CORCEPT THERAPEUTICS INC
Form 10-K
March 31, 2009
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# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

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

**For the fiscal year ended December 31, 2008**

**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: 000-50679**

# CORCEPT THERAPEUTICS INCORPORATED

*(Exact Name of Corporation as Specified in Its Charter)*

| **Delaware** | **77-0487658** |
|---|---|

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

**149 Commonwealth Drive**

**Menlo Park, CA 94025**

(Address of principal executive offices, including zip code)

**(650) 327-3270**

(Registrant s telephone number, including area code)

**Securities registered pursuant to Section 12 (b) of the Act:**

| **Title of Each Class:** | **Name of Each Exchange on which Registered:** |
|---|---|
| Common Stock, $0.001 par value | The NASDAQ Capital Market |

**Securities registered pursuant to Section 12 (g) of the Act:**

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes ¨ No x

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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant s knowledge, in definitive proxy or information statements incorporated by reference to Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

| | |
|---|---|
| Large Accelerated Filer ¨ | Accelerated Filer ¨ |
| Non-accelerated filer ¨ (Do not check if a smaller reporting company) | Smaller reporting company x |

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the Registrant was approximately $24,700,000 as of June 30, 2008 based upon the closing price on the Nasdaq Capital Market reported for such date. This calculation does not reflect a determination that certain persons are affiliates of the Registrant for any other purpose.

On March 15, 2009 there were 49,763,206 shares of common stock outstanding at a par value $.001 per share.

**DOCUMENTS INCORPORATED BY REFERENCE**

None.

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**Form 10-K**

**For the year ended December 31, 2008**

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**PART I**

*This Annual Report on Form 10-K, or Form 10-K, contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. All statements contained in this Form 10-K, other than statements of historical fact, are forward-looking statements. When used in this report or elsewhere by management from time to time, the words believe, anticipate, intend, plan, estimate, expect, may, will, should, seeks and similar expressions are forwar statements. Such forward-looking statements are based on current expectations, but the absence of these words does not necessarily mean that a statement is not forward-looking. Forward-looking statements made in this Form 10-K include, but are not limited to, statements about:*

- *the progress of our research, development and clinical programs and timing of the introduction of CORLUX® and future product candidates, including CORT 108297;*
- *estimates of the dates by which we expect to report results of our clinical trials and the anticipated results of these trials;*
- *our ability to market, commercialize and achieve market acceptance for CORLUX or other future product candidates;*
- *uncertainties associated with obtaining and enforcing patents;*
- *our estimates for future performance; and*
- *our estimates regarding our capital requirements and our needs for additional financing.*

*Forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual events or results may differ materially from those discussed in the forward-looking statements as a result of various factors. For a more detailed discussion of such forward-looking statements and the potential risks and uncertainties that may impact upon their accuracy, see the Risk Factors section of this Form 10-K and the Overview and Liquidity and Capital Resources sections of the Management s Discussion and Analysis of Financial Condition and Results of Operations section of this Form 10-K. These forward-looking statements reflect our view only as of the date of this report. Except as required by law, we undertake no obligations to update any forward looking statements. Accordingly, you should also carefully consider the factors set forth in other reports or documents that we file from time to time with the Securities and Exchange Commission.*

## ITEM 1. BUSINESS

### Overview

Corcept Therapeutics Incorporated is a pharmaceutical company headquartered in Menlo Park, California engaged in the development of drugs for the treatment of severe psychiatric and metabolic diseases. Our current focus is on the development of drugs for disorders that are associated with a steroid hormone called cortisol. Elevated levels and abnormal release patterns of cortisol have been implicated in a broad range of human disorders. Our scientific founders are responsible for many of the critical discoveries illustrating the link between psychiatric and metabolic disorders and aberrant cortisol. Since our inception in May 1998, we have been developing our lead product, CORLUX, a glucocorticoid receptor II, or GR-II, antagonist. CORLUX modulates the effect of cortisol by selectively blocking the binding of cortisol to one of its two known receptors, the GR-II receptor, also known as the Type II or GR receptor.

*Psychotic depression.* We have an exclusive patent license from Stanford University for the use of GR-II antagonists to treat the psychotic features of psychotic major depression, hereinafter referred to as psychotic depression. The United States Food and Drug Administration (FDA) granted fast track status to our program to evaluate the safety and efficacy of CORLUX for the treatment of

the psychotic features of psychotic depression. Psychotic depression affects approximately three million people annually in the US. There is no FDA-approved treatment for psychotic depression. Psychiatrists currently use two approaches: electroconvulsive therapy (ECT), which involves passing an electrical

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current through the brain until the patient has a seizure, and combination drug therapy (simultaneous use of antidepressant and antipsychotic medications). Both ECT and combination drug therapy almost always have slow onsets of action and debilitating side effects. By modifying the level and release pattern of cortisol within the human body, we believe that CORLUX may be able to treat the psychotic features of psychotic depression more quickly and effectively and with fewer side effects than is possible with currently available treatments.

Three Phase 3 clinical trials have been completed. While the response rate to CORLUX exceeded the response rate to placebo in each of these studies for the primary endpoint, a 50% reduction in the Brief Psychiatric Rating Scale Positive Symptom Subscale (BPRS PSS) at day 7 sustained to day 56, in none of these studies was the difference in response rate statistically significant. However a robust relationship was demonstrated between higher plasma levels of CORLUX and higher response rates. This relationship was tested prospectively in the third of our three completed Phase 3 trials based on a predetermined plasma concentration. Patients whose plasma level exceeded this predetermined level had higher response rates than the placebo group and the difference was statistically significant. We believe that the confirmation of a drug concentration/response correlation threshold for efficacy provides a strong basis for the design of our ongoing fourth Phase 3 study.

We are currently enrolling patients in an additional pivotal Phase 3 study of CORLUX in psychotic depression. This trial was designed to benefit from the findings of our earlier studies. As such, we have increased the CORLUX dose to 1200 mg per day from the 600 mg used throughout most of the earlier Phase 3 trials. This change in dose is expected to substantially increase the number of patients whose plasma drug level exceeds the threshold needed to see a response that exceeds the response in the placebo group with statistical significance. We have also centralized the diagnosis and rating of disease activity to improve consistency and reduce bias. Based on the findings of our earlier trials, we believe that the increased signal associated with higher dosing and the reduced noise associated with the centralized rating will improve the probability of success in our ongoing Phase 3 trial.

