, the Board of Directors (or appropriate committee thereof) is required to determine the extent to which the applicable performance goals have been achieved through the full fiscal quarters completed prior to that date, and the resulting award is required to be paid to the executives without pro-ration. Such amounts would have been paid in a single lump sum in the form of either shares or cash.

o STOCK OPTIONS. Upon a change in control, all unvested stock options held by the Named Executive Officers would have become fully vested and exercisable.

o ENHANCED SERP BENEFIT. Upon a change in control, each Named Executive Officer, other than Mr. Groft, would have fully vested in his or her benefit under the SERP. The SERP benefit will commence to be paid upon the later of his or her termination of employment or attainment of age 55. For additional information about the SERP, please refer to the "Pension Benefits" section of this proxy statement at page 36. Based on the above, each Named Executive Officer would have been entitled to the following estimated payments and benefits from the Corporation or its successor in the event that a "change in control" occurred on December 31, 2007.

PERFORMANCE SHARES	-----	2006-2008	2007-2009	ACCELERATED VESTING EXECUTIVE PERFORMANCE PERIOD(1)	PERFORMANCE PERIOD(2)	OF SERP BENEFIT(3)	TOTAL(4)	-----
-----	Steven V. Lant	\$309,108	\$320,688	\$1,780,500	\$2,410,296	Christopher M. Capone	81,063	90,862
-----	Carl E. Meyer	98,433	107,787	--	206,220	Joseph J. DeVirgilio, Jr.	84,626	94,425
-----	-----	-----	-----	-----	-----	-----	179,051	W. Randolph Groft
-----	-----	-----	-----	-----	-----	-----	53,448	52,557
-----	-----	-----	-----	-----	-----	-----	N/A	106,005

----- (1) The value of the performance shares for the 2006-2008 performance period is calculated as follows (i) the number of performance shares earned assuming a payout of 100% of target, without pro-ration, multiplied by (ii) the closing price of the Corporation's Common Stock on December 31, 2007, of \$44.54 per share. (2) The value of the performance shares for the 2007-2009 performance period is calculated as follows (i) the number of performance shares earned assuming a payout of 100% of target, without pro-ration, multiplied by (ii) the closing price of the Corporation's Common Stock on December 31, 2007, of \$44.54 per share. (3) The value of the accelerated vesting of the SERP benefit equals the excess, if any, of (i) the present value of the individual's SERP benefit as of December 31, 2007 (whether or not vested), over (ii) the present value of the individual's vested SERP benefit as of December 31, 2007. The present value was determined based on a 6.40% discount rate and the Retirement Plan 2000 Combined Table Projected to 2006, with no collar adjustment. Each of Messrs. Meyer and DeVirgilio was fully vested in his SERP benefit as of December 31, 2007, and so would not have received any additional benefit had a change in control occurred on that date. For additional information about the SERP, please refer to the "Pension Benefits" section of this proxy statement at page 36. (4) All stock options had an exercise price in excess of the fair market value of the underlying shares as of December 31, 2007, and are therefore not included in these calculations. QUALIFYING TERMINATION FOLLOWING CHANGE IN CONTROL As described below, each Named Executive Officer would be entitled to certain payments and benefits if a "change in control" (as defined below) occurs and the Corporation or its affiliates terminates the executive's employment without "cause" (as defined below) or the executive terminates his employment with the Corporation or its affiliates for "good reason" (as defined below) within certain time periods following such change in control. CHANGE IN CONTROL AGREEMENTS. The Corporation has a change in control agreement ("Change in Control Agreement") with certain of its executive officers, including its Named Executive Officers. The Change in Control Agreements generally become effective only upon a change in control of the Corporation (as defined below) and provide certain benefits and 42 protections to the covered executives during the three-year period (the two-year period for Mr. Groft) following a change in control. For example, the Change in Control Agreements generally provide that an executive's terms and conditions of employment (including position, location, base salary, short-term incentive, and benefits) would not be adversely changed during the applicable two-year or three-year period following a change in control. Moreover, the Change in Control Agreements provide that the executive would be entitled to certain severance benefits if, during the applicable two or three-year period following a change in control, the Corporation or its affiliates terminate the executive's employment without "cause" or the executive terminates his employment with the Corporation or its affiliates for "good reason." In general, the executive would be entitled to receive: o A pro-rated short-term incentive based on the average of the executive's last three pre-change in control short-term incentives ("Average Annual Incentive"), paid in a lump sum. o An amount equal to three times (or two times for Mr. Groft) the sum of the executive's base salary and Average Annual Incentive, payable in 12 equal monthly installments. o Outplacement services from a recognized outplacement provider, with a value not to exceed \$30,000. o Continued welfare benefits (including health care benefits) for a period of three years (two years for Mr. Groft) following termination, subject to mitigation upon receiving similar benefits from another employer. o For Mr. Lant only, a "conditional gross-up" for excise and related taxes in the event the severance compensation and other payments or distributions to him, whether pursuant to the change in control agreement, stock option, performance share or otherwise would constitute "excess parachute payments," as defined in Section 280G of the Internal Revenue Code. The tax gross-up will be provided if the aggregate parachute value of all severance and other change in control payments to Mr. Lant exceeds 110% of the maximum amount that may be paid under Section 280G of the Internal Revenue Code without imposition of an excise tax. If the parachute value of Mr. Lant's payments does not exceed the 110% threshold, the executive's payments will be reduced to the extent necessary to avoid imposition of the excise tax on "excess parachute payments." In contrast, the other Named Executive Officers would be responsible for paying the applicable excise taxes under Section 280G imposed on any payments under the Change in Control Agreement or otherwise, but any payments subject to the excise tax would be reduced if such reduction provides a larger after-tax benefit than if the excise tax applied. o Reimbursement for all legal fees and expenses reasonably incurred in asserting his rights under the Agreements, regardless of the outcome of the dispute (unless a tribunal determines that the executive's position was frivolous or maintained in bad faith). For purposes of the above calculations, we have assumed that the executive will not incur legal fees to enforce his rights under the Change in Control Agreement. DEFINITIONS. For purposes of the Change in Control Agreement, the following words have the meanings set forth below. o CHANGE IN CONTROL. A change in control generally means any of the following: (i) an acquisition of 20% or more of the Corporation's stock; (ii) a change in the membership of the Corporation's Board of Directors, such that the current incumbents and

