REPROS THERAPEUTICS INC.
Form 10-Q
November 10, 2008

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2008

or

o **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: 001-15281

REPROS THERAPEUTICS INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	2408 Timberloch Place, Suite B-7	76-0233274
(State or other jurisdiction of incorporation or organization)	The Woodlands, Texas 77380 (Address of principal executive offices and zip code) (281) 719-3400 (Registrant s telephone number, including area code)	(IRS Employer Identification No.)

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 þ No o

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

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

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

As of November 5, 2008, there were outstanding 15,174,904 shares of Common Stock, par value $.001 per share, of the Registrant.

REPROS THERAPEUTICS INC.
(A development stage company)
For the Quarter Ended September 30, 2008
INDEX

Table of Contents

FACTORS AFFECTING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words may, anticipate, believe, expect, estimate, project, suggest, intend and similar expressions are intended forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, expected, estimated, projected, suggested or intended. These risks and uncertainties include risks associated with the Company s ability to raise additional capital on acceptable terms or at all, the continued development of Proellex® and Androxal® and uncertainty related to the Company s ability to obtain approval of the Company s products by the Food and Drug Administration, or FDA, and regulatory bodies in other jurisdictions, uncertainty relating to the Company s patent portfolio, and other risks and uncertainties described in the Company s filings with the Securities and Exchange Commission. For additional discussion of such risks, uncertainties and assumptions, see Item 1. Business and Item 1A. Risk Factors included in the Company s annual report on Form 10-K for the year-ended December 31, 2007 and Part I. Financial Information Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources included elsewhere in this quarterly report on Form 10-Q.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The following unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (which include only normal recurring adjustments) considered necessary for a fair statement of the interim periods presented have been included. The year-end balance sheet data was derived from audited financial statements, but does not include all the disclosures required by accounting principles generally accepted in the United States of America. Operating results for the nine-month period ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008. For further information, refer to the financial statements and footnotes thereto included in the Company s annual report on Form 10-K for the year-ended December 31, 2007.

Table of Contents

REPROS THERAPEUTICS INC. AND SUBSIDIARY
(A development stage company)
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands except share and per share amounts)

	September 30, 2008	December 31, 2007
ASSETS		
Current Assets		
Cash and cash equivalents	$ 9,360	$ 1,779
Marketable securities		24,124
Prepaid expenses and other current assets	897	479
Total current assets	10,257	26,382
Fixed Assets, net	34	47
Other Assets, net	1,579	1,170
Total assets	$ 11,870	$ 27,599
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable	$ 2,720	$ 2,281
Accrued expenses	3,495	1,258
Total current liabilities	6,215	3,539
Commitments and Contingencies		
Stockholders Equity		
Undesignated Preferred Stock, $.001 par value, 5,000,000 shares authorized, none issued and outstanding		
Common Stock, $.001 par value, 20,000,000 shares authorized, 14,711,939 shares issued and 12,774,904 shares outstanding	15	15
Additional paid-in capital	152,973	152,033
Cost of treasury stock, 1,937,035 shares	(5,948)	(5,948)
Deficit accumulated during the development stage	(141,385)	(122,040)
Total stockholders equity	5,655	24,060
Total liabilities and stockholders equity	$ 11,870	$ 27,599

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

Table of Contents

REPROS THERAPEUTICS INC. AND SUBSIDIARY
(A development stage company)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited and in thousands except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,		From Inception (August 20, 1987) through September 30,
	2008	2007	2008	2007	2008
Revenues					
Licensing fees	$	$	$	$	$ 28,755
Product royalties					627
Research and development grants					1,219
Interest income	45	396	405	1,155	16,265
Gain on disposal of fixed assets					102
Other income					35
Total revenues and other income	45	396	405	1,155	47,003
Expenses					
Research and development	5,874	3,196	17,514	9,430	142,207
General and administrative	750	568	2,236	2,117	36,450
Interest expense and amortization of intangibles					388
Total expenses	6,624	3,764	19,750	11,547	179,045
Loss from continuing operations	(6,579)	(3,368)	(19,345)	(10,392)	(132,042)
Loss from discontinued operations					(1,828)
Gain on disposal of discontinued operation					939
Net loss before cumulative effect of change in accounting principle	(6,579)	(3,368)	(19,345)	(10,392)	(132,931)
Cumulative effect of change in accounting principle					(8,454)
Net loss	$ (6,579)	$ (3,368)	$ (19,345)	$ (10,392)	$ (141,385)
Loss per share basic and diluted:	$ (0.51)	$ (0.26)	$ (1.51)	$ (0.84)	

Weighted average shares used in loss per share calculation:				
Basic	12,775	12,775	12,775	12,439
Diluted	12,775	12,775	12,775	12,439

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

Table of Contents

Repros Therapeutics, Inc. and Subsidiary
(A development stage company)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
(in thousands except share amounts)

	Common Stock		Additional Paid-in	Treasury Stock		Deficit Accumulated During the Development	Total Stockholders
	Shares	Amount	Capital	Shares	Amount	Stage	Equity
Balance at December 31, 2007	14,711,939	$ 15	$ 152,033	1,937,035	$ (5,948)	$ (122,040)	$ 24,060
Stock based option compensation			613				613
Proceeds from a shareholder transaction			327				327
Net loss						(19,345)	(19,345)
Balance at September 30, 2008	14,711,939	$ 15	$ 152,973	1,937,035	$ (5,948)	$ (141,385)	$ 5,655

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

Table of Contents

REPROS THERAPEUTICS INC. AND SUBSIDIARY
(A development stage company)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in thousands)