We continue to target enrollment of 450 patients in this randomized double blind placebo controlled trial and plan to conduct an interim analysis of the data when a sufficient number of patients have completed the study. We believe that the addition of a third party centralized rating service to independently evaluate patients for entry into the study will improve the consistency of rating across clinical trial sites and reduce the background noise that was illustrated in earlier studies and is endemic to many psychopharmacologic studies. However, it has also caused enrollment of this trial to ramp up more slowly than previously projected. Due to the relatively high cost of this program, length of the trial, and our current financial constraints, we are scaling back our planned rate of spending on this trial and extending the timeline for its completion.

*Cushing s Syndrome.* We are conducting a Phase 3 trial with CORLUX for the treatment of endogenous Cushing s Syndrome. It is a disorder caused by prolonged exposure of the body s tissues to high levels of the hormone cortisol. Symptoms are variable, but most often include high blood sugar ( glucose intolerance ), high blood pressure, central obesity, muscle weakness and severe fatigue. Depression, anxiety, irritability and disordered thinking are also common. Current treatment depends on the specific reason for cortisol excess and may include surgery, radiation, chemotherapy or the use of drugs that prevent the body from producing cortisol.

We estimate that there are at least 3,000 patients in active treatment for Cushing s Syndrome though there may be many more patients who do not present for treatment due to the limited therapeutic options. CORLUX represents a potentially attractive treatment option with the potential for long-term oral dosing for this targeted patient population. The FDA has granted Orphan Drug Designation for CORLUX for the treatment of endogenous Cushing s Syndrome. Orphan drugs receive seven years of marketing exclusivity from the date of approval, as well as tax credits for clinical trial costs, marketing application filing fee waivers and assistance from the FDA in the drug development process.

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The Investigational New Drug application (IND) for the evaluation of CORLUX for the treatment of Cushing s Syndrome was opened in September 2007. The FDA has indicated that our single 50-patient open-label study, focused on improvement in glucose tolerance and blood pressure, as well as broader measures of patient outcomes, may provide a reasonable basis for the submission of a New Drug Application (NDA) for this indication. This trial was opened for enrollment late in December 2007. We are targeting completion of enrollment of this trial in the fourth quarter of 2009 and anticipate final data to be available in 2010.

*Antipsychotic-induced Weight Gain Mitigation.* We have conducted two clinical proof of concept studies with CORLUX, demonstrating in humans the ability of the compound to mitigate weight gain associated with atypical antipsychotic medications. In June 2007, we announced results of our proof-of-concept study evaluating the ability of CORLUX to mitigate weight gain associated with the administration of Eli Lilly s Zyprexa® (olanzapine). The results indicated a statistically significant reduction in weight gain in those subjects who took olanzapine plus CORLUX compared to those who took Zyprexa alone. The trial also demonstrated that CORLUX had a positive impact on secondary metabolic endpoints of fasting insulin, triglycerides and abdominal fat, as measured by waist circumference. Eli Lilly provided Zyprexa and financial support for this study. In January 2009, we announced preliminary results of a similar proof-of-concept study evaluating the ability of CORLUX to mitigate weight gain associated with the administration of Johnson & Johnson s Risperdal® (risperidone). The results from this study indicated a statistically significant reduction in weight gain in those subjects who took Risperdal plus CORLUX compared to those who took Risperdal alone.

The purpose of these studies was to explore the hypothesis that GR-II antagonists, such as CORLUX and our next generation of selective GR-II antagonists (now in preclinical evaluation), would mitigate weight gain associated with a broad range of atypical antipsychotic medications, such as Zyprexa, Risperdal, Clozaril® (clozapine) and Seroquel® (quetiapine), which are widely used to treat schizophrenia and bipolar disorder. All medications in this group are associated with treatment emergent weight gain of varying degrees and carry warning labels relating to treatment emergent hyperglycemia and diabetes mellitus.

We are evaluating our next-generation selective GR-II receptor antagonists for the mitigation of anti-psychotic induced weight gain. In September 2008 we announced the initiation of preclinical studies of CORT 108297, the lead compound in one of our three proprietary series of selective GR-II antagonists. These two studies were supported financially by Eli Lilly. We announced results from the trials in January 2009, which demonstrated that CORT 108297 has the potential to both reduce weight gain caused by olanzapine and to prevent weight gain caused by initiation of treatment with olanzapine in a rat model. We retain worldwide commercial rights to CORT 108297 as well as all additional compounds within the three series of GR-II selective antagonists that we have discovered.

In addition to the above, we also own or have exclusively licensed issued patents and patent applications relating to the treatment of several disorders that we believe also result from, or are negatively affected by, prolonged exposure to elevated cortisol including but not limited to increasing the therapeutic response to electroconvulsive therapy (ECT), mild cognitive impairment, stress disorders and the treatment of delirium. We also have filed patent applications for additional diseases that may benefit from treatment with a drug that blocks the GR-II receptor.

We were incorporated in the State of Delaware on May 13, 1998. Our registered trademarks include Corcept® and CORLUX®. Other service marks, trademarks and trade names referred to in this document are the property of their respective owners.

**The Role of Cortisol in Disease**

Cortisol is a steroid hormone that plays a significant role in the way the body reacts to stressful conditions and is essential for survival. Cortisol significantly influences metabolism, exerts a clinically useful anti-

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inflammatory effect and contributes to emotional stability. Insufficient levels of cortisol may lead to dehydration, hypotension, shock, fatigue, low resistance to infection, trauma, stress and hypoglycemia. Excessive levels of cortisol may lead to edema, hypertension, fatigue and impaired glucose tolerance.

Elevated levels and abnormal release patterns of cortisol have also been linked to a broad range of psychiatric and metabolic conditions, such as mood changes, psychosis and cognitive impairment. Cognition, including attention, concentration and memory, is impaired by elevated levels and abnormal release patterns of cortisol. Prolonged elevated levels of cortisol are neurotoxic and may accelerate the dementia process in patients with cognitive disorders such as Alzheimer s disease.