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their approved successors no longer constitute a majority; (iii) a business combination in which any one of the following is true: the Corporation's old shareholders do not hold at least 60% of the combined enterprise; there is a 20%-or-more shareholder of the combined enterprise (other than as a result of conversion of the shareholder's pre-combination interest in the Corporation); or the members of the Corporation's Board of Directors (immediately before the combination) do not make up a majority of the board of the combined enterprise; or (iv) shareholder approval of a complete liquidation of the Corporation.

CAUSE. The term "cause" generally means: (i) the willful and continued failure of the executive to perform his duties; (ii) the willful engaging by the executive in illegal conduct or gross misconduct; (iii) the repeated use of alcohol by the executive that materially interferes with his duties, use of illegal drugs by the executive, or a violation of our drug or alcohol policies; (iv) a conviction, guilty plea, or plea of NOLO CONTENDERE of the executive for any crime involving moral turpitude or for any felony; (v) a breach by the executive of his fiduciary duties of loyalty or care or a material violation of the Code of Business Conduct and Ethics, or similar policies; or (vi) the breach by the executive of the confidentiality provision of the Change in Control Agreement.

43 o GOOD REASON. The term "good reason" generally means: (i) any material reduction in the executive's authority, duties, or responsibilities; (ii) any failure by the Corporation to maintain the executive's base salary, short-term incentive, and benefits levels; (iii) any required relocation of the executive's office of 50 miles or more; (iv) any purported termination by the Corporation or any of its affiliated companies of the executive's employment otherwise than as expressly permitted by the Change in Control Agreement; or (v) any failure by the Corporation or any of its affiliated companies to require a successor to assume the Change in Control Agreement.

ENHANCED SERP BENEFIT. If a Named Executive Officer is entitled to benefits under his or her Change in Control Agreement following a change in control, then his or her SERP benefit will be calculated as if he or she had remained employed with the Corporation and its affiliates for a three-year period following the change in control. Such benefit will commence to be paid upon the later of the executive's termination of employment or attainment of age 55. For additional information about the SERP, please refer to the "Pension Benefits" section of this proxy statement at page 36.

NON-SOLICITATION AND NON-COMPETITION PROVISIONS. As a condition to each executive's entitlement to receive severance benefits under the Change in Control Agreement, each Named Executive Officer must not solicit employees of the Corporation and its successor for a one-year period following termination of employment and must comply with a confidentiality restriction. Moreover, Mr. Groft is prohibited from competing against Griffith Energy Services, Inc. in any market in which it has at least 1,000 customers for a period of up to two years. The acquiring or successor entity generally retains the right to suspend certain payments and pursue judicial remedies in the event that an executive breaches any of his confidentiality, non-solicitation, or similar obligations. Moreover, a terminated executive is required to sign a release of all claims against the Corporation, the acquiring or successor entity, and any of their officers, directors, employees, or shareholders, prior to receiving severance benefits under the Change in Control Agreements. Based on the above, each Named Executive Officer would have been entitled to the following estimated payments and benefits from the Corporation or its successor if a "change in control" occurred on December 31, 2007, and the Corporation or its affiliates terminated the executive's employment without "cause" or the executive terminated his employment with the Corporation or its affiliates for "good reason" immediately following such change in control. These benefits would be in addition to the payments and benefits described in the change in control table immediately above.