	Nine Months Ended September 30,		From Inception (August 20, 1987) through
	2008	**2007**	**September 30, 2008**
Cash Flows from Operating Activities			
Net loss	$ (19,345)	$ (10,392)	(141,385)
Gain on disposal of discontinued operations			(939)
Gain on disposal of fixed assets			(102)
Adjustments to reconcile net loss to net cash used in operating activities:			
Noncash financing costs			316
Noncash inventory impairment			4,417
Noncash patent impairment			1,339
Noncash decrease in accounts payable			(1,308)
Depreciation and amortization	32	25	3,864
Noncash stock-based compensation	613	686	5,099
Common stock issued for agreement not to compete			200
Series B Preferred Stock issued for consulting services			18
Changes in operating assets and liabilities (net effects of purchase of businesses in 1988 and 1994):			
Increase in receivables			(199)
Increase in inventory			(4,447)
Increase in prepaid expenses and other current assets	(418)	(284)	(595)
(Decrease) increase in accounts payable and accrued expenses	2,675	(912)	7,410
Net cash used in operating activities	(16,443)	(10,877)	(126,312)
Cash Flows from Investing Activities			
Change in trading marketable securities	24,124	(20,335)	(191)
Capital expenditures	(4)	(3)	(2,371)
Purchase of technology rights and other assets	(423)	(196)	(3,624)
Proceeds from sale of PP&E			225
Cash acquired in purchase of FTI			3
Proceeds from sale of subsidiary, less $12,345 for operating losses during 1990 phase-out period			138
Proceeds from sale of the assets of FTI			2,250
Increase in net assets held for disposal			(213)

Net cash provided by (used in) investing activities	23,697	(20,534)	(3,783)
Cash Flows from Financing Activities			
Proceeds from issuance of common stock, net of offering costs		33,053	135,457
Exercise of stock options		37	363
Proceeds from a shareholder transaction	327		327
Proceeds from issuance of preferred stock			23,688
Purchase of treasury stock			(21,487)
Proceeds from issuance of notes payable			2,839
Principal payments on notes payable			(1,732)
Net cash provided by financing activities	327	33,090	139,455
Net increase (decrease) in cash and cash equivalents	7,581	1,679	9,360
Cash and cash equivalents at beginning of period	1,779	1,136	
Cash and cash equivalents at end of period	$ 9,360	$ 2,815	$ 9,360

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

Table of Contents

REPROS THERAPEUTICS INC. AND SUBSIDIARY
(A development stage company)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
(Unaudited)

NOTE 1 Organization, Operations and Liquidity

Repros Therapeutics Inc. (the Company , or we, us or our), was organized on August 28, 1987. We are a development stage biopharmaceutical company focused on the development of oral small molecule drugs to treat male and female reproductive disorders.

Our lead drug, Proellex®, is a selective blocker of the progesterone receptor and is being developed for the treatment of symptoms associated with uterine fibroids and endometriosis. We are also developing Proellex as a short course pre-surgical treatment for anemia associated with excessive menstrual bleeding related to uterine fibroids.

Our second product candidate, Androxal®, is a single isomer of clomiphene citrate and is an orally active proprietary small molecule compound. We are developing Androxal for men of reproductive age with low testosterone levels who want to improve or maintain their fertility and/or sperm function while being treated for low testosterone. In November 2008, we received guidance from the FDA suggesting submission of a new IND to the Division of Metabolic and Endocrine Products, or DMEP, for the investigation of Androxal for an additional potential indication as a treatment for type 2 diabetes. We plan to submit a new IND for this indication to the DMEP as soon as practicable.

We were previously developing Androxal in the United States to treat testosterone deficiency due to secondary hypogonadism by restoring normal testosterone production in males with functional testes and diminished pituitary function, a common condition in the aging male. At this time, we do not believe we have a clear clinical path to develop Androxal for this indication in the United States and although we believe Androxal could be developed outside of the U.S., due to the limited European market for this indication and our limited internal resources, we do not intend to pursue approval outside of the U.S. at this time.

We also continue to maintain our patent portfolio of our phentolamine-based products for the treatment of sexual dysfunction. We continue to try to create value from these assets in various ways which includes the potential for future product out-licensing. However, no R&D investments are being made in these programs at this time.

On October 2, 2008, we completed a direct registered offering of 2.4 million shares of our common stock at a purchase price of $6.50 per share for aggregate proceeds after expenses of approximately $15.5 million pursuant to an effective shelf registration statement. Certain of the purchasers under this offering were granted in their purchase agreements an option to purchase an aggregate of up to $10 million of additional shares of our common stock at the greater of the fair market value, defined as the average of the closing prices for the 30 trading days immediately prior to the date of exercise, or $7.80 per share. Such option becomes exercisable at such time as

Table of Contents

we have less than $10 million in cash and cash equivalents and expires on September 29, 2009. In addition, the purchasers who received such option also received a right of first offer to purchase their respective pro-rata portion of any future financings, excluding certain corporate activities, that expires on September 29, 2010.

As part of the terms of the October 2, 2008 financing, we amended our Standstill Agreement with Efficacy Capital Ltd. to permit Efficacy Capital to own up to 40% of our outstanding shares of stock and to permit Efficacy Capital to designate two directors to serve on our Board of Directors. Pursuant to that amendment, the Board increased its number to nine and appointed Mark Lappe, a Managing Partner of Efficacy Capital, and John C. Reed, M.D., Ph.D., President and CEO of Burnham Institute for Medical Research, to the vacancies on the Board created by such increase. The Company amended its Rights Agreement to reflect the increase to 40% described above.

As of September 30, 2008, we had accumulated losses of $141.4 million and had cash and cash equivalents of $9.4 million which is exclusive of $15.5 million in net proceeds received from our October 2, 2008 common stock sale. We have experienced negative cash flows from operations since inception and have funded our activities to date primarily from equity financings and corporate collaborations. Based on our current planned clinical programs, we will need to raise additional capital in the third quarter of 2009 in order to continue our development efforts. It is also possible that our current clinical trial activities will be more costly and take longer than we anticipate; accordingly, there can be no assurance that additional capital will not be necessary prior to the time anticipated. There can be no assurance that we will be successful in obtaining additional capital on acceptable terms, or at all, in amounts sufficient to continue to fund our operations and clinical product development. Therefore, there is substantial doubt about our ability to continue as a going concern over the next twelve months.