Many studies have shown that patients with psychotic depression have elevated levels and abnormal release patterns of cortisol. This abnormal cortisol pattern is not usually present in patients with nonpsychotic depression. More than 20 years ago, one of our scientific co-founders postulated that elevated levels of cortisol in patients with psychotic depression lead to elevated levels of dopamine, an important chemical substance found in the brain. Elevated levels of dopamine have been implicated in both delusional thinking and hallucinations. This was a clinically relevant hypothesis because it led to the concept that antipsychotic medications, which act by blocking dopamine, in combination with antidepressant medications, could be useful in treating psychotic depression. The hypothesis also led to the concept that by regulating the level and release patterns of cortisol, one could normalize dopamine levels in the brain, which may, in turn, ameliorate the symptoms of psychotic depression. In addition to cortisol s effect on dopamine levels, research has shown that prolonged elevated cortisol may also play a direct role in causing the symptoms of psychotic depression.

The challenge in regulating levels of cortisol, however, is that it is needed for natural processes in the human body. Destroying the ability of the body to make cortisol or to drastically reduce its presence would result in serious detrimental effects. To have a viable therapeutic effect, a compound must be able to selectively modulate cortisol effects.

**Glucocorticoid Receptor Antagonists**

Cortisol is produced by the adrenal glands and is carried via the bloodstream to the brain, where it directly influences neuronal function. In the brain, cortisol binds to two receptors, Glucocorticoid Receptor I and Glucocorticoid Receptor II, also known as GR-I and GR-II. GR-I is a high-affinity receptor that is involved in the routine functions of cortisol. It has approximately ten times the affinity of GR-II for cortisol and its binding sites are filled with cortisol nearly all the time. In general, GR-II binding sites do not fill until levels of cortisol become elevated. Short-term activation of GR-II has benefits, which include helping the individual to be more alert and better able to function under stressful conditions. Long-term activation of GR-II, however, has been shown to have significant toxicity and appears to be linked to multiple psychiatric and metabolic disease states, particularly psychotic depression. The action of cortisol can be moderated by the use of blockers, or antagonists, that prevent the binding of the hormone to its receptors. These antagonists, referred to as glucocorticoid receptor antagonists, may prevent the undesirable effects of elevated levels and abnormal release patterns of cortisol.

The discovery that the brain has high affinity and low affinity receptors for cortisol was critical to our scientific approach in treating the psychosis manifested by patients with psychotic depression because it allowed for a specific target for a potential medication. CORLUX, also known as mifepristone, works by selectively blocking the binding of cortisol to GR-II; CORLUX is neither an antagonist nor agonist of GR-I. Because of its selective affinity, we believe that CORLUX can have a therapeutic benefit by modulating the effects of abnormal levels and release patterns of cortisol without compromising the necessary normal functions of cortisol. We have also discovered three series of compounds, one of which includes our lead candidate CORT 108297, which, like CORLUX, potently block the GR-II receptor, but, unlike CORLUX, do not block the progesterone receptor.

**Overview of Psychotic Depression**

Psychotic depression is a serious psychiatric disease in which a patient suffers from severe depression accompanied by delusions, hallucinations or both. These psychotic features typically develop after the onset of a

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depressed mood, but may develop concurrently as well. Once psychotic symptoms occur, they usually reappear with each subsequent depressive episode. Of particular importance, when the patient s mood returns to normal the psychosis also resolves.

Psychotic depression is not a simple combination of psychosis and depression, but rather a complex interaction between a predisposition to become psychotic and a predisposition to become severely depressed. In addition to psychosis, clinical features and outcomes that distinguish psychotic from nonpsychotic depression include elevated levels and abnormal release patterns of cortisol, motor abnormalities, a substantially higher suicide rate, more prominent sleep abnormalities and more potential for brain injury.

Data from the National Institutes of Mental Health published in 2005 indicate that depressive disorders affect an estimated 9.5% of adults in the United States, or about 19 million people each year. Of these 19 million people, many published studies show that approximately 15-20%, or about three million people, have psychotic depression. Most patients with psychotic depression suffer their first episode of major depression between the ages of 30 and 40 and the majority will experience more than one episode in their lifetime. Psychotic depression is more prevalent than either schizophrenia or bipolar I disorder. Psychotic depression is characterized by severe depression accompanied by psychosis (delusions and/or hallucinations). People with psychotic depression are approximately 70 times more likely to commit suicide in their lifetime than the general population and often require lengthy and expensive hospital stays.

We believe that people afflicted with psychotic depression are, as a group, under-recognized and undertreated because of:

- reluctance on the part of patients with psychotic depression to accurately report their psychotic symptoms;
- misdiagnosis of the disease by primary care physicians;
- reluctance of patients and their families to be associated with the stigma of hospitalization for psychiatric care; and
- adverse side effects associated with current treatments for psychotic depression.

**Current Treatments for Psychotic Depression**

There are two treatment approaches for psychotic depression currently used by psychiatrists: ECT and combination drug therapy. Neither of these treatments has been approved by the FDA for psychotic depression and both approaches almost always have slow onsets of action and debilitating side effects. Of the two treatments, ECT is generally considered to be more effective.

ECT involves passing an electrical current through the brain until the patient has a seizure. At least 100,000 patients receive ECT each year in the United States, with each patient requiring approximately six to twelve procedures over a period of three to five weeks. ECT is administered while the patient is under general anesthesia and the procedure requires the use of an operating room, as well as the participation of a psychiatrist, an anesthesiologist and a nurse. General anesthesia and paralytic agents are necessary to avoid fractures of the spine that otherwise could result from the seizures caused by ECT. Although ECT provides a reduction in depressive and psychotic symptoms, the procedure can result in cognitive impairment, including permanent memory loss, cardiovascular complications, headache, muscle ache and nausea, in addition to complications related to general anesthesia.

Combination drug therapy is an alternative treatment for psychotic depression that involves taking antipsychotic drugs such as olanzapine, haloperidol or chlorpromazine in combination with antidepressant medication. Patients on combination drug therapy often require three weeks or more to show improvement in their symptoms and treatment can take months to complete. Antipsychotic drugs can cause significant adverse

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side effects, including weight gain, diabetes, sedation, permanent movement disorders and sexual dysfunction.

Because a therapeutic response to ECT and combination drug therapy does not occur for several weeks, neither approach prevents lengthy and expensive hospital stays in patients who are seriously ill. Consequently, a significant need exists for a medication that provides rapid relief from the psychotic symptoms of psychotic depression, as such a medication would substantially reduce the length of suffering and expenses associated with the illness and its treatment. We believe that people suffering from psychotic depression would prefer a treatment that did not involve the risks of anesthesia, adverse side effects and stigma associated with ECT or the slow onset of action associated with both ECT and combination drug therapy. If an alternative treatment was approved by the FDA and had secured third-party reimbursement, we believe that many patients with psychotic depression would choose that alternative.