	ENHANCED CASH OUTPLACEMENT	HEALTHCARE	(OTHER THAN SERP SECTION 280G EXECUTIVE SEVERANCE SERVICES BENEFITS)	(1) HEALTHCARE	(2) BENEFIT	(3) GROSS-UP	(4) TOTAL	
Steven V. Lant	\$2,775,360	\$30,000	\$43,800	\$6,196	\$627,700	\$2,418,501	\$5,901,557	Christopher M. Capone
1,116,608	30,000	36,400	3,224	141,600	N/A	1,327,832	Carl E. Meyer	
1,327,868	30,000	58,200	3,829	255,700	N/A	1,675,597	Joseph J. DeVirgilio, Jr.	
1,155,984	30,000	51,200	3,345	173,500	N/A	1,414,029	W. Randolph Groft	
669,430	30,000	16,200	3,408	N/A	N/A	719,038		

----- (1) The present value of the continued healthcare benefits is calculated in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 106, EMPLOYER'S ACCOUNTING FOR POSTRETIREMENT BENEFITS OTHER THAN PENSIONS. The values assume continued healthcare coverage for the individual and his spouse for the applicable continuation period. See Note 10 of the Consolidated Financial Statements contained in the Annual Report for an explanation of the assumptions made by the Corporation in the valuation of the continued health care benefits. (2) Represents the value of premiums for continued group life insurance during the applicable two or three-year continuation period. (3) The value of the enhanced SERP benefit equals the present value of the increase in the individual's SERP benefit as of December 31, 2007, calculated as if he had remained employed with the Corporation and its affiliates for an additional three-year period following termination. The present value was determined based on a 6.40% discount rate and the Retirement Plan 2000 Combined Table Projected to 2006, with no collar adjustment. For additional information about the SERP, please refer to the "Pension Benefits" section of this proxy statement at page 36. (4) Section 280G of the Internal Revenue Code applies if there is a change in control of the Corporation, compensation is paid to a Named Executive Officer as a result of the change in control ("parachute payments"), and the present value of the parachute payments is 300% or more of the executive's "base amount", which equals his average W-2 income for the five-calendar-year period immediately preceding the change in control (E.G., 2002-2006 if the change in control occurs in 2007). If Section 280G applies, then the Named Executive Officer is subject to an excise tax equal to 20% of the amount of the parachute payments in excess of his base amount (the "excess parachute payments"), in addition to income and employment taxes. Moreover, the Corporation is denied a federal income tax deduction for the excess parachute payments. The amounts in the Section 280G Gross-Up column reflects a tax gross-up for the excise and related taxes, as required under the terms of Mr. Lant's Change in Control Agreement described above. The amounts are merely estimates based on the following assumptions: (i) an excise tax rate of 20% and a combined federal, state and local income and employment tax rate of 43.45%, (ii) a discount rate of 4.61%, (iii) a stock price on December 31, 2007 of \$44.54 per share, (iv) the stock options are cashed-out instead of assumed, and (v) no amounts were allocated to the non-solicitation or non-competition covenants contained in the employment agreements.

DIRECTOR COMPENSATION The Corporation's Director compensation program is designed to enhance the Corporation's ability to attract and retain highly qualified Directors and to align their interests with the long-term interests of the Corporation's shareholders. The program consists of both a cash component, designed to compensate independent Directors for their service on the Board and its Committees, and an equity component, designed to align the interests of independent Directors and shareholders. Mr. Lant receives no compensation for his service on the Board.

CASH COMPENSATION. During 2007, the basic annual cash retainer paid to independent Directors was \$55,000. The cash retainer is paid quarterly in advance in four equal installments to each person serving as an independent Director at the time when the particular quarterly

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payment is made. Independent Directors who serve as a Committee Chair or as the Lead Independent Director of the Board receive an additional annual retainer. The positions carrying the payment of an additional retainer along with the annual amount of such additional annual retainer during 2007 were as follows: Lead Independent Director (\$7,500); Chair of the Audit Committee (\$10,000); Chair of the Governance and Nominating Committee (\$7,500); Chair of the Compensation Committee (\$7,500); and Chair of the Strategy and Finance Committee (\$7,500). Such additional retainers are generally paid quarterly, in advance, and are prorated based on the period of service of a Director during the year in any of those positions. EQUITY COMPENSATION. During 2007, the equity component of annual compensation for each independent Director was fixed at a number of phantom shares of the Corporation's Common Stock having an aggregate value approximately equal to \$55,000. These shares were credited quarterly to each Director's account under the Directors and Executives Deferred Compensation Plan. The program requires this credit to remain invested in phantom shares until the termination of the Director's service on the Board and to be paid only in cash after termination of Board service. The number of phantom shares credited to each Director's account was calculated on the basis of the closing price of the Corporation's Common Stock on the first Monday following the first Tuesday of January 2007, i.e., January 8, 2007. The phantom shares were credited in four equal installments to the account of each person serving as an independent Director at the time when the particular quarterly installment was credited. DIRECTORS AND EXECUTIVES DEFERRED COMPENSATION PLAN. An independent Director also may elect to defer payment of all or part of the cash compensation received as a Director under the Corporation's Directors and Executives Deferred Compensation Plan. If the Director so elects, any deferred cash compensation may be credited to a bookkeeping account of phantom shares, whose value is tied to the value of the Corporation's Common Stock, or to other investment options provided under the Directors and Executives Deferred Compensation Plan from time to time. Compensation deferred in accordance with the Directors and Executives Deferred Compensation Plan is paid to Directors (adjusted to reflect investment earnings and losses) at the time the Director ceases being a member of the Board of Directors, either in a lump sum or over a period of time depending on the circumstances of cessation and/or distribution elections.