Our results of operations may vary significantly from quarter to quarter and year to year, and depend, among other factors, on our ability to be successful in our clinical trials, the regulatory approval process in the United States and other foreign jurisdictions and the ability to complete new licenses and product development agreements. The timing of our revenues do not match the timing of our associated product development expenses. To date, research and development expenses have generally exceeded revenue in any particular period and/or fiscal year.

Our losses from inception to date have resulted principally from costs incurred in conducting clinical trials and in research and development activities related to efforts to develop our products and from the associated administrative costs required to support those efforts. Under SFAS No. 109, Accounting for Income Taxes, a net operating loss (NOL), requires the recognition of deferred tax assets. As the Company has incurred losses since inception, and since there is no certainty of future profits, a valuation allowance has been provided in full on our deferred tax assets in the accompanying consolidated financial statements. If the Company has an opportunity to use this NOL to off-set tax liabilities in the future, the use of this asset would be restricted based on Internal Revenue Service, state and local NOL use guidelines.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and

Table of Contents

assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In September 2006, FASB issued SFAS No. 157, Fair Value Measurements which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Issued in February 2008, FSP 157-1 Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 removed leasing transactions accounted for under Statement 13 and related guidance from the scope of SFAS No. 157. FSP 157-2 Partial Deferral of the Effective Date of Statement 157 (FSP 157-2), deferred the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008. The implementation of SFAS No. 157 for financial assets and financial liabilities, effective January 1, 2008, did not have a material impact on our consolidated financial position and results of operations. The implementation of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities will not have a material impact on our consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115. This pronouncement permits entities to use the fair value method to measure certain financial assets and liabilities by electing an irrevocable option to use the fair value method at specified election dates. After election of the option, subsequent changes in fair value would result in the recognition of unrealized gains or losses as period costs during the period the change occurred. SFAS No. 159 becomes effective as of the beginning of the first fiscal year that begins after November 15, 2007, with early adoption permitted. However, entities may not retroactively apply the provisions of SFAS No. 159 to fiscal years preceding the date of adoption. We did not apply the fair value option under SFAS 159, which is elective. We have reclassified all cash flows, related to our trading securities, from operating to investing activities in the accompanying statement of cash flows to reflect the nature of the investments in accordance with paragraph 16 of SFAS 159.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS 141R), which replaces SFAS 141, Business Combinations. SFAS 141R retains the fundamental requirements in Statement 141 that the purchase method of accounting be used for all business combinations. This statement further establishes principles and requirements for how the acquiring entity recognizes and measures in its financial statements the identifiable assets acquired, including goodwill, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS 141R also determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, and the

Table of Contents

Company cannot estimate any impact this statement may have on the Company s results of operations or financial position as any potential business combinations after the implementation date are unknown.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (SFAS 160). SFAS 160 addresses the accounting and reporting for entities that consolidate a noncontrolling interest, sometimes called a minority interest. SFAS 160 is effective for fiscal years beginning after December 15, 2008, but is not expected to have any impact on the Company s consolidated financial statements as the Company does not currently consolidate any noncontrolling interest entities.

In March 2008, the FASB issued SFAS No. 161 Disclosures About Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 amends SFAS 133 by requiring expanded disclosures about an entity s derivative instruments and hedging activities. SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments. SFAS 161 is effective for the Company as of January 1, 2009. The Company does not expect any impact of adopting SFAS 161 on its consolidated financial statements.

In April 2008, the FASB issued FSP 142-3, Determination of the Useful Life of Intangible Assets , (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets . FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles . The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

NOTE 2 Marketable Securities

In the past the Company s investments typically included corporate bonds and notes, Euro-dollar bonds and asset-backed securities. The Company s policy is to require minimum credit ratings of A2/A and A1/P1. Due to the current financial markets, as of September 30, 2008, as a means of protecting our cash resources, we invested all of our cash resources in a money market fund that is backed by U.S. government securities.

Table of Contents

Marketable securities consist of the following (in thousands):

	Basis of Fair Value Measurement	September 30, 2008	December 31, 2007
Money Market Securities	Level 1	$ 9,332	$ 1,696
Corporate Bonds	Level 2		9,632
Taxable Auction Securities	Level 3		6,400
Certificates of Deposit	Level 2		4,503
Medium and Short Term Notes	Level 2		2,594
Municipal Bonds	Level 2		995
Total		$ 9,332	$ 25,820

SFAS No. 157, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described below:

Basis of Fair Value Measurement

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining fair value, the Company first determines what level of measurements are applicable in the fair value hierarchy.

The Company s marketable securities are generally classified within level 1 or level 2 of the fair value hierarchy because they were valued using quoted market prices or broker or dealer quotations with reasonable levels of price transparency. The Company s money market securities, totaling $9.3 million (included in cash equivalents) at September 30, 2008, are classified within level 1 of the fair value hierarchy. The Company does not adjust the quoted price for such instruments.

At December 31, 2007 the Company held $6.4 million in taxable auction rate securities (ARS). These securities were sold or redeemed at par value from January 1, 2008 through June 18, 2008. As of September 30, 2008 the Company did not hold any ARS.

13

Table of Contents

Valuations are adjusted if necessary to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management s best estimate is used.

Management determines the appropriate classification of investments in debt and equity securities at the time of purchase and re-evaluates such designation as of each subsequent balance sheet date. Securities for which the Company has the ability and intent to hold to maturity are classified as held to maturity . Securities classified as trading securities are recorded at fair value. Gains and losses on trading securities, realized and unrealized, are included in earnings and are calculated using the specific identification method. Any other securities are classified as available for sale. At September 30, 2008, we held no securities which would have been classified as trading securities and would have been classified as current assets.