**CORLUX for the Psychotic Features of Psychotic Depression**

CORLUX is an oral medication that we are developing to treat the psychotic features of psychotic depression. CORLUX is a GR-II antagonist that appears to mitigate the effects of the elevated and abnormal release patterns of cortisol in patients suffering from psychotic depression. We intend CORLUX to be a once-daily treatment given to patients with psychotic depression over 7 consecutive days in a controlled setting, such as a hospital or physician s office. Mifepristone, the active ingredient in CORLUX, in addition to blocking GR-II, blocks the progesterone receptor and has been approved by the FDA for termination of early pregnancy.

We believe that CORLUX may significantly reduce psychotic symptoms of psychotic depression in many patients within one week and allow patients to be more easily maintained on antidepressant therapy alone without the need for ECT or antipsychotic medication. We believe that CORLUX may be superior to currently available treatments because we believe that CORLUX will enable patients with psychotic depression to improve their quality of life more quickly and with fewer side effects than with ECT or combination drug therapy.

**CORLUX for Psychotic Depression Clinical Trials**

We have completed seven clinical trials evaluating CORLUX in psychotic depression, in addition to our ongoing Phase 3 trial. The trials include three Phase 3 trials conducted from 2004 through 2007, in addition to four earlier stage clinical trials with CORLUX. These completed trials generated important data confirming the safety profile of CORLUX (alone and in combination with commonly prescribed antipsychotic and antidepressant medications), demonstrating positive efficacy trends, and providing insights into the design of future clinical trials which might improve the probability of clinical success.

*Psychiatric Rating Scales*. In our clinical trials, we assess the efficacy of CORLUX utilizing psychiatric rating scales commonly used to support regulatory approval of new antipsychotic and antidepressant medications. These scales include the:

BPRS: The Brief Psychiatric Rating Scale (BPRS) is an 18-item instrument to assess psychopathology. It incorporates a range of psychiatric symptoms, including anxiety, depression, guilt, hostility and suicidality. Each of the 18 symptoms is scored on a numeric scale ranging from 1 (not present) to 7 (extremely severe).

BPRS Positive Symptom Subscale (BPRS PSS): This subscale, which is based on four items of the BPRS, assesses a patient s psychotic features by measuring the patient s conceptual disorganization, suspiciousness, hallucinatory behavior and unusual thought content.

HAM-D: The Hamilton Depression Scale (HAM-D) is a 24-item instrument designed to measure the severity of a number of depressive symptoms such as insomnia, depressed mood, concentration, ability to experience pleasure, and agitation. Each question has 3 to 5 possible responses, with associated scores ranging from 0 to 4. The total score is calculated from all items.

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*Phase 1 and 2 Trials.* We completed four earlier-stage trials evaluating safety and efficacy of CORLUX alone, in combination with other commonly used antipsychotics and antidepressants and in retreatment.

Dose Finding Study: In January 2001, we completed our first trial (Study 01), an open label dose finding clinical trial with 30 evaluable patients studying efficacy, tolerability and dose response of CORLUX for the treatment of the psychotic features of psychotic depression. After one week of treatment, approximately two-thirds of the patients in the two higher dosage groups experienced clinically meaningful reductions in psychosis, as measured by the BPRS PSS. A clinically meaningful reduction in psychosis represents a reduction of symptoms that are readily recognizable by patients and physicians.

Phase 2 Studies: Later in 2001, we conducted two additional clinical trials evaluating the safety and efficacy of CORLUX for the treatment of the psychotic features of psychotic depression. These two trials, Study 02 and Study 03, were double-blind, placebo-controlled, safety and efficacy studies each with approximately 200 patients. Both studies were designed and powered to test the hypothesis that the group of patients treated with CORLUX would be superior to the control group in achieving a rapid (within 7 days) and sustained (to 28 days) reduction in their BPRS score of at least 30%.

In Study 02 patients were allowed to receive any antipsychotic or antidepressant medications deemed appropriate by their treating physicians prior to entry into the study and throughout the week of administration of the study drugs. This study showed that CORLUX was well tolerated and that there were no discernable problems with drug interactions between CORLUX and commonly prescribed antipsychotic and antidepressant medications.

In Study 03 patients were not allowed to receive any antipsychotic or antidepressant medication for at least 7 days prior to administration of the study drug or during the week of study drug administration. This study demonstrated with statistical significance that patients in the CORLUX group were more likely to achieve a rapid and sustained reduction in psychotic symptoms than patients in the control group, as measured by a 30% reduction in the BPRS at 7 days sustained to 28 days (p value = 0.01) and a 50% reduction in the BPRS PSS at 7 days sustained to 28 days (p value = 0.01). The term p value is a statistical term that indicates the probability that an observed result is random. A p value of 0.05 or less is considered statistically significant.

Retreatment Study: In our fourth trial, we evaluated the safety of retreatment in patients with a favorable response to treatment in Study 02 and Study 03, and our analysis indicates that patients tolerated their retreatment well.

*Phase 3 Clinical Trials*. We have completed three randomized, double-blind, placebo-controlled Phase 3 clinical trials to further assess the safety and efficacy of CORLUX for the treatment of the psychotic features of psychotic depression. Two of these trials (Study 06 and Study 07) were conducted primarily in the United States. The third trial (Study 09) was conducted in Eastern Europe. The design of all three trials was based on the design of Study 03, described above.

The primary endpoint for Study 06 and Study 07 was the proportion of patients with at least a 50% improvement in the BPRS PSS at both Day 7 and Day 56. This type of endpoint is known as a categorical endpoint. Patients must have had at least mild psychotic symptoms (BPRS PSS ≥ 12) to enter the studies and were hospitalized if clinically necessary. BPRS PSS assessments were also made at Days 14, 28 and 42. The primary endpoint for Study 09 was the proportion of patients with at least a 50% improvement in the BPRS PSS at both Day 7 and Day 28. A secondary endpoint of Study 09 was the same as the primary endpoint for Study 06 and Study 07.

*Study 07*

The first of these trials, Study 07, which began in September 2004, enrolled 257 patients at 25 sites in the United States and Europe randomized one-to-one to either treatment or placebo. Patients in the treatment arm received 600 mg of CORLUX once daily for a period of seven days. Patients did not take any antidepressant or

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antipsychotic medication for at least one week before beginning the seven day treatment period. After the seven days of CORLUX treatment, all patients received antidepressant therapy through Day 56. Treatment with antipsychotic medications or ECT was not allowed at any time during the study.