CHANGES TO DIRECTOR COMPENSATION PROGRAM. On May 24, 2007, the Board of Directors adopted new director stock ownership guidelines, effective as of July 1, 2007, which require each Director to accumulate within 5 years, and to hold during his or her service on the Board, at least 6,000 shares of the Corporation's Common Stock. In light of the new ownership guidelines, the Corporation amended the Corporation's Directors and Executives Deferred Compensation Plan, effective as of January 1, 2008. Prior to the amendment, phantom shares were credited quarterly on behalf of each Director to the director stock account under the Corporation's Directors and Executives Deferred Compensation Plan, and they remained invested as phantom shares 45 during the Director's service on the Board. In light of the new stock ownership guidelines, the amended plan provides that if a Director satisfies the then-applicable stock ownership guidelines, he or she will no longer receive future credits of phantom shares to the director stock account. Instead, the value of any future credits of phantom shares will be paid to the director in cash or deferred under the Directors and Executives Deferred Compensation Plan at the election of the director. If deferred, the amounts may be invested by the director in any investment option available under the plan. Phantom share contributions to the director stock account made prior to the amendment will continue to be invested as phantom shares; upon retirement, the Director may diversify all or any portion of the existing phantom shares held in the director stock account into other investment options available under the Directors and Executives Deferred Compensation Plan. The amended plan also provides participants with an opportunity to elect each year whether to receive that year's deferrals in a lump sum or in quarterly installments over a period of either five, ten or fifteen years if they retire or become disabled within 24 months after a change in control. Prior to the amendment, participants did not have the opportunity to file a change in control payment election. The following table sets forth information regarding compensation for the year ended December 31, 2007 for the Directors other than Mr. Lant.

				FEES EARNED OR PAID IN CASH STOCK AWARDS		
TOTAL (\$)	(\$)	(\$)	NAME	(1)	(2)	(3)
			Margarita K. Dille	65,000	52,657	117,657
			Steven M. Fetter	62,500	52,657	115,157
			Edward F. X. Gallagher	(4) 18,333	18,286	36,619
			Stanley J. Grubel	62,500	52,657	115,157
			Manuel J. Iraola	55,000	52,657	107,657
			E. Michel Kruse	70,000	52,657	122,657
			Jeffrey D. Tranen	55,000	52,657	107,657
			Ernest R. Verebelyi	55,000	52,657	107,657

(1) Reflects the cash annual retainer and committee chair fees paid to the independent Directors for service on the Board. Independent Directors receive no other cash compensation for service on the Board. (2) The dollar amounts shown in this column are different from the \$55,000 amount that was used to calculate the number of phantom shares to be credited to the Directors, based on the closing price of the Corporation's Common Stock on January 8, 2007. This difference occurs because this Stock Awards column reflects the aggregate dollar amount recognized for financial statement reporting purposes with respect to the phantom shares. The phantom shares were credited in equal quarterly installments to the account of each person serving as an independent Director at the time when the particular quarterly installment was credited. The dollar amount reported in this Stock Awards column was determined under FAS 123R using the fair market value of the Corporation's Common Stock on the date each credit was made. The amount reported in this column also equals the grant date fair value of the phantom shares awards under FAS 123R. For more information about these phantom shares credits, please refer to the narrative description of the Director compensation program that precedes this table. The total number of phantom shares of the Corporation's Common Stock credited to the account of each Director other than Mr. Lant under the Corporation's Directors and Executives Deferred Compensation Plan as of December 31, 2007, is listed below: THE TOTAL NUMBER OF PHANTOM SHARES CREDITED TO THE ACCOUNT NAME OF EACH DIRECTOR AS OF 12/31/2007

Margarita K. Dille	3,502
Steven M. Fetter	5,408
Edward F. X. Gallagher	4,824
Stanley J. Grubel	5,959
Manuel J. Iraola	2,220
E. Michel Kruse	5,262
Jeffrey D. Tranen	4,672
Ernest R. Verebelyi	1,926