NOTE 3 Patents

As of September 30, 2008, the Company had approximately $1,579,000 in internal capitalized patent costs reflected on its balance sheet. Of this amount, $717,000 relates to patent costs for Proellex and $862,000 relates to patent costs for Androxal.

NOTE 4 Accrued Expenses

Accrued expenses consist of the following (in thousands):

	September 30, 2008	December 31, 2007
Research and development costs	$ 3,152	$ 955
Payroll		63
Patent costs	139	51
Other	204	189
Total	$ 3,495	$ 1,258

NOTE 5 Loss Per Share

Basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted loss per share is computed using the average share price for the period and applying the treasury stock method to potentially dilutive outstanding options. In all applicable periods, all potential common stock equivalents were antidilutive and, accordingly, were not included in the computation of diluted loss per share.

Table of Contents

The following table presents information necessary to calculate loss per share for the three and nine-month periods ended September 30, 2008 and 2007 (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net loss	$ (6,579)	$ (3,368)	$ (19,345)	$ (10,392)
Average common shares outstanding	12,775	12,775	12,775	12,439
Basic and diluted loss per share	$ (0.51)	$ (0.26)	$ (1.51)	$ (0.84)

Other potential common stock of 1,743,565 and 1,576,815 common shares underlying stock options for the periods ended September 30, 2008 and 2007, respectively, were excluded from the above calculation of diluted loss per share since they were antidilutive.

NOTE 6 Contingencies

Our Androxal product candidate and its uses are covered in the United States by two issued U.S. patents and seven pending patent applications. Foreign coverage of our Androxal product candidate includes ten issued foreign patents and 65 foreign pending patent applications. The issued patents and pending applications relate to methods and compositions for treating certain conditions including the treatment of testosterone deficiency in men, the treatment of metabolic syndrome and conditions associated therewith, and the treatment of infertility in hypogonadal men. Androxal (the trans-isomer of clomiphene) is purified from clomiphene citrate. A third party individual holds two issued patents related to the use of an anti-estrogen such as clomiphene citrate and others for use in the treatment of androgen deficiency and disorders related thereto. In our prior filings with the SEC, we have described our request to the U.S. Patent and Trademark Office, or PTO, for re-examination of one of these patents based on prior art. The third party amended the claims in the reexamination proceedings, which led the PTO to determine that the amended claims are patentable in view of those publications under consideration and a reexamination certificate was issued. However, we believe that the amended claims are invalid based on additional prior art publications, and our request for reexamination by the PTO in light of a number of these additional publications and other publications cited by the PTO, has been granted. All of the claims have been finally rejected in the reexamination. The patent holder has appealed the rejections and has recently filed a Request for Oral Hearing. We also believe that the second of these two patents is invalid in view of published prior art not considered by the PTO. Nevertheless, there is no assurance that either patent will ultimately be found invalid over the prior art. If such patents are not invalidated by the PTO we may be required to obtain a license from the holder of such patents in order to develop Androxal further or attempts may be made to undertake further legal action to invalidate such patents. If such licenses were not available on acceptable terms, or at all, we may not be able to successfully commercialize Androxal.

Table of Contents

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

The following discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements reflect the Company s current views with respect to future events and financial performance and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated in such forward-looking statements. The following discussion of financial condition should be read in conjunction with the accompanying consolidated financial statements and related notes.

Overview

Repros Therapeutics Inc. (the Company , or we, us or our), was organized on August 28, 1987. We are a development stage biopharmaceutical company focused on the development of oral small molecule drugs to treat male and female reproductive disorders.

Our current product pipeline consists of the following (with the respective status of development):

Proellex® (female reproductive health)

Phase 3 three-month short course treatment of symptomatic uterine fibroids associated with anemia in women who may consider having a subsequent hysterectomy

Phase 3 for the chronic treatment of symptomatic uterine fibroids

Phase 2 for the treatment of symptomatic endometriosis

Androxal® (male reproductive health)

Phase 2b proof-of-concept trial in men with low testosterone levels wanting to improve or maintain their fertility and/or sperm number and function

Request pre-IND meeting with the FDA s Division of Metabolic and Endocrine Products to investigate Androxal as a treatment for type 2 diabetes

Proellex

Our lead drug, Proellex, is a selective progesterone receptor modulator (PRM) and is being developed for the treatment of symptoms associated with uterine fibroids and endometriosis. We are also developing Proellex as a short course pre-surgical treatment for anemia associated with excessive menstrual bleeding related to uterine fibroids. During the first quarter of 2008, we filed an Investigational New Drug Application, or IND, for Proellex for the treatment of anemia associated with uterine fibroids and also initiated two 65-patient Phase 3 pivotal clinical trials with Proellex for this indication. Our goal is to file a New Drug Application, or NDA, for this

Table of Contents

indication in late 2009.

During the first quarter of 2008, we initiated two 75-patient Phase 3 pivotal clinical trials with Proellex for the chronic treatment of uterine fibroids and anticipate filing a NDA for this indication in late 2010. In addition, during the first quarter of 2008, we also initiated two 400 patient Proellex Open Label Safety Studies. We intend to complete patient enrollment for one 400 patient Open Label Safety Study then start enrollment in the second Open Label Safety study.

The initiation of these Phase 3 clinical trials and Open Label Studies included awarding the trials to three clinical research organizations, the process of identifying and contracting the clinical sites to be used as well as other various activities required to complete these clinical trials. During the second quarter of 2008, we implemented a centralized patient recruitment advertising campaign for our Phase 3 Proellex clinical trials and in July 2008 we took the necessary steps to begin additional patient recruitment advertising for one of our 400 patient Proellex Open Label Safety Studies.

