EPIX Pharmaceuticals, Inc.
Form S-4/A
June 27, 2006

Table of Contents

As filed with the Securities and Exchange Commission on June 27, 2006

Registration No. 333-133513

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

AMENDMENT NO. 2
TO
Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

EPIX PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**2835**	**04-3030815**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

161 First Street
Cambridge, Massachusetts 02142
(617) 250-6000
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Andrew C.G. Uprichard, M.D.
President and Chief Operating Officer
EPIX Pharmaceuticals, Inc.
161 First Street
Cambridge, Massachusetts 02142
(617) 250-6000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

William T. Whelan, Esq. **Daniel T. Kajunski, Esq.** **Mintz, Levin, Cohn, Ferris, Glovsky and Popeo P.C.** **One Financial Center** **Boston, Massachusetts 02111** **(617) 542-6000**	**Michael G. Kauffman, M.D., Ph.D.** **Predix Pharmaceuticals Holdings, Inc.** **4 Maguire Road** **Lexington, Massachusetts 02421** **(781) 372-3260**	**Lawrence S. Wittenberg, Esq.** **Edward A. King, Esq.** **Goodwin Procter LLP** **Exchange Place** **Boston, Massachusetts 02109** **(617) 570-1000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and upon completion of the merger described in the enclosed joint proxy statement/ prospectus.

If the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date (i) until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or (ii) until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this joint proxy statement/ prospectus is not complete and may be changed. The securities being offered by the use of this joint proxy statement/ prospectus may not be issued until the registration statement filed with the Securities and Exchange Commission, of which this proxy statement and prospectus is a part, is declared effective. This joint proxy statement/ prospectus is not an offer to sell these securities nor a solicitation of any offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY COPY
SUBJECT TO COMPLETION, DATED JUNE 27, 2006
ANNUAL AND SPECIAL MEETINGS OF STOCKHOLDERS
MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

The boards of directors of EPIX Pharmaceuticals, Inc. (EPIX) and Predix Pharmaceuticals Holdings, Inc. (Predix) have approved a merger combining EPIX and Predix.

If the merger is consummated, Predix will be merged with and into a wholly-owned subsidiary of EPIX. The terms of the merger agreement provide for the issuance of shares of EPIX common stock to Predix stockholders in exchange for all of the outstanding shares of Predix. At the effective time of the merger, EPIX stockholders will retain approximately 53%, and the former Predix stockholders will own approximately 47%, of the outstanding shares of EPIX s common stock as more fully described in the joint proxy statement/ prospectus. EPIX will also assume all of Predix s stock options and warrants outstanding at the time of the merger. In addition, EPIX will make a milestone payment of $35 million to Predix stockholders, option holders and warrant holders upon the occurrence of certain events. EPIX may elect to make the milestone payment in cash or in shares of EPIX common stock, to the extent that the aggregate amount of EPIX common stock as a result of such milestone payment does not exceed 49.99% of the outstanding shares of EPIX common stock immediately after such milestone payment, when combined with all shares of EPIX common stock issued in the merger and issuable upon exercise of all Predix options and warrants assumed by EPIX in the merger. EPIX common stock is listed on The NASDAQ National Market under the symbol EPIX. On June 26, 2006, the last trading day before the date of this joint proxy statement/ prospectus, the closing sale price of EPIX common stock was $3.60 per share. The merger is intended to qualify for federal income tax purposes as a reorganization under the provisions of Section 368 of the Internal Revenue Code of 1986, as amended.

Stockholders of EPIX will be asked, at EPIX s annual meeting of stockholders, among other proposals, to approve the merger, to approve an amendment to EPIX s restated certificate of incorporation, to approve the issuance of shares of EPIX common stock to the stockholders of Predix in the merger and to approve authorizing the EPIX board of directors to effect a reverse stock split. Stockholders of Predix will be asked, at Predix s special meeting of stockholders, to approve and adopt the merger agreement and to approve the merger.