(3) The Corporation did not recognize any amount of expense for financial statement reporting purposes for the fiscal year ending December 31, 2007, with respect to outstanding Director stock options. The outstanding stock options held by our Directors are listed below. The stock options were granted with an exercise price equal to the fair market value of the underlying shares on the date of grant. The stock options were fully vested on the date of grant. # OF

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SHARES UNDERLYING STOCK # OF SHARES UNDERLYING STOCK NAME OPTIONS GRANTED ON 1/1/2003 OPTIONS GRANTED ON 1/1/2001 ----- Steven M. Fetter 1,000 N/A Edward F. X. Gallagher 1,000 3,000 Stanley J. Grubel 1,000 3,000 E. Michel Kruse 1,000 N/A Exercise Price per Share: \$48.62 \$44.06 (4) Mr. Gallagher retired from the Board at the 2007 Annual Meeting. PROPOSAL NO. 2 - SHAREHOLDER PROPOSAL RELATING TO THE DECLASSIFICATION OF THE BOARD OF DIRECTORS The Corporation has received a shareholder proposal from Mr. Gerald R. Armstrong of 820 Sixteenth Street, No. 705, Denver, Colorado 80202-3227. On November 1, 2007, the date on which Mr. Armstrong submitted the proposal to the Corporation, he owned 80.191 shares of Common Stock. At his request, the Corporation has included Mr. Armstrong's following proposal and supporting statement in its Proxy Statement for the Annual Meeting. If properly presented, this proposal will be voted on at the Annual Meeting. The Board of Directors of the Corporation recommends a vote "AGAINST" this proposal. THE BOARD STRUCTURE The Corporation's Restated Certificate of Incorporation and By-laws require that the Board of Directors be divided into three classes, as nearly equal in size as possible, with one class standing for election each year. Currently, the Corporation's Board of Directors consists of eight (8) Directors and is divided into three classes, each class having a three-year term of office and one class being elected each year, including this year. This structure is commonly known as a "classified" board. SHAREHOLDER PROPOSAL Mr. Armstrong's proposal is quoted verbatim in italics below. Pursuant to Rule 14a-8(l)(2) under the Securities Exchange Act of 1934, the Corporation is not responsible for the contents of the shareholder proposal or its supporting statement. RESOLUTION THAT THE SHAREHOLDERS OF CH ENERGY GROUP, INC. REQUEST ITS BOARD OF DIRECTORS TO TAKE THE STEPS NECESSARY TO ELIMINATE CLASSIFICATION OF TERMS OF ITS BOARD OF DIRECTORS TO REQUIRE THAT ALL DIRECTORS STAND FOR ELECTION ANNUALLY. THE BOARD DECLASSIFICATION SHALL BE COMPLETED IN A MANNER THAT DOES NOT AFFECT THE UNEXPIRED TERMS OF THE PREVIOUSLY-ELECTED DIRECTORS. STATEMENT THE PROPONENT BELIEVES THE ELECTION OF DIRECTORS IS THE STRONGEST WAY THAT SHAREHOLDERS INFLUENCE THE DIRECTORS OF ANY CORPORATION. CURRENTLY, OUR BOARD OF DIRECTORS IS DIVIDED INTO THREE CLASSES WITH EACH CLASS SERVING THREE-YEAR TERMS. BECAUSE OF THIS STRUCTURE, SHAREHOLDERS MAY ONLY VOTE FOR ONE-THIRD OF THE DIRECTORS EACH YEAR. THIS IS NOT IN THE BEST INTEREST OF THE SHAREHOLDERS BECAUSE IT REDUCES ACCOUNTABILITY. U. S. BANCORP, ASSOCIATED BANC-CORP, PIPER-JAFFRAY COMPANIES, FIFTH-THIRD BANCORP, PAN PACIFIC RETAIL PROPERTIES, QWEST COMMUNICATIONS INTERNATIONAL, XCEL ENERGY, GREATER BAY BANCORP, NORTH VALLEY BANCORP, PACIFIC CONTINENTAL CORPORATION, REGIONS FINANCIAL CORPORATION, COBIZ FINANCIAL INC., MARSHALL & ILLSLEY CORPORATION, AND WINTRUST FINANCIAL, INC. ARE AMONG THE CORPORATIONS ELECTING DIRECTORS ANNUALLY BECAUSE OF THE EFFORTS OF THE PROPONENT. 47 THE PERFORMANCE OF OUR MANAGEMENT AND OUR BOARD OF DIRECTORS IS NOW BEING MORE STRONGLY TESTED DUE TO ECONOMIC CONDITIONS AND THE ACCOUNTABILITY FOR PERFORMANCE MUST BE GIVEN TO THE SHAREHOLDERS WHOSE CAPITAL HAS BEEN ENTRUSTED IN THE FORM OF SHARE INVESTMENTS. A STUDY BY RESEARCHERS AT HARVARD BUSINESS SCHOOL AND THE UNIVERSITY OF PENNSYLVANIA'S WHARTON SCHOOL TITLED "CORPORATE GOVERNANCE AND EQUITY PRICES" (QUARTERLY JOURNAL OF ECONOMICS, FEBRUARY, 2003), LOOKED AT THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE PRACTICES (INCLUDING CLASSIFIED BOARDS) AND FIRM PERFORMANCE. THE STUDY FOUND A SIGNIFICANT POSITIVE LINK BETWEEN GOVERNANCE PRACTICES FAVORING SHAREHOLDERS (SUCH AS ANNUAL DIRECTORS ELECTION) AND FIRM VALUE. WHILE MANAGEMENT MAY ARGUE THAT DIRECTORS NEED AND DESERVE CONTINUITY, MANAGEMENT SHOULD BECOME AWARE THAT CONTINUITY AND TENURE MAY BE BEST ASSURED WHEN THEIR PERFORMANCE AS DIRECTORS IS EXEMPLARY AND IS DEEMED BENEFICIAL TO THE BEST INTERESTS OF THE CORPORATION AND ITS SHAREHOLDERS. THE PROPONENT REGARDS AND [sic] UNFOUNDED THE CONCERN EXPRESSED BY SOME THAT ANNUAL ELECTION OF ALL DIRECTORS COULD LEAVE COMPANIES WITHOUT EXPERIENCED DIRECTORS IN THE EVENT THAT ALL INCUMBENTS ARE VOTED OUT BY SHAREHOLDERS. IN THE UNLIKELY EVENT THAT SHAREHOLDERS DO VOTE TO REPLACE ALL DIRECTORS, SUCH A DECISION WOULD EXPRESS DISSATISFACTION WITH THE INCUMBENT DIRECTORS AND REFLECT A NEED FOR CHANGE. IF YOU AGREE THAT SHAREHOLDERS MAY BENEFIT FROM GREATER ACCOUNTABILITY AFFORDED BY ANNUAL ELECTION OF ALL DIRECTORS, PLEASE VOTE "FOR" THIS PROPOSAL. THE BOARD OF DIRECTOR'S RESPONSE IN OPPOSITION TO MR. ARMSTRONG'S PROPOSAL The Board of Directors believes that the current classified structure of the Board is working well for the Corporation and its shareholders. We have carefully considered Mr. Armstrong's proposal, and we have concluded that it should not be adopted. The current Board structure enables the Directors to focus on the long-term success of the Corporation. This structure assures shareholders that they have the ability to elect approximately one-third of their Directors each year, while also assuring shareholders that approximately two-thirds of their Directors will continue to serve for the remaining one or two years of their terms. We believe this structure is in the long-term interests of the Corporation and its shareholders because it results in the Board consistently having a majority of Directors who have experience with the challenges and opportunities facing the businesses of the Corporation. We believe it enhances the knowledge-base, stability, and collegiality of the Board's deliberations, and improves the Board's ability to understand and consider what is in the long-term interests of the Corporation and its shareholders. The Corporation's businesses include a utility and competitive business subsidiaries. The utility is subject to significant ongoing government regulation; the competitive business subsidiaries are not. The oversight of these distinct and complex businesses requires both short-term and long-term planning, as well as careful and on-going implementation of business policies and strategies. The knowledge and experience among our Directors with regard to the Corporation and its businesses are valuable resources as the Board strives to make the business decisions that are best for the Corporation and its shareholders. We are a predominately independent Board. We are comprised of eight directors, seven of whom are independent. We believe that our classified structure gives CH Energy Group, Inc. an advantage in attracting and recruiting talented director candidates who are willing to make at least a three year commitment of their time, energy and skills. We also believe that our three year terms enhance our independence and our commitment because we can reach decisions in a context where we do not face the risk of pressures and uncertainties involved with facing annual elections. The classified Board structure is an important asset for shareholders because it provides a level of protection against an unsolicited takeover effort based on an inadequate offer, and it