During 2008 we disclosed the following clinical trial and animal safety data relating to Proellex:

- initial results from 13 women who had endometrial biopsies post menses following last dose of drug in a two drug cycle extension study showed that results of assessments of the post menses tissues are that of a benign endometrium. While previous end of drug cycle biopsies from these subjects all had histological changes consistent with those induced by progesterone receptor modulators (Proellex class of drugs), none of these post drug cessation biopsies reflected any of those histological changes. These key findings indicate that the effects of Proellex on the endometrium are present during drug exposure and are reversible upon cessation of drug treatment;

- results from a pilot study of the potential for adverse cardiac events associated with administration of doses of Proellex up to four times higher than the intended marketed dose showed that despite up to a four fold increase in Proellex plasma concentrations over seven days the QTc did not change; and

- initial macroscopic findings from a two-year rat carcinogenicity study and a six-month mouse carcinogenicity study showed no potential for tumor induction as compared to placebo.

To review all of the clinical development information that has been disclosed regarding our products please go to www.reprosrx.com and also see our filings at www.sec.gov.

We are also currently conducting a Phase 2 clinical trial with Proellex for the treatment of endometriosis. We provided initial interim data from this trial in July 2008 which showed that severe pain, the most troublesome symptom associated with endometriosis, was significantly reduced in one to two months of treatment. We intend to file a NDA for this indication in late 2010.

Uterine fibroids, anemia associated with uterine fibroids and endometriosis affect a

Table of Contents

significant number of women of childbearing age in the developed world. There is no currently-approved effective long-term drug treatment for uterine fibroids or endometriosis. In the United States alone, 300,000 women per year undergo a hysterectomy as a result of severe uterine fibroids.

In addition to the clinical trials discussed above we are also conducting additional human clinical trials and animal safety studies with Proellex to support our future NDA submissions.

Androxal

Our second product candidate, Androxal, is a single isomer of clomiphene citrate and is an orally active proprietary small molecule compound.

During the second quarter of 2008, we initiated a Phase 2b proof-of-concept Androxal clinical trial in men of reproductive age with low testosterone levels who want to improve or maintain their fertility and/or sperm function while being treated for low testosterone. This trial includes a control group that will be given Testim®, a popular testosterone replacement therapy. We believe Androxal will be superior to the existing drugs used to normalize testosterone as, to our knowledge, only Androxal has the property of restoring both luteinizing hormone, or LH, and follicle stimulating hormone, or FSH, levels. LH and FSH are the pituitary hormones that stimulate testicular testosterone and sperm production, respectively. We intend to have an End of Phase 2 Meeting with the Food and Drug Administration, or FDA, in the second half of 2009. According to the Urology Channel, recent estimates show that approximately 13 million men in the United States experience testosterone deficiency.

In November 2008, we received guidance from the FDA suggesting submission of a new IND to the Division of Metabolic and Endocrine Products, or DMEP, for the investigation of Androxal as a potential treatment for type 2 diabetes. We plan to submit a new IND for this indication to the DMEP as soon as practicable.

In addition to the clinical trials discussed above, we are also conducting a long-term Open Label Safety Study and animal safety study with Androxal to support our future NDA submissions.

We were previously developing Androxal in the United States to treat testosterone deficiency due to secondary hypogonadism by restoring normal testosterone production in males with functional testes and diminished pituitary function, a common condition in the aging male. Based on a Type C meeting held with the FDA on October 15, 2007 we do not believe we have a clear clinical path to develop Androxal for this indication in the United States at this time. Although we believe Androxal could be developed outside of the United States, due to the limited European market for this indication and our limited internal resources we do not intend to pursue approval outside of the United States at this time.

Our Androxal product candidate and its uses are covered in the United States by two issued U.S. patents and seven pending patent applications. Foreign coverage of our Androxal product candidate includes ten issued foreign patents and 65 foreign pending patent applications. The issued patents and pending applications relate to methods and compositions for treating

Table of Contents

certain conditions including the treatment of testosterone deficiency in men, the treatment of metabolic syndrome and conditions associated therewith, and the treatment of infertility in hypogonadal men. Androxal (the trans-isomer of clomiphene) is purified from clomiphene citrate. A third party individual holds two issued patents related to the use of an anti-estrogen such as clomiphene citrate and others for use in the treatment of androgen deficiency and disorders related thereto. In our prior filings with the SEC, we have described our request to the U.S. Patent and Trademark Office, or PTO, for re-examination of one of these patents based on prior art. The third party amended the claims in the reexamination proceedings, which led the PTO to determine that the amended claims are patentable in view of those publications under consideration and a reexamination certificate was issued. However, we believe that the amended claims are invalid based on additional prior art publications, and our request for reexamination by the PTO in light of a number of these additional publications and other publications cited by the PTO, has been granted. All of the claims have been finally rejected in the reexamination. The patent holder has appealed the rejections and has recently filed a Request for Oral Hearing. We also believe that the second of these two patents is invalid in view of published prior art not considered by the PTO. Nevertheless, there is no assurance that either patent will ultimately be found invalid over the prior art. If such patents are not invalidated by the PTO we may be required to obtain a license from the holder of such patents in order to develop Androxal further or attempts may be made to undertake further legal action to invalidate such patents. If such licenses were not available on acceptable terms, or at all, we may not be able to successfully commercialize Androxal.

Other Programs

We continue to maintain our patent portfolio of our phentolamine-based products for the treatment of sexual dysfunction. We continue to try to create value from these assets in various ways which includes the potential for future product out-licensing. However, no R&D investments are being made in these programs at this time.

General

On October 2, 2008, we completed a direct registered offering of 2.4 million shares of our common stock at a purchase price of $6.50 per share for aggregate proceeds after expenses of approximately $15.5 million pursuant to an effective shelf registration statement. Certain of the purchasers under this offering were granted in their purchase agreements an option to purchase an aggregate of up to $10 million of additional shares of our common stock at the greater of the fair market value, defined as the average of the closing prices for the 30 trading days immediately prior to the date of exercise, or $7.80 per share. Such option becomes exercisable at such time as we have less than $10 million in cash and cash equivalents and expires on September 29, 2009. In addition, the purchasers who received such option also received a right of first offer to purchase their respective pro-rata portion of any future financings, excluding certain corporate activities, that expires on September 29, 2010.