In August 2006 we announced the results of Study 07. In this study 30.5% of the patients receiving CORLUX and 28.6% of the patients receiving placebo met the primary endpoint. This was not a statistically significant difference in response rate. The two key secondary endpoints of Study 07 also did not achieve statistical significance. There was an unusually high placebo response rate in this trial. At Day 56, for example, approximately 80% of the patients in both of the arms of the study had at least a 50% improvement in BPRS PSS score.

Even though Study 07 did not meet its primary endpoint, an exploratory analysis of the data from this clinical trial revealed some items that were useful in the design of additional trials of CORLUX for the treatment of psychotic depression, including the fact that patients with higher plasma levels of CORLUX showed greater improvement than patients who took placebo. Patients with CORLUX plasma levels higher than 1661 nanograms per milliliter on Day 7 had statistically significant greater response rates observed than did patients who received placebo.

A finding in Study 07 that was instructive for future trials was a statistically significant site by treatment effect. A site by treatment analysis is conducted for all clinical trials to know if the results seen at one site are generalizable to patients seen at another site. A statistically significant site by treatment effect indicates that the effect of treatment with a drug is not uniform at the various clinical sites participating in the clinical trial and it is not possible to know which sites represent the true activity of the drug.

Another important finding in Study 07 was that results were not consistent across patients enrolled in the trial, depending on where and when they were enrolled. An analysis of the results of the first 150 patients, enrolled before additional sites and promotional activities were added, revealed a statistically significant difference on the primary endpoint favoring patients who took CORLUX compared to those who did not. Most of the clinical sites enrolling patients during this time had participated in Study 02 and Study 03.

The sites that had enrolled the first 150 patients continued enrolling patients until the trial was fully enrolled at the end of April 2006. By the end of the study this group of sites had enrolled a total of 215 patients, approximately the same total number of patients enrolled in Study 03. The primary endpoint was also met with statistical significance with these 215 patients. The eight additional sites that we added after January 1, 2006, to increase the speed of enrollment had not participated previously in clinical trials sponsored by Corcept. In the group of 42 patients enrolled by those sites, those who took placebo had a substantially higher response rate on the primary endpoint than those who took CORLUX. The disparate outcome between the group of 215 patients and the group of 42 patients resulted in a statistically significant site by treatment effect.

*Study 09*

Study 09 was a randomized, double-blind, placebo-controlled study in which 247 patients were enrolled at 17 sites. The primary endpoint, a responder analysis, was the proportion of patients with at least a 50% improvement in the BPRS PSS score at both Day 7 and Day 28. We announced the results of this study in September 2006. The study did not demonstrate a significant difference in response between patients receiving CORLUX and patients receiving placebo as measured by the primary endpoint. The results at the two key secondary endpoints of Study 09 also were not statistically significant. Study 09 had an extremely high placebo response rate; the magnitude of which was unprecedented. At Day 56, for example, approximately 95% of the patients in both of the arms of the study were responders as measured by a 50 percent improvement in BPRS PSS score. Although the study did not meet the primary or a key secondary endpoints, it is interesting to note that there was a statistically significant difference between the CORLUX group and the placebo group based on the change from baseline to Day 56 on the BPRS PSS scale. Change from baseline to study end is an endpoint commonly used to measure the efficacy of antipsychotic and antidepressant medications. However, because of

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the already high degree of response in the comparator group, it is difficult to determine how much additional clinical utility is conferred by this finding.

*Study 06*

Study 06, which began in October 2004, enrolled 443 patients at 45 sites in the United States and Europe. These patients were randomly assigned to three active dose groups (300 mg, 600 mg and 1200 mg) or a placebo group, with patients receiving once daily dosing for a period of seven days. The three dosing levels responded to the FDA s request to supplement data on a range of doses to augment the data provided by our open label dose ranging study completed in 2001. Patients in the study did not take any antidepressant and antipsychotic medication for at least one week before the seven day treatment period and received antidepressant therapy starting on Day 1 through Day 56. As with Study 07, treatment with antipsychotic medications or electroconvulsive therapy was not allowed at any time during this study.

We reported the initial results of this trial in March 2007. The study did not achieve statistical significance with respect to the primary endpoint. However, there was a statistically significant correlation between plasma levels and clinical outcome achieved during treatment. Response rates for patients whose plasma levels rose above a predetermined threshold were statistically different than those patients whose plasma levels were below the threshold and those patients who received placebo. In particular, those patients in Study 06 who achieved a predetermined concentration of CORLUX in their plasma separated from the placebo group with statistical significance. At substantially lower plasma levels of CORLUX, there was no distinguishable difference in response rates between patients who received CORLUX and those receiving placebo. This study confirms our previous post hoc finding in Study 07 that at higher plasma levels the drug candidate is able to demonstrate substantially greater clinical response than the placebo group. Further, the incidence of serious adverse events did not differ between placebo and any of the three CORLUX dose groups.

*Fourth Phase 3 trial Study 14*

We believe that the confirmation of a correlation between drug concentration and clinical response, as well as other observations from Study 06 and our two other completed Phase 3 clinical trials, served as a strong basis for the design of our ongoing Phase 3 study, which commenced in March 2008. The protocol for this trial incorporates the learnings from the three completed Phase 3 trials in that it addresses the established relationship between increased drug plasma levels and clinical response, and it attempts to decrease the random variability observed in the results of the psychometric instruments used to confirm diagnosis and measure efficacy. We met with the FDA to discuss and seek their input concerning the design of this trial.

Increased Signal: In this trial we are administering a CORLUX dose of 1200 mg once per day for seven days instead of 600 mg once per day for seven days because in Study 06, as expected, at this dose more patients achieved the threshold plasma concentration. In Study 06, 81% of the patients who took 1200 mg of CORLUX achieved a drug plasma level sufficient to separate responders from non-responders.

Decreased Noise : We also are utilizing a third party centralized rating service to independently evaluate the patient s diagnosis prior to entry into the study as well as to assess response. We believe the centralization of this process will improve the accuracy of diagnosis and the consistency of rating across clinical trial sites and reduce the background noise that is endemic to many psychopharmacologic studies and clearly visible in our earlier studies.