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enhances the Board's ability to respond effectively if such a situation were to arise. This Board structure would not preclude a takeover. Instead, because the structure makes it impossible to elect a majority of Directors at one meeting of shareholders, our classified structure would strongly encourage a potential acquirer to negotiate directly with the Board. This would give the Board time to evaluate the adequacy and fairness of any takeover proposal and to weigh alternative methods of maximizing shareholder value. Thus, our classified structure better positions the Board to negotiate effectively to realize the greatest value for shareholders. The Corporation's classified Board prevents a potential acquirer from unilaterally and rapidly gaining control of our businesses without paying fair value. 48 Mr. Armstrong suggests that a classified board reduces accountability. We do not agree. As directors, each of us has fiduciary duties of care and loyalty to the Corporation and its shareholders. These duties require us to act in good faith and in the best interests of the Corporation and its shareholders. These duties exist regardless of how often a director stands for election. As current Directors, and as stewards for the shareholders, we embrace these duties and we strive to attain the highest quality of corporate governance. After careful consideration of Mr. Armstrong's proposal, and after reviewing the benefits of our current structure discussed in the preceding paragraphs, the Board of Directors has unanimously determined that the retention of CH Energy Group, Inc.'s classified Board structure remains in the best interest of the Corporation and its shareholders. Accordingly, the Board of Directors unanimously recommends voting against the proposal. VOTE REQUIRED The proposal will pass if it receives a majority of the votes cast by the Corporation's shareholders at the Annual Meeting in person or by proxy. Abstentions and broker non-votes are voted neither "FOR" nor "AGAINST" and have no effect on the vote but are counted in the determination of a quorum. A vote in favor of this proposal is an advisory recommendation to the Board of Directors. This proposal requests the Board to take those steps necessary to cause the annual election of all Directors. One of those steps would be to amend the Corporation's By-laws. The amendment, repeal or alteration of the provisions of the By-laws providing for a classified Board must be made by either (i) the affirmative vote of not less than 80% of the shares entitled to vote thereon at an annual or special shareholders' meeting at which the action is proposed, or (ii) the approval of not less than two-thirds of the entire Board of Directors. If this proposal were to be approved by the shareholders at this Annual Meeting, and the Board of Directors were to submit the required amendments to the provisions in the Corporation's By-laws providing for a classified Board to the shareholders for a vote at a future meeting, approval of the amendments would require the affirmative vote of 80% of the shares entitled to vote thereon. THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "AGAINST" THE SHAREHOLDER PROPOSAL RELATING TO THE DECLASSIFICATION OF THE BOARD OF DIRECTORS. OTHER MATTERS The Board of Directors does not know of any matters to be brought before the Annual Meeting other than those referred to in the notice hereof. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the form of proxy to vote the proxy in accordance with their judgment on such matters. By Order of the Board of Directors, John E. Gould March 7, 2008 CORPORATE SECRETARY 49 [This Page Intentionally Left Blank] ROUTE TO CH ENERGY GROUP, INC. [ROUTE MAP] FROM NEW YORK CITY AREA: o Taconic State parkway North to Interstate 84 (I-84) o I-84 West to Exit 13 (Route 9) o Turn right off ramp onto Route 9 North o Route 9 approximately 12 miles to the Academy Street / South Avenue Exit o Bear left at end of ramp and go under overpass o Turn right into CH Energy Group, Inc. entrance FROM CONNECTICUT: o I-84 West to Exit 13 (Route 9) o Continue as above FROM PENNSYLVANIA: o I-84 East to Exit 13 (Route 9) o Turn left off ramp onto Route 9 North o Continue as above FROM NEW JERSEY AND UPSTATE NEW YORK: o New York State Thruway (I-87) to Exit 18 (New Paltz) o Turn right onto Route 299 o Route 299 approximately 5 miles, turn right onto Route 9W South o Route 9W approximately 2 miles, bear right for FDR/Mid-Hudson Bridge o After crossing bridge take first right (Route 9 South) o Bear right off exit ramp into CH Energy Group, Inc. entrance [LOGO OF CH ENERGY GROUP, INC.] 000004 MR A SAMPLE DESIGNATION (IF ANY) ADD 1 ADD 2 ADD 3 ADD 4 ADD 5 ADD 6 Using a BLACK INK pen, mark your votes with an X as shown in [X] this example. Please do not write outside the designated areas.