The dates, times and places of the special meetings are as follows:

For EPIX stockholders:	For Predix stockholders:
, 2006	, 2006
10:00 a.m., local time	9:00 a.m., local time
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.	Goodwin Procter LLP
One Financial Center	Exchange Place
Boston, Massachusetts 02111	Boston, Massachusetts 02109

This joint proxy statement/ prospectus provides you with information about EPIX, Predix and the proposed merger. You may obtain other information about EPIX and Predix from documents filed with the Securities and Exchange Commission. We encourage you to carefully read the entire joint proxy statement/ prospectus.

Andrew C.G. Uprichard, M.D.	Michael G. Kauffman, M.D., Ph.D.
President and Chief Operating Officer	Chief Executive Officer
EPIX Pharmaceuticals, Inc.	Predix Pharmaceuticals Holdings, Inc.

FOR A DISCUSSION OF SIGNIFICANT MATTERS THAT SHOULD BE CONSIDERED BEFORE VOTING AT THE STOCKHOLDER MEETINGS, SEE RISK FACTORS BEGINNING ON PAGE 20.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES REGULATORS HAVE APPROVED OR DISAPPROVED THE EPIX COMMON STOCK TO BE ISSUED IN THE MERGER OR DETERMINED WHETHER THIS JOINT PROXY STATEMENT/ PROSPECTUS IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This joint proxy statement/ prospectus is dated , 2006, and is first being mailed to stockholders of EPIX and Predix on or about , 2006.

THIS JOINT PROXY STATEMENT/ PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

Table of Contents

ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates important business and financial information about EPIX and Predix from other documents that are not included in or delivered with the joint proxy statement/ prospectus. This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in this joint proxy statement/ prospectus by requesting them in writing or by telephone or over the Internet from the appropriate company at one of the following addresses:

EPIX Pharmaceuticals, Inc.
Attn: Investor Relations
161 First Street
Cambridge, Massachusetts 02142
(617) 250-6000
E-mail: ahedison@epixpharma.com
Or:
Predix Pharmaceuticals Holdings, Inc.
Attn: Investor Relations
4 Maguire Road
Lexington, Massachusetts 02421
(781) 372-3260
E-mail: investors@predixpharm.com

IF YOU WOULD LIKE TO REQUEST ANY DOCUMENTS, PLEASE DO SO BY , 2006, THE DATE THAT IS FIVE BUSINESS DAYS BEFORE THE ANNUAL AND SPECIAL MEETINGS, IN ORDER TO RECEIVE THEM BEFORE THE ANNUAL AND SPECIAL MEETINGS.

See Where You Can Find More Information beginning on page 242.

EXPLANATORY NOTE

Except as otherwise stated in this joint proxy statement/prospectus, all per share information and other information contained in this joint proxy statement/prospectus does not give effect to any reverse stock split of EPIX common stock described in EPIX s Proposal No. 3.

Table of Contents

EPIX Pharmaceuticals
161 First Street
Cambridge, Massachusetts 02142
(617) 250-6000
NOTICE OF ANNUAL MEETING OF EPIX STOCKHOLDERS
TO BE HELD ON , 2006

To the Stockholders of EPIX Pharmaceuticals, Inc:

On behalf of the board of directors of EPIX Pharmaceuticals, Inc, a Delaware corporation, we are pleased to deliver this joint proxy statement/ prospectus for the proposed merger combining EPIX and Predix Pharmaceuticals Holdings, Inc., a Delaware corporation. An annual meeting of stockholders of EPIX will be held on , 2006 at 10:00 a.m., local time, at the offices of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts, 02111 for the following purposes:

1. To consider and vote upon the issuance of shares of EPIX common stock in the merger as contemplated by the Agreement and Plan of Merger, dated as of April 3, 2006, by and among EPIX Pharmaceuticals, Inc., EPIX Delaware, Inc., a wholly-owned subsidiary of EPIX, and Predix Pharmaceuticals Holdings, Inc., and approve the merger of Predix Pharmaceuticals Holdings, Inc. with and into EPIX Delaware, Inc.;