We believe that these changes in the protocol should allow us to establish the efficacy of CORLUX in the treatment of the psychotic features of psychotic depression. Given the serious nature of psychotic depression, the lack of any approved drugs for the disorder and the data from our first clinical trial, the FDA granted a fast track designation for CORLUX for the treatment of the psychotic features of psychotic depression. In addition, the FDA has indicated that CORLUX will receive a priority review if no other treatment is approved for psychotic depression at the time we submit our NDA.

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*Additional Trials and Pre-clinical Studies*. In support of an eventual NDA submission, we plan to conduct additional clinical trials to assess the safety of retreatment of patients with CORLUX. We also plan to conduct several small trials to evaluate how the drug acts on the human body, how the human body acts on the drug and the drug s safety. In addition to our clinical trials, we have completed a standard 12-month toxicology study in dogs and a carcinogenicity study in rats. Two additional carcinogenicity studies in mice have been completed. These studies are designed to meet FDA requirements and the guidelines of an international regulatory body called the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use.

*Clinical Trial Agreement*s. Many of our Phase 3 clinical trials are conducted through the use of clinical research organizations (CROs.) At our request, these organizations oversee clinical trials at various institutions to test the safety and efficacy of our product candidates for the targeted indications. Our ongoing Phase 3 clinical trial, Study 14, evaluating CORLUX for the treatment of the psychotic features of psychotic depression is being conducted under an agreement with ICON Clinical Research, LP (ICON). This agreement may be terminated by Corcept with 60 days notice to ICON, or sooner based on mutual agreement of the parties. In addition, we entered into an agreement with MedAvante, Inc., in March 2008, to provide the centralized psychiatric diagnosis and rating services for patients being screened and enrolled in Study 14. This agreement may be terminated by Corcept with 30 days notice to MedAvante.

The previous three Phase 3 trials for CORLUX for this indication were conducted under clinical development agreements with other CROs that will be responsible for the completion of final reporting under these trials.

**CORLUX for Cushing s Syndrome**

*Cushing s Syndrome.* We are conducting a Phase 3 trial with CORLUX for the treatment of endogenous Cushing s Syndrome. It is a disorder caused by prolonged exposure of the body s tissues to high levels of the hormone cortisol. Symptoms are variable, but most often include high blood sugar ( glucose intolerance ), high blood pressure, central obesity, muscle weakness and severe fatigue. Depression, anxiety, irritability and disordered thinking are also common. Current treatment depends on the specific reason for cortisol excess and may include surgery, radiation, chemotherapy or the use of drugs that prevent the body from producing cortisol.

We estimate that there are at least 3,000 patients in active treatment for Cushing s Syndrome though there may be many more patients who do not present for treatment due to the limited therapeutic. CORLUX represents a potentially attractive treatment option with the potential for long-term oral dosing for this targeted patient population. The FDA has granted Orphan Drug Designation for CORLUX for the treatment of endogenous Cushing s Syndrome. Orphan drugs receive seven years of marketing exclusivity from the date of approval, as well as tax credits for clinical trial costs, marketing application filing fee waivers and assistance from the FDA in the drug development process.

The Investigational IND for the evaluation of CORLUX for the treatment of Cushing s Syndrome was opened in September 2007. The FDA has indicated that our single 50-patient open-label study, focused on improvement in glucose tolerance and blood pressure, as well as broader measures of patient outcomes, may provide a reasonable basis for the submission of an NDA for this indication. This trial was opened for enrollment late in December 2007. We are targeting completion of enrollment of this trial in the fourth quarter 2009 and anticipate final data to be available in 2010.

**CORLUX for Other Metabolic Disorders**

In June 2007, we announced results of our proof-of-concept study evaluating the ability of CORLUX to mitigate weight gain associated with the administration of Lilly s Zyprexa® (olanzapine). The results indicated a statistically significant reduction in weight gain in those subjects who took Zyprexa plus CORLUX compared to

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those who took Zyprexa alone. Eli Lilly provided Zyprexa and financial support for this study. In January 2009, we announced preliminary top-line results from another proof-of-concept study evaluating the ability of CORLUX to mitigate weight gain associated with the administration of Johnson & Johnson s Risperdal (risperidone). The results indicated a statistically significant reduction in weight gain in those subjects who took Risperdal plus CORLUX compared to those who took Risperdal alone. Both Zyprexa and Risperdal are indicated for the treatment of schizophrenia and bipolar disorder.

In the study of CORLUX and Zyprexa, 57 lean, healthy men (body mass index of 25 or less) were randomized to receive either Zyprexa plus placebo (n=22), Zyprexa plus CORLUX (n=24) or CORLUX plus placebo (n=11). This study took place in an institutional setting where daily weights were recorded and a range of metabolic parameters were measured. In the two week study, subjects in the Zyprexa alone group gained an average of 2.5 pounds more than subjects in the Zyprexa plus CORLUX group and 2.2 pounds more than subjects in the CORLUX alone group, which are highly statistically significant differences ($p<.001$). The difference in weight gain trajectory was apparent in the first days of the study, reaching statistical significance during the first week. The increase in waist circumference, a surrogate for abdominal fat, in subjects who received Zyprexa alone was also significantly greater than subjects who received Zyprexa plus CORLUX ($p<.01$). The study was not designed to have statistical power to detect significant effects on metabolic measures, including waist circumference; however, notable additional non-statistically significant group differences were observed. Patients taking Zyprexa plus placebo experienced greater increases from baseline to end of study in both triglycerides and fasting insulin compared to patients taking Zyprexa plus CORLUX. No unexpected study drug related adverse events were observed.

In the study of CORLUX and Risperdal, 75 lean, healthy men (body mass index of 23 or less) were randomized to receive either Risperdal plus placebo (n=30), Risperdal plus CORLUX (n=30) or CORLUX plus placebo (n=15). This study also took place in an institutional setting where daily weights were recorded and a range of metabolic parameters were measured. In this four-week randomized double-blind controlled study, subjects in the Risperdal alone group gained an average of 9.2 pounds, compared to a gain of 5.1 pounds in the Risperdal plus CORLUX group. This difference was highly statistically significant ($p<0.0001$). Additional important metabolic parameters, including fasting insulin, triglycerides and abdominal fat, as reflected by waist circumference, were also measured. The addition of CORLUX to Risperdal resulted in a statistically significant reduction in fasting insulin levels, triglyceride levels, and abdominal fat (as measured by waist circumference). Consistent with prior studies, CORLUX appeared to be well tolerated.