===== ADMISSION TICKET ===== C123456789 000000000.000000 ext 000000000.000000 ext 000000000.000000 ext 000000000.000000 ext 000000000.000000 ext 000000000.000000 ext ELECTRONIC VOTING INSTRUCTIONS YOU CAN VOTE BY INTERNET OR TELEPHONE! AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK! Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy. VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR. PROXIES SUBMITTED BY SHAREHOLDERS OF RECORD BY THE INTERNET OR TELEPHONE MUST BE RECEIVED BY 12:01 A.M., CENTRAL TIME, ON APRIL 22, 2008. VOTE BY INTERNET o Log on to the Internet and go to www.investorvote.com/CHG o Follow the steps outlined on the secured website. VOTE BY TELEPHONE o Call toll free 1-800-652-VOTE (8683) within the United States, Canada & Puerto Rico any time on a touch tone telephone. There is NO CHARGE to you for the call. o Follow the instructions provided by the recorded message. ----- ANNUAL MEETING PROXY CARD 123456 C0123456789 12345 ----- IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. ----- A PROPOSALS -- THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL THE NOMINEES LISTED IN PROPOSAL NO. 1, AND A VOTE AGAINST PROPOSAL NO. 2. Proposal No. 1. Election of Class II Directors: FOR WITHHOLD FOR AGAINST ABSTAIN 01 - Margarita K. Dilley [] [] Proposal No. 2. Shareholder proposal requesting necessary [] [] [] steps to declassify the Board of Directors. 02 - Steven M. Fetter [] [] 03 - Stanley J. Grubel [] [] In their discretion, the proxies are authorized to vote upon such other business as may properly come before the annual meeting or any adjournment or postponement thereof. MEETING ATTENDANCE ANNUAL REPORT Mark the box to the right if you plan to [] Mark the box to the right if you would [] attend the Annual Meeting. like to stop receiving an Annual Report. CHANGE OF ADDRESS -- Please print new address below. COMMENTS -- Please print your comments below. -----