As part of the terms of the October 2, 2008 financing, we amended our Standstill Agreement with Efficacy Capital Ltd. to permit Efficacy Capital to own up to 40% of our outstanding shares of stock and to permit Efficacy Capital to designate two directors to serve on our Board of Directors. Pursuant to that amendment, the Board increased its number to nine and

Table of Contents

appointed Mark Lappe, a Managing Partner of Efficacy Capital, and John C. Reed, M.D., Ph.D., President and CEO of Burnham Institute for Medical Research, to the vacancies on the Board created by such increase. The Company amended its Rights Agreement to reflect the increase to 40% described above.

The Company plans to use the proceeds from the financing to fund its research and development activities, including the ongoing pivotal Phase 3 trials of its lead product candidate, Proellex®, as a pre-surgical short course treatment of anemia associated with uterine fibroids and as a chronic treatment of uterine fibroids and its Phase 2 clinical trial for the treatment of endometriosis as well as for working capital and general corporate purposes.

On July 3, 2008, Efficacy Capital paid $327,320 to the Company as disgorgement of short swing profits under Section 16(b) of the Exchange Act as a result of certain inadvertent sales by Efficacy that occurred in March 2008 and that were within six months of certain purchases by Efficacy. The amount received from Efficacy has been reported as additional paid in capital for the quarter ended September 30, 2008. Efficacy is an affiliate of the Company as a result of its beneficial ownership of more than 10% of the Company s common stock.

The clinical development of pharmaceutical products is a complex undertaking, and many products that begin the clinical development process do not obtain regulatory approval. The costs associated with our clinical trials may be impacted by a number of internal and external factors, including the number and complexity of clinical trials necessary to obtain regulatory approval, the number of eligible patients necessary to complete our clinical trials and any difficulty in enrolling these patients, and the length of time to complete our clinical trials. Given the uncertainty of these potential costs, we recognize that the total costs we will incur for the clinical development of our product candidates may exceed our current estimates. We do, however, expect these costs to increase substantially in future periods as we continue later-stage clinical development trials. Any failure by us to obtain, or any delay in obtaining, regulatory approvals could cause our research and development expenditures to increase and, in turn, have a material adverse effect on our results of operations.

We have not generated any substantial revenue from commercial sale of our current product candidates. We will not receive any revenue from commercial sales unless we, or a potential partner, complete the clinical trial development process, obtain regulatory approval, and successfully commercialize one or more of our product candidates. We cannot be certain when or if any of our current product candidates will ever generate cash flow.

As of September 30, 2008, we had an accumulated deficit of $141.4 million. Losses have resulted principally from costs incurred in conducting clinical trials and in research and development activities related to efforts to develop our products and from the associated administrative costs required to support those efforts. Under SFAS No. 109, Accounting for Income Taxes, a net operating loss (NOL) requires the recognition of deferred tax assets. As we have incurred losses since inception, and since there is no certainty of future profits, a valuation allowance has been provided in full on our deferred tax assets in the accompanying consolidated financial statements. If we have an opportunity to use this NOL to off-set tax liabilities in the future, the use of this asset would be restricted based on Internal Revenue Service, state and local NOL use guidelines.

Table of Contents

We have 7 permanent full-time employees who utilize the services of contract research organizations, contract manufacturers and various consultants to assist us in performing clinical and regulatory services for the clinical development of our products as well as administrative services. We are substantially dependent on our various contract groups to adequately perform the activities required to obtain regulatory approval of our products as well as other consultants that perform various administrative services.

Our results of operations may vary significantly from year to year and quarter to quarter, and depend, among other factors, on our ability to raise additional capital on acceptable terms or at all, on our ability to be successful in our clinical trials, the regulatory approval process in the United States and other foreign jurisdictions and the ability to complete new licenses and product development agreements. The timing of our revenues may not match the timing of our associated product development expenses. To date, research and development expenses have generally exceeded revenue in any particular period and/or fiscal year.

Recent Accounting Pronouncements

In September 2006, FASB issued SFAS No. 157, Fair Value Measurements which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Issued in February 2008, FSP 157-1 Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 removed leasing transactions accounted for under Statement 13 and related guidance from the scope of SFAS No. 157. FSP 157-2 Partial Deferral of the Effective Date of Statement 157 (FSP 157-2), deferred the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008. The implementation of SFAS No. 157 for financial assets and financial liabilities, effective January 1, 2008, did not have a material impact on our consolidated financial position and results of operations. The implementation of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities will not have a material impact on our consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115. This pronouncement permits entities to use the fair value method to measure certain financial assets and liabilities by electing an irrevocable option to use the fair value method at specified election dates. After election of the option, subsequent changes in fair value would result in the recognition of unrealized gains or losses as period costs during the period the change occurred. SFAS No. 159 becomes effective as of the beginning of the first fiscal year that begins after November 15, 2007, with early adoption permitted. However, entities may not retroactively apply the provisions of SFAS No. 159 to fiscal years preceding the date of adoption. We did not apply the fair value option under SFAS 159, which is elective. We have reclassified all cash flows, related to our trading securities, from operating to investing activities in the accompanying statement of cash flows to reflect the nature of the investments in accordance with paragraph 16 of SFAS 159.