The combinations of Zyprexa and CORLUX or Risperdal and CORLUX are not approved for any indication. The purpose of these studies was to explore the hypothesis that GR-II antagonists would mitigate weight gain associated with atypical antipsychotic medications. The group of medications known as atypical antipsychotics, including Zyprexa, Risperdal, Clozaril® (clozapine) and Seroquel® (quetiapine), are widely used to treat schizophrenia and bipolar disorder. All medications in this group are associated with treatment emergent weight gain of varying degrees and carry a warning label relating to treatment emergent hyperglycemia and diabetes mellitus.

In April 2005, we announced results from two preclinical studies conducted in a rat model of olanzapine-induced weight gain. These studies demonstrated that CORLUX s GR-II antagonist action has the potential to both reduce the weight gain associated with olanzapine and to prevent the weight gain associated with the initiation of treatment with olanzapine, which led to our studies in humans.

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**CORT 108297 for the Prevention and Reversal of Antipsychotic Induced Weight Gain**

In January 2009 we announced results from two preclinical studies of our next-generation selective GR-II receptor antagonist, CORT 108297 for the prevention and reversal of weight gain associated with olanzapine. The data demonstrated that CORT 108297 has the potential to both reduce weight gain caused by olanzapine and to prevent weight gain caused by initiation of treatment with olanzapine. The two studies were conducted in the rat model of olanzapine induced weight gain described above in which CORLUX was tested with olanzapine. Eli Lilly provided olanzapine and funded the cost of these studies.

One study evaluated the potential for CORT 108297 to reverse weight gain caused by treatment with olanzapine. In this study six groups (n = 12 per group) of rats were allowed to eat a normal diet for 56 days. Five groups were dosed orally with olanzapine daily. The sixth group received placebo. At day 35, the five groups receiving olanzapine had gained a statistically significant amount of weight compared to the group receiving placebo. The five olanzapine groups then began to receive daily oral doses either of CORT 108297 (at one of three dose levels), CORLUX, or placebo through day 56. The data demonstrated that the rats administered olanzapine alone continued to gain weight through day 56. In contrast, the rats given olanzapine along with CORT 108297 and those administered olanzapine with CORLUX did not. By day 56, there was a highly statistically significant difference between these groups and the group administered olanzapine alone. In addition, the ameliorization of olanzapine induced weight gain by CORT 108297 was dose dependent. The rats that received the combination of olanzapine with CORT 108297, or with CORLUX, had significantly less abdominal fat than the group dosed with olanzapine alone.

The other study evaluated the potential for CORT 108297 to prevent weight gain when administered concurrently with olanzapine. In this study six groups (n = 12 per group) of rats were allowed to eat a normal diet for 21 days. Five groups were dosed orally with olanzapine daily and one group was given placebo daily. Four of the groups that received olanzapine were also dosed orally with either CORT 108297 (at one of three dose levels) or CORLUX; one group received olanzapine plus placebo. The sixth group was dosed with only placebo. The data demonstrated that at day 21, the three groups dosed with the combination of olanzapine and CORT 108297 had gained significantly less weight compared to the group administered olanzapine alone. Rats administered olanzapine plus CORLUX also gained less weight than rats administered olanzapine alone, but this result did not reach statistical significance.

We recently completed a third study which further extends the dose response relationship in olanzapine induced weight gain down to 2 milligrams per kilogram (mg/kg). We have now seen a constant dose response relationship from 120 mg/kg down to 2mg/kg. If CORT 108297 or other GR-II antagonists prove to mitigate the weight gain and metabolic disturbances associated with the use of antipsychotics it could be of benefit to the millions of people currently taking these medications. We plan to advance CORT 108297 into clinical trials in the next 12 months, subject to availability of funds.

**GR-II Antagonist Platform**

We have assembled a patent portfolio covering a broad range of uses, as well as the composition of our new chemical entities.

We have composition of matter claims on three patent families of novel selective glucocorticoid antagonists. These have been filed internationally, with applications for two of the three families already granted in Europe. In the United States, applications for two of the three families are in active prosecution, and are moving toward allowance. Examination has not yet begun in the U.S. on our third novel selective GR-II family.

We also have a portfolio of patents for the treatment of psychiatric and metabolic disorders that may benefit from drugs that block the GR-II receptor. In addition to psychotic depression, we own or have

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exclusively licensed issued patents for the use of GR-II antagonists for the prevention and treatment of stress disorders, for increasing the therapeutic response to ECT and for the treatment of:

- weight gain following treatment with antipsychotic medication,
- early dementia, including early Alzheimer s disease;
- mild cognitive impairment;
- gastroesophageal reflux disease;
- cognitive deterioration in adults with Down s Syndrome;
- delirium; and
- psychosis associated with cocaine addiction.

**Discovery Research**

In early 2003, we initiated a discovery research program to identify and patent more selective GR-II antagonists at a contract research organization in the United Kingdom. Through the research program, we identified and filed patent applications for three distinct series of GR-II antagonists. These compounds appear to be as potent as Corcept s lead product CORLUX in blocking cortisol but, unlike CORLUX, they do not appear to block the progesterone or other steroid receptors. Currently we are evaluating several compounds in our research programs, including CORT 108297, a lead compound from our discovery efforts. CORT 108297 has demonstrated attractive characteristics, with high plasma and brain concentrations in an animal model and promising results in a human microdosing study, including good bioavailability and potential for once-daily dosing. As previously mentioned, CORT 108297 has also demonstrated the ability to prevent and reduce olanzapine induced weight gain in a rodent model.

**Research and Development**

We incurred approximately $14.2 million, $7.9 million and $20.8 million of research and development expenses, respectively, in the years ended December 31, 2008, 2007 and 2006, which accounted for approximately 71%, 62% and 81% of our total expenses in these respective fiscal years. For a further discussion, see Part II, Item 7, Management s Discussion and Analysis of Financial Conditions and Results of Operations Results of Operations.

**Medical Education and Commercialization**

We are planning for the commercialization of CORLUX. To achieve commercial success for any approved product, we must either develop a marketing and sales force or enter into arrangements with others to market and sell our products. We intend to develop our own medical education and commercialization infrastructure in the United States for CORLUX because we believe that the initial markets for psychotic depression in the United States and for Cushing s Syndrome are highly concentrated and accessible.