2. To approve an amendment to EPIX s amended and restated certificate of incorporation to increase the number of authorized shares of common stock from 40,000,000 shares to 100,000,000 shares, representing an additional 60,000,000 shares, which may be necessary to provide EPIX with sufficient authorized shares of common stock to issue in connection with the merger and is described in the joint proxy statement/ prospectus;

3. To authorize the EPIX board of directors to amend in its discretion EPIX s restated certificate of incorporation to effect a reverse stock split of EPIX s issued and outstanding shares of common stock, at such ratio between 1:1.25 to 1:4 to be determined by the EPIX board of directors, which may be necessary for EPIX to maintain its eligibility for trading on The NASDAQ National Market after completion of the merger, which is a condition to consummate the merger, as described in this joint proxy statement/prospectus;

4. To elect two directors for a three-year term to expire at the 2009 annual meeting of stockholders; provided, however, that, if the merger is completed, the EPIX board of directors will consist of the nine persons identified in the joint proxy statement/ prospectus;

5. To ratify the selection of Ernst & Young LLP as EPIX s independent registered public accounting firm for the fiscal year ending December 31, 2006;

6. To consider and vote on a proposal to approve the adjournment of the annual meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the annual meeting to approve Proposal Nos. 1, 2 and 3; and

7. To transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

The board of directors of EPIX has fixed June 28, 2006 as the record date for the determination of stockholders entitled to notice of, and to vote at, the annual meeting and any adjournment or postponement thereof. Only holders of record of shares of EPIX common stock at the close of business on the record date are entitled to notice of, and to vote at, the annual meeting. At the close of business on the record date, EPIX had shares of common stock outstanding and entitled to vote.

Your vote is important. The affirmative vote of the holders of a majority of the shares present at the EPIX annual meeting is required for approval of Proposal Nos. 1, 5 and 6 above. The affirmative vote of the holders

of a majority of the outstanding common stock on the record date is required for approval of Proposal Nos. 2 and 3. The affirmative vote of a plurality of the votes cast at the EPIX annual meeting is required for approval of Proposal No. 4. Even if you plan to attend the annual meeting in person, we request that you sign and return the enclosed proxy and thus ensure that your shares will be represented at the annual meeting if you are unable to attend. If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote in favor of Proposal Nos. 1 through 7. If you fail to return your proxy card, the effect will be a vote against the adoption of Proposal Nos. 2 and 3 and your shares will not be counted for purposes of determining whether a quorum is present at the annual meeting. If you do attend the EPIX annual meeting and wish to vote in person, you may withdraw your proxy and vote in person.

By Order of the Board of Directors,

Andrew C.G. Uprichard, M.D.
President and Chief Operating Officer
EPIX Pharmaceuticals, Inc.

Cambridge, Massachusetts
, 2006

Table of Contents

THE EPIX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT THE ISSUANCE OF SHARES OF EPIX COMMON STOCK IN THE MERGER IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, EPIX AND ITS STOCKHOLDERS AND HAS APPROVED SUCH ISSUANCE. THE EPIX BOARD OF DIRECTORS RECOMMENDS THAT EPIX STOCKHOLDERS VOTE FOR PROPOSAL NO. 1 TO APPROVE THE ISSUANCE OF SHARES OF EPIX COMMON STOCK IN THE MERGER AND APPROVE THE MERGER.

THE EPIX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT AN AMENDMENT TO EPIX S RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 40,000,000 SHARES TO 100,000,000 SHARES, WHICH REPRESENTS AN ADDITIONAL 60,000,000 SHARES, IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, EPIX AND ITS STOCKHOLDERS AND HAS APPROVED SUCH AMENDMENT. THE EPIX BOARD OF DIRECTORS RECOMMENDS THAT EPIX STOCKHOLDERS VOTE FOR PROPOSAL NO. 2 TO APPROVE AN AMENDMENT TO EPIX S RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 40,000,000 SHARES TO 100,000,000 SHARES. THE APPROVAL OF PROPOSAL NO. 2 MAY BE NECESSARY TO ENABLE EPIX TO ISSUE THE REQUIRED NUMBER OF SHARES OF EPIX COMMON STOCK TO PREDIX STOCKHOLDERS, OPTION HOLDERS AND WARRANT HOLDERS IN CONNECTION WITH THE MERGER.