Table of Contents

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS 141R), which replaces SFAS 141, Business Combinations. SFAS 141R retains the fundamental requirements in Statement 141 that the purchase method of accounting be used for all business combinations. This statement further establishes principles and requirements for how the acquiring entity recognizes and measures in its financial statements the identifiable assets acquired, including goodwill, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS 141R also determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, and we cannot estimate any impact this statement may have on our results of operations or financial position as any potential business combinations after the implementation date are unknown.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (SFAS 160). SFAS 160 addresses the accounting and reporting for entities that consolidate a noncontrolling interest, sometimes called a minority interest. SFAS 160 is effective for fiscal years beginning after December 15, 2008, but is not expected to have any impact on our consolidated financial statements as we do not currently consolidate any noncontrolling interest entities.

In March 2008, the FASB issued SFAS No. 161 Disclosures About Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 amends SFAS 133 by requiring expanded disclosures about an entity s derivative instruments and hedging activities. SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments. SFAS 161 is effective for the Company as of January 1, 2009. The Company does not expect any impact of adopting SFAS 161 on its consolidated financial statements.

In April 2008, the FASB issued FSP 142-3, Determination of the Useful Life of Intangible Assets , (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets . FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles . The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

Table of Contents

Results of Operations

Three-Month and Nine-Month Periods Ended September 30, 2008 and 2007

Revenues and Other Income. Total revenues and other income for the three-month period ended September 30, 2008 decreased to $45,000 as compared to $396,000 for the same period in the prior year and decreased to $405,000 for the nine-month period ended September 30, 2008 as compared to $1.2 million for the same period in the prior year.

Interest income decreased 89% to $45,000 for the three-month period ended September 30, 2008, as compared to $396,000 for the same period in the prior year and decreased 65% to $405,000 for the nine-month period ended September 30, 2008 as compared to $1.2 million for the same period in the prior year. The decrease in interest income for the three-month and nine-month periods ended September 30, 2008 as compared to the same periods in the prior year is primarily due to lower combined cash, cash equivalents and marketable securities balances and reduced interest rate yields that have occurred as we moved our cash investments solely into money market accounts.

Research and Development Expenses. Research and development (R&D) expenses primarily include clinical regulatory affairs activities and preclinical and clinical study development expenses. R&D expenses increased 84% to approximately $5.9 million for the three-month period ended September 30, 2008 as compared to approximately $3.2 million for the same period in the prior year and increased 86% to approximately $17.5 million for the nine-month period ended September 30, 2008 as compared to $9.4 million for the same period in the prior year. The increase in R&D expenses for the three-month period ended September 30, 2008 as compared to the same period in the prior year is primarily due to an increase of $2.5 million in our current clinical and preclinical activities. The increase in R&D expenses for the nine-month period ended September 30, 2008 as compared to the same period in the prior year is primarily due to an increase of $8.3 million in our current clinical and preclinical activities and an increase in consulting expenses of $291,000, partially offset by a decrease in manufacturing activities of $738,000. Included in the nine-month period ended September 30, 2008 is a $100,000 milestone payment to the National Institutes of Health, under our license agreement, relating to the initiation of a Phase 3 clinical trial with Proellex.

General and Administrative Expenses. General and administrative expenses increased 32% to approximately $750,000 for the three-month period ended September 30, 2008 as compared to approximately $568,000 for the same period in the prior year and increased 6% to approximately $2.2 million for the nine-month periods ended September 30, 2008 as compared to approximately $2.1 million for the same period in the prior year. The increase in expenses for the three-month period ended September 30, 2008 as compared to the same period in the prior year is primarily due to an increase in professional services of $176,000, partially offset by a decrease in non-cash stock compensation expense of $38,000. The increase in expenses for the nine-month period ended September 30, 2008 as compared to the same period in the prior year is primarily due to an increase in professional services of $272,000, partially offset by a decrease in non-cash stock compensation expense of $155,000.

Table of Contents

Liquidity and Capital Resources

On October 2, 2008, we completed a direct registered offering of 2.4 million shares of our common stock at a purchase price of $6.50 per share for aggregate proceeds after expenses of approximately $15.5 million pursuant to an effective shelf registration statement. Certain of the purchasers under this offering were granted in their purchase agreements an option to purchase an aggregate of up to $10 million of additional shares of our common stock at the greater of the fair market value, defined as the average of the closing prices for the 30 trading days immediately prior to the date of exercise, or $7.80 per share. Such option becomes exercisable at such time as we have less than $10 million in cash and cash equivalents and expires on September 29, 2009. In addition, the purchasers who received such option also received a right of first offer to purchase their respective pro-rata portion of any future financings, excluding certain corporate activities, that expires on September 29, 2010.

Net cash of approximately $16.4 million was used in operating activities during the nine-month period ended September 30, 2008 as compared to $10.9 million for the same period in the prior year. The major uses of cash for operating activities during the nine-month period ended September 30, 2008 was to fund our clinical development programs and associated administrative costs of $19.3 million, net of interest income, partially offset by an increase in our accrued liabilities.

We had cash and cash equivalents of approximately $9.4 million as of September 30, 2008 as compared to cash, cash equivalents and marketable securities of $25.9 million as of December 31, 2007. As of September 30, 2008, we had accumulated losses of $141.4 million. We have experienced negative cash flows from operations since inception and have funded our activities to date primarily from equity financings and corporate collaborations. We will require substantial funds for research and development, including preclinical studies and clinical trials of our product candidates, and to commence sales and marketing efforts if appropriate, if the FDA or other regulatory approvals are obtained. Therefore, there is substantial doubt about our ability to continue as a going concern over the next twelve months.

Based on our current planned clinical programs, we will need to raise additional capital in the third quarter of 2009 in order to continue our development efforts. It is also possible that our current clinical trial activities will be more costly and take longer than we anticipate; accordingly, there can be no assurance that additional capital will not be necessary prior to the time anticipated. There can be no assurance that we will be successful in obtaining additional capital on acceptable terms, or at all, in amounts sufficient to continue to fund our operations and clinical product development.