----- B
AUTHORIZED SIGNATURES -- THIS SECTION MUST BE COMPLETED FOR YOUR VOTE TO BE COUNTED. -- DATE AND SIGN BELOW Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title. Date (mm/dd/yyyy) -- Please print Signature 1 -- Please keep Signature 2 -- Please keep date below. signature within the box. signature within the box. -----
----- // ----- C 1234567890 J N T MR A SAMPLE
(THIS AREA IS SET UP TO ACCOMMODATE 140 CHARACTERS) MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND

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MR A SAMPLE AND MR A SAMPLE AND 1 U P X 0 1 6 5 3 0 1 MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND +
[STOCK#] 00UAAF ADMISSION TICKET ANNUAL MEETING OF SHAREHOLDERS April 22, 2008, 10:30 a.m. CH ENERGY GROUP,
INC. 284 South Avenue, Poughkeepsie, NY ----- AGENDA o Election of Directors
o To consider and vote upon a shareholder proposal, if properly presented ----- IT
IS IMPORTANT THAT ALL SHARES BE REPRESENTED AT THIS MEETING, WHETHER OR NOT YOU ATTEND THE MEETING IN
PERSON. TO MAKE SURE ALL SHARES ARE REPRESENTED, WE URGE YOU TO COMPLETE AND MAIL THE PROXY CARD
BELOW. ----- If planning to attend the Annual Meeting, please mark the
appropriate box on the reverse side. Present this Admission Ticket to the representative at the entrance to the Annual Meeting room.
----- IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE,
FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. -----
----- [LOGO OF CH ENERGY GROUP, INC.]
----- PROXY -- CH ENERGY GROUP, INC.
----- PROXY OF COMMON SHAREHOLDERS SOLICITED ON BEHALF OF
THE BOARD OF DIRECTORS The undersigned hereby appoints MANUEL J. IRAOLA, E. MICHEL KRUSE, JEFFREY D. TRANEN AND
ERNEST R. VEREBELYI, or any one or more of them, as proxy, with full power of substitution, to vote, as designated on the reverse hereof, all
shares of Common Stock owned of record by the undersigned on February 29, 2008, at the Annual Meeting of Shareholders of CH Energy
Group, Inc. to be held at the office of the Corporation, 284 South Avenue, in the City of Poughkeepsie, Dutchess County, New York, on April
22, 2008, or any adjournment or postponement thereof, upon all such matters as may properly come before the meeting, including the proposals
described in the Proxy Statement, dated March 7, 2008, a copy of which has been received by the undersigned. THIS PROXY, IF PROPERLY
EXECUTED, WILL BE VOTED AS DIRECTED WITH REGARD TO PROPOSALS NO. 1 AND NO. 2. IN THE ABSENCE OF
DIRECTION, THIS PROXY WILL BE VOTED "FOR" PROPOSAL NO. 1 AND "AGAINST" PROPOSAL NO. 2. You may vote the shares
held in this account by telephone or electronically using the Internet. Voting by telephone or using the Internet will eliminate the need to mail
voted proxy card(s) representing shares held in the account; therefore if voting using the Internet or by telephone, please do not mail your card.
Both voting systems preserve the confidentiality of every vote and will confirm the voting instructions with you. You may also change selections
on any or all of the proposals to be voted. To vote by telephone or using the Internet, please have this proxy card and your social security
number available. Please follow the steps below. As an added convenience, you may sign up to receive next year's annual report and proxy
materials via the Internet. Next year when the materials are available, we will send you an e-mail with instructions which will enable you to
review these materials on-line. To sign up for this optional service, visit www.computershare.com/us/ecomms. IMPORTANT NOTICE
REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON
APRIL 22, 2008: THE CORPORATION'S PROXY STATEMENT AND THE CORPORATION'S ANNUAL REPORT TO SHAREHOLDERS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 ARE AVAILABLE AT WWW.CHENERGYGROUP.COM BY SELECTING
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