THE EPIX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT AUTHORIZING THE EPIX BOARD OF DIRECTORS TO AMEND IN ITS DISCRETION EPIX S RESTATED CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF EPIX S ISSUED AND OUTSTANDING SHARES OF COMMON STOCK, AT SUCH RATIO TO BE DETERMINED BY THE EPIX BOARD OF DIRECTORS, IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, EPIX AND ITS STOCKHOLDERS AND HAS APPROVED SUCH AUTHORIZATION. THE EPIX BOARD OF DIRECTORS RECOMMENDS THAT EPIX STOCKHOLDERS VOTE FOR PROPOSAL NO. 3 TO AUTHORIZE THE EPIX BOARD OF DIRECTORS TO AMEND IN ITS DISCRETION EPIX S RESTATED CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF EPIX S ISSUED AND OUTSTANDING SHARES OF COMMON STOCK, AT SUCH RATIO TO BE DETERMINED BY THE EPIX BOARD OF DIRECTORS. THE APPROVAL OF PROPOSAL NO. 3 MAY BE NECESSARY FOR EPIX TO MAINTAIN ITS ELIGIBILITY FOR TRADING ON THE NASDAQ NATIONAL MARKET AFTER COMPLETION OF THE MERGER, WHICH IS A CONDITION TO CONSUMMATION OF THE MERGER.

THE EPIX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT THE ELECTION OF TWO DIRECTORS FOR A THREE-YEAR TERM TO EXPIRE AT THE 2009 ANNUAL MEETING OF STOCKHOLDERS IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, EPIX AND ITS STOCKHOLDERS AND HAS APPROVED AND ADOPTED THE PROPOSAL. THE EPIX BOARD OF DIRECTORS RECOMMENDS THAT EPIX STOCKHOLDERS VOTE FOR PROPOSAL NO. 4 TO ELECT TWO DIRECTORS FOR A THREE-YEAR TERM TO EXPIRE AT THE 2009 ANNUAL MEETING OF STOCKHOLDERS; PROVIDED, HOWEVER, THAT, IF THE MERGER IS COMPLETED, THE EPIX BOARD OF DIRECTORS WILL CONSIST OF THE NINE PERSONS IDENTIFIED IN THE ACCOMPANYING JOINT PROXY STATEMENT/ PROSPECTUS

THE EPIX BOARD OF DIRECTORS HAS DETERMINED THAT THE RATIFICATION OF THE SELECTION OF ERNST & YOUNG LLP AS EPIX S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2006 IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, EPIX AND ITS STOCKHOLDERS AND HAS APPROVED SUCH RATIFICATION. THE EPIX BOARD OF DIRECTORS RECOMMENDS THAT EPIX STOCKHOLDERS VOTE FOR PROPOSAL NO. 5 TO RATIFY THE SELECTION OF ERNST & YOUNG LLP AS EPIX S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2006.

THE EPIX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT ADJOURNING THE EPIX ANNUAL MEETING, IF NECESSARY, IF A QUORUM IS PRESENT, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF PROPOSAL NOS. 1, 2 AND 3 IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, EPIX AND ITS STOCKHOLDERS AND HAS APPROVED AND ADOPTED THE PROPOSAL. THE EPIX BOARD OF DIRECTORS RECOMMENDS THAT EPIX STOCKHOLDERS VOTE FOR PROPOSAL NO. 6 TO ADJOURN THE EPIX ANNUAL MEETING, IF NECESSARY, IF A QUORUM IS PRESENT, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF PROPOSAL NOS. 1, 2 AND 3.

4 Maguire Road
Lexington, Massachusetts 02421
(781) 372-3260

NOTICE OF SPECIAL MEETING OF PREDIX STOCKHOLDERS
TO BE HELD ON , 2006

To the Stockholders of Predix Pharmaceuticals Holdings, Inc.:

On behalf of the board of directors of Predix Pharmaceuticals Holdings, Inc., a Delaware corporation, we are pleased to deliver this joint proxy statement/ prospectus for the proposed merger combining EPIX Pharmaceuticals, Inc. and Predix. A special meeting of stockholders of Predix will be held on , 2006 at 9:00 a.m., local time, at the offices of Goodwin Procter LLP, Exchange Place, Boston, Massachusetts, 02109 for the following purposes:

1. To consider and vote on a proposal to approve and adopt the Agreement and Plan of Merger, dated as of April 3, 2006, by and among EPIX Pharmaceuticals, Inc., EPIX Delaware, Inc., a wholly-owned subsidiary of EPIX, and Predix Pharmaceuticals Holdings, Inc., and approve the merger of Predix Pharmaceuticals Holdings, Inc. with and into EPIX Delaware, Inc.;

2. To consider and vote on a proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve and adopt the merger agreement and to approve the merger; and

3. To transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

The board of directors of Predix has fixed June 28, 2006 as the record date for the determination of stockholders entitled to notice of, and to vote at, the special meeting and any adjournment or postponement thereof. Only holders of record of shares of Predix common stock and holders of record of shares of Predix preferred stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting. Holders of Predix preferred stock vote on an as-converted to Predix common stock basis. At the close of business on the record date, Predix had outstanding and entitled to vote (a) shares of common stock and (b) 273,203,492 shares of preferred stock, consisting of 76,771,672 shares of Series AB preferred stock, which are convertible into 4,265,060 shares of Predix common stock and 196,431,820 shares of Series C preferred stock, which are convertible into 10,912,838 shares of Predix common stock.

Your vote is important. The affirmative vote of the holders of: (a) a majority of the common stock and the preferred stock voting as a single class (on an as-converted to Predix common stock basis); (b) 60% of the preferred stock voting as a single class (on an as-converted to Predix common stock basis), and (c) $66^{2}/3$% of the shares of the Series C preferred stock (on an as-converted to Predix common stock basis), in each case, outstanding on the record date, is required for approval of Proposal No. 1 above. The affirmative vote of the holders of a majority of the outstanding common stock and the preferred stock voting as a single class on an as-converted to Predix common stock basis on the record date is required for approval of Proposal Nos. 2 and 3 above. Even if you plan to attend the special meeting in person, we request that you sign and return the enclosed proxy and thus ensure that your shares will be represented at the special meeting if you are unable to attend. If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote in favor of the approval and adoption of the merger agreement and the approval of the merger and an adjournment of the Predix special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal No. 1. If you fail to return your proxy card,

Table of Contents

the effect will be a vote against the approval and adoption of the merger agreement and the approval of the merger and your shares will not be counted for purposes of determining whether a quorum is present at the Predix special meeting. If you do attend the Predix special meeting and wish to vote in person, you may withdraw your proxy and vote in person.

By Order of the Board of Directors,

Michael G. Kauffman, M.D., Ph.D.
President and Chief Executive Officer
Predix Pharmaceuticals Holdings, Inc.

Lexington, Massachusetts
, 2006

THE PREDIX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT THE MERGER IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, PREDIX AND ITS STOCKHOLDERS AND HAS APPROVED THE MERGER AND THE MERGER AGREEMENT. THE PREDIX BOARD OF DIRECTORS RECOMMENDS THAT PREDIX STOCKHOLDERS VOTE FOR PROPOSAL NO. 1 TO APPROVE AND ADOPT THE MERGER AGREEMENT AND TO APPROVE THE MERGER AND FOR PROPOSAL NO. 2 TO ADJOURN THE SPECIAL MEETING, IF NECESSARY, IF A QUORUM IS PRESENT, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF PROPOSAL NO. 1.

TABLE OF CONTENTS

Table of Contents

Table of Contents

Table of Contents

The following annexes also constitute part of this joint proxy statement/ prospectus:

QUESTIONS AND ANSWERS ABOUT THE MERGER

Except where specifically noted, the following information and all other information contained in this joint proxy statement/prospectus does not give effect to any reverse stock split described in EPIX s Proposal No. 3.

The following section provides answers to frequently asked questions about the effect of the merger on the holders of EPIX common stock and Predix common stock, preferred stock, warrants and stock options. EPIX and Predix urge you to read carefully the remainder of this joint proxy statement/ prospectus, including the documents attached to this joint proxy statement/ prospectus, because the information in this section does not provide all the information that might be important to you regarding the merger and the other matters being considered at the EPIX annual meeting and the Predix special meeting.

Q: Why are EPIX and Predix proposing the merger? (See pages 69 and 79)

A: EPIX and Predix are proposing the merger because they believe the resulting combined company will be a stronger, more diverse company with more growth potential than either company would have separately.

EPIX and Predix believe that the merger may result in a number of benefits, including:

- a broader, more balanced portfolio of product candidates, with significant market potential;
- the opportunity for each company s stockholders to participate in the potential growth of the combined company after the merger; and
- a seasoned management team and significant financial resources.

Q: Why am I receiving this joint proxy statement/ prospectus?

A: You are receiving this joint proxy statement/ prospectus because you have been identified as a stockholder of either EPIX or Predix, and thus you are entitled to vote at EPIX s annual meeting or Predix s special meeting, as the case may be. This document serves as both a joint proxy statement of EPIX and Predix, used to solicit proxies for the stockholder meetings, and as a prospectus of EPIX, used to offer shares of EPIX common stock in exchange for shares of Predix common stock and preferred stock pursuant to the terms of the merger agreement. This document contains important information about the merger and the stockholder meetings of EPIX and Predix, and you should read it carefully.

Q: What will a Predix stockholder receive in exchange for Predix stock in the merger? (See pages 61 and 88)

A: Each Predix stockholder will receive 1.239411 shares of EPIX common stock, subject to adjustment to account for the reverse stock split if implemented, for each share of Predix common stock or preferred stock (on an as-converted to Predix common stock basis) that they own, and cash in lieu of fractional shares. We refer to this as the exchange ratio. In approving the merger agreement, the holders of Predix preferred stock will be agreeing to accept the merger consideration as set forth in the merger agreement in lieu of any liquidation preferences that they would be entitled to under the Predix restated certificate of incorporation, as amended, prior to the consummation of the merger.

In addition, EPIX will make a milestone payment to Predix stockholders, option holders and warrant holders in an aggregate amount of $35 million upon the occurrence of certain events. EPIX may elect to make the milestone payment in cash or shares of EPIX common stock, or any combination thereof. The milestone payment will be allocated and paid to each holder of Predix shares, options and warrants at the time of the merger, on a pro rata basis assuming that each Predix warrant and option (whether or not vested) was exercised in full immediately prior to the merger.

In no event will the shares of EPIX common stock issuable at the effective time of the merger, including the shares of EPIX common stock issuable upon exercise of Predix options and warrants assumed by EPIX in the merger, exceed 49.99% of the outstanding EPIX common stock immediately after the effective time of the merger. In addition, in no event may the milestone be paid in shares of

EPIX common stock to the extent that such shares would exceed 49.99% of the outstanding shares of EPIX common stock immediately after such milestone payment, when combined with all shares of EPIX common stock issued in the merger and issuable upon exercise of all Predix options and warrants assumed by EPIX in the merger.

Q: What events will trigger the milestone payment from EPIX? (See pages 61 and 89)

A: Predix stockholders, option holders and warrant holders will receive the milestone payment within 90 days following the occurrence, as determined by the non-Predix members of the combined company s board of directors, of any of the following events between the date of this joint proxy statement/ prospectus and June 30, 2008:

receipt of statistically significant final results from a randomized, placebo- or active comparator controlled, double-blinded Phase II or Phase III clinical trial of:

PRX-00023 for the treatment of generalized anxiety disorder, depression, attention-deficit hyperactivity disorder or other neuropsychiatric disorder with at least 100 patients;

PRX-03140 for the treatment of Alzheimer s disease or other cognitive disorders with at least 60 patients;

PRX-08066 for the treatment of pulmonary artery hypertension, chronic obstructive pulmonary disease or a different indication with at least 60 patients;

PRX-07034 for the treatment of obesity, cognitive disorders or a different indication with at least 60 patients; or

entering into a strategic partnership for any Predix drug candidate, which provides milestone and research funding payments of more than $50 million, of which $20 million must be in unrestricted cash received by June 30, 2008 through non-refundable license fees, research funding payments, and/or premiums paid in connection with an equity investment by the strategic partner within 60 days following entry into the strategic partnership.

Table of Contents

Q: If triggered, when will the milestone payment be made? (See pages 61 and 90)

A: The milestone payment will be paid within 90 days after the achievement of a milestone event, at the option of the non-Predix members of the combined company s board of directors either:

- in cash, shares of EPIX common stock or any combination thereof with the number of such shares to be issued determined based on the five-day average closing price of EPIX common stock on The NASDAQ National Market ending on the trading day that is ten days prior to the payment date; or

- $20 million payable in accordance with the preceding bullet and $15 million payable on the date that is 12 months after the payment of the initial $20 million in shares of EPIX common stock, with the number of such shares to be issued determined based on 75% of the 30-day average closing price of EPIX common stock on The NASDAQ National Market ending on the trading day that is ten days prior to the payment date. If, as a result of the 49.99% limitation described below, the entire $15 million payment cannot be made in shares of EPIX common stock, the balance will be paid in cash plus interest calculated from the milestone payment date at the rate of 10% per year.

In no event may the milestone be paid in shares of EPIX common stock to the extent that such shares would exceed 49.99% of the outstanding shares of EPIX common stock immediately after such milestone payment, when combined with all shares of EPIX common stock issued in the merger and issuable upon exercise of all Predix options and warrants assumed by EPIX in the merger. As a result of this limitation, if the milestone payment is triggered before EPIX issues a significant number of new shares of its capital stock or before consummation of the merger, all or a substantial portion of the milestone payment will be paid in cash. Additionally, the milestone will be paid in cash to the holders of Predix options and warrants assumed by EPIX in the merger.

Q: Who will be the directors of EPIX following the merger? (See page 102)

A: Following the merger, the board of directors of EPIX will consist of nine members, of which five will be designated by EPIX and four will be designated by Predix. The following individuals are expected to comprise the EPIX board of directors after the merger:

Christopher F.O. Gabrieli, Chairman
Patrick J. Fortune, Ph.D.
Frederick Frank
Michael Gilman, Ph.D.
Michael G. Kauffman, M.D., Ph.D.
Mark Leuchtenberger
Gregory D. Phelps
Ian F. Smith, CPA, ACA

In addition, the board of directors of EPIX after the merger is expected to have one additional member designated by EPIX who has not yet been identified.

Table of Contents

Q: Who will manage EPIX following the merger? (See page 102)

A: Following the merger, the management team and key employees of EPIX will be comprised of certain key employees and members of both EPIX s and Predix s respective management teams prior to the merger and is expected to include the following individuals:

Name	Position in the Combined Company	Current Position
Michael G. Kauffman, M.D., Ph.D.	Chief Executive Officer and Director	Predix s President and Chief Executive Officer
Andrew C.G. Uprichard, M.D.	President	EPIX s President and Chief Operating Officer
Kimberlee C. Drapkin, CPA	Chief Financial Officer	Predix s Chief Financial Officer
Oren Becker, Ph.