We anticipate that this will include hiring a small, experienced field sales force to access patients with psychotic depression. We intend to focus initially on patients who are candidates for ECT by marketing to hospitals and psychiatrists that perform ECT. We estimate that there are approximately 900 hospitals with more than 30 in-patient psychiatric beds. Of these, we estimate that approximately 300 offer ECT. We believe that approximately 1000 psychiatrists administer most ECT procedures. Subsequently, we

also intend to expand our commercialization efforts to address the larger set of patients with psychotic depression currently undergoing combination drug therapy, which would require an increase in the size of our initial sales force.

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We believe that a significant opportunity exists to further expand the market for the treatment of the psychotic features of psychotic depression beyond patients currently treated by ECT and combination drug therapy. A large portion of the people who suffer from psychotic depression remain unrecognized and undertreated. We intend to develop medical educational programs to alert the medical community about early diagnosis of psychotic depression and increase awareness regarding CORLUX.

We also expect to hire a small, experienced field sales force to sell CORLUX for the treatment of Cushing s Syndrome. We intend to focus on patients who are in the care of an endocrinologist and in active treatment for their disease. We estimate that there are approximately 300 endocrinologists who could be targeted to reach the Cushing s Syndrome patients in active treatment.

**Manufacturing**

As a drug development entity, we intend to continue to utilize our financial resources to complete the development of CORLUX and advance other product candidates rather than diverting resources to establishing our own manufacturing facilities.

We intend to continue to rely on experienced contract manufacturers to produce our product candidates. We have entered into manufacturing agreements with two contract manufacturers, Produits Chimiques Auxiliaires et de Synthese SA (PCAS) and ScinoPharm Taiwan (ScinoPharm), to produce the active pharmaceutical ingredient, or API, for CORLUX. The agreement with PCAS is for an initial period of five years with an automatic extension for one additional year unless either party gives twelve month s prior notice that it does not want the extension. There is no guaranteed minimum purchase commitment under this agreement. If PCAS is unable to manufacture the product for a consecutive six-month period, we have the right to terminate the agreement. The agreement with ScinoPharm obligates us to purchase at least $1,000,000 of bulk mifepristone per year following the commercial launch of CORLUX. This agreement is terminable by either party at any time. We have also entered into an agreement with another contract manufacturer, PharmaForm, L.L.C., for the production of CORLUX tablets for use in clinical activities. To date, our need for CORLUX tablets has been limited to the amounts required to support our clinical trials.

**Competition**

If approved for commercial use as a treatment for the psychotic features of psychotic depression, CORLUX will compete with established treatments, including ECT and combination drug therapy.

ECT has been shown to be the most effective treatment for psychotic depression, but it carries the risks of general anesthesia, potential memory loss and other adverse effects as well as the stigma associated with the procedure. Use of CORLUX does not require anesthesia and, in our clinical trials conducted to date, patients treated with CORLUX have not exhibited the adverse effects associated with ECT.

Other competitors include companies that market antipsychotic drugs that are used off-label as part of combination drug therapy for psychotic depression. To reduce the psychotic features of psychotic depression, these drugs generally are taken in combination with antidepressant medication over a period of weeks to several months. Unlike the use of CORLUX, this extended course of treatment may put patients at risk of significant adverse side effects, including weight gain, diabetes, sedation, permanent movement disorders and sexual dysfunction. Antipsychotics include Bristol-Myers Squibb s Abilify, Novartis Clozaril, Pfizer s Geodon and Navane, Ortho-McNeil s Haldol, Janssen Pharmaceutica s Risperdal, AstraZeneca s Seroquel, GlaxoSmithKline s Stelazine and Thorazine, Mylan s Mellaril, Schering Corporation s Trilafon and Eli Lilly s Zyprexa.

We are aware of one clinical trial that has taken place, conducted by the pharmaceutical division of Akzo Nobel, for a new chemical entity for the treatment of psychotic depression. This new medicine is a GR-II antagonist, the commercial use of which would be covered by our patent. In 2004, Akzo Nobel filed an

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observation in our exclusively licensed European patent application with claims directed to psychotic depression, in which Akzo Nobel challenged the claims of that patent application. In 2005, we filed a rebuttal to Akzo Nobel s observation. In February 2006, the European Patent Office, or EPO, allowed our patent application. In July 2006, the patent was issued. We are not aware of any public disclosures by any company, other than Akzo Nobel, regarding the development of new medicinal products to treat psychotic depression. However, other companies may be developing new drug products to treat psychotic depression and the other conditions we are exploring. Our present and potential competitors include major pharmaceutical companies, as well as specialized pharmaceutical firms. Most of our competitors have considerably greater financial, technical and marketing resources than we do. We expect competition to intensify as technical advances are made.

We are aware that Laboratoire HRA Pharma has received an Orphan Drug Designation in the United States and Europe for the use of mifepristone to treat a subtype of Cushing s Syndrome and has begun a clinical trial in Europe and the United States. If this product is approved for commercialization before CORLUX, our potential future revenue could be reduced if there is off-label use of mifepristone for psychotic depression or for Cushing s Syndrome that cannot be protected by our intellectual property.

Many colleges, universities and public and private research organizations are also active in the human health care field. While these entities focus on education, they may develop or acquire proprietary technology that we may require for the development of our product candidates. We may attempt to obtain licenses to this proprietary technology.

Our ability to compete successfully will be based on our ability to develop proprietary products, attract and retain scientific personnel, obtain patent or other protection for our product candidates, obtain required regulatory approvals and manufacture and successfully market our future products either alone or through outside parties.

**Intellectual Property**

Patents and other proprietary rights are important to our business. It is our policy to seek patent protection for our inventions, and to rely upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain our competitive position.

Under an agreement with Stanford University, we have licensed exclusive rights to the following issued U.S. patents and any corresponding foreign patents:

| U.S. Patent Number | Subject Matter | Expiration Date |
|---|---|---|
| U.S. Pat. No. 6,150,349 | Use of GR-II antagonists in the treatment of psychotic major depression | October 5, 2018 |
| U.S. Pat. No. 6,362,173 | Use of GR-II antagonists in the treatment of cocaine-induced psychosis | October 5, 2018 |
| U.S. Pat. No. 6,369,046 | Use of GR-II antagonists in the treatment of early dementia | February 4, 2019 |

We are required to make milestone payments and pay royalties to Stanford University on sales of products commercialized under any of the above patents. We are currently in compliance with our obligations under the agreement. If Stanford University were to terminate any of our exclusive licenses due to breach of the license on our part, we would not be able