Our capital requirements will depend on many factors, including the costs and timing of seeking regulatory approvals of our products; the problems, delays, expenses and complications frequently encountered by development stage companies; the progress of our preclinical and clinical activities; the costs associated with any future collaborative research, manufacturing, marketing or other funding arrangements; our ability to obtain regulatory approvals; the success of our potential future sales and marketing programs; the cost of filing, prosecuting and defending and enforcing any patent claims and other intellectual property rights; changes in economic, regulatory or competitive conditions of our planned business; and additional costs associated with being a publicly-traded company. Estimates about the adequacy of funding for our activities are

Table of Contents

based on certain assumptions that the development and regulatory approval of our products can be completed at projected costs and product approvals and introductions will be timely and successful. There can be no assurance that changes in our research and development plans, acquisitions or other events will not result in accelerated or unexpected expenditures. To satisfy our capital requirements, we may seek to raise additional funds in the public or private capital markets. We may seek additional funding through corporate collaborations and other financing vehicles. There can be no assurance that any such funding will be available to us on favorable terms or at all. If we are successful in obtaining additional financing, the terms of such financing may have the effect of diluting or adversely affecting the holdings or the rights of holders of our common stock. See Item 1A. Risk Factors in our Form 10-K for the year ended December 31, 2007 and Note 1. Organization and Operations of Notes to Consolidated Financial Statements for additional disclosure about our need for additional capital.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk. We had cash and cash equivalents of approximately $9.4 million at September 30, 2008 which is held in an account backed by U.S. government securities. Although this cash account is subject to fluctuations in interest rates and market conditions, no significant gain or loss on this account is expected to be recognized in earnings. We do not invest in derivative securities.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e)) under the Securities Exchange Act of 1934, as amended (the Exchange Act), are effective.

Changes in Internal Control over Financial Reporting

In connection with the evaluation described above, we identified no change in internal control over financial reporting that occurred during the fiscal quarter ended September 30, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Our Androxal product candidate and its uses are covered in the United States by two issued U.S. patents and seven pending patent applications. Foreign coverage of our Androxal product candidate includes ten issued foreign patents and 65 foreign pending patent applications. The issued patents and pending applications relate to methods and compositions for treating certain conditions including the treatment of testosterone deficiency in men, the treatment of metabolic syndrome and conditions associated therewith, and the treatment of infertility in hypogonadal men. Androxal (the trans-isomer of clomiphene) is purified from clomiphene citrate. A third party individual holds two issued patents related to the use of an anti-estrogen such as clomiphene citrate and others for use in the treatment of androgen deficiency and disorders related thereto. In our prior filings with the SEC, we have described our request to the U.S. Patent and Trademark Office, or PTO, for re-examination of one of these patents based on prior art. The third party amended the claims in the reexamination proceedings, which led the PTO to determine that the amended claims are patentable in view of those publications under consideration and a reexamination certificate was issued. However, we believe that the amended claims are invalid based on additional prior art publications, and our request for reexamination by the PTO in light of a number of these additional publications and other publications cited by the PTO, has been granted. All of the claims have been finally rejected in the reexamination. The patent holder has appealed the rejections and has recently filed a Request for Oral Hearing. We also believe that the second of these two patents is invalid in view of published prior art not considered by the PTO. Nevertheless, there is no assurance that either patent will ultimately be found invalid over the prior art. If such patents are not invalidated by the PTO we may be required to obtain a license from the holder of such patents in order to develop Androxal further or attempts may be made to undertake further legal action to invalidate such patents. If such licenses were not available on acceptable terms, or at all, we may not be able to successfully commercialize Androxal.

Item 1A. Risk Factors

Other than the additional risk factor included below relating to financial markets, there were no material changes from the risk factors previously disclosed in the registrant s Form 10-K for the fiscal year ended December 31, 2007 in response to Item 1A. Risk Factors to Part I of Form 10-K.

Financial Markets. The financial markets have been experiencing extreme volatility and disruption. Even though we completed an offering of 2.4 million shares of our common stock for aggregate net proceeds of $15.5 million, we will require additional capital in the third quarter of 2009 to continue our development efforts. However, due to the uncertainty in the financial markets, access to capital may be limited on terms acceptable to us or may not be available at all.

Item 5. Other Information

None

Table of Contents

Item 6. Exhibits

10.1 First Amendment to Standstill Agreement, dated as of July 28, 2008, between the Company and Efficacy Capital, Ltd. (incorporated by reference to Exhibit 10.1 to the Company s Form 8-K as filed with the Commission on July 28, 2008).

10.2 Common Stock Purchase Agreement between Repros Therapeutics Inc. and Efficacy Capital, Ltd. dated September 29, 2008 (incorporated by reference to Exhibit 10.1 to the Company s Form 8-K as filed with the Commission on September 29, 2008 (the Form 8-K)).

10.3 Amended and Restated Common Stock Purchase Agreement, dated as of September 29, 2008, between the Company and the affiliate of Vermillion Asset Management LLC named therein (incorporated by reference to Exhibit 10.4 to the Company s Form 8-K as filed with the Commission on October 3, 2008).

10.4 Common Stock Purchase Agreement between Repros Therapeutics Inc. and the affiliate of Vermillion Asset Management LLC named therein dated September 29, 2008 (incorporated by reference to Exhibit 10.3 to the Form 8-K).

10.5 Common Stock Purchase Agreement between Repros Therapeutics Inc. and John C. Reed dated September 29, 2008 (incorporated by reference to Exhibit 10.4 to the Form 8-K).

31.1* Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).

31.2* Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).

32.1* Certification furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).

32.2* Certification furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).

* Filed herewith.

Table of Contents

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REPROS THERAPEUTICS INC.

Date: November 10, 2008

By: /s/ Joseph S. Podolski
Joseph S. Podolski
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: November 10, 2008

By: /s/ Louis Ploth, Jr.
Louis Ploth, Jr.
Vice President Business Development, Chief Financial Officer, Director and Secretary
(Principal Financial and Accounting Officer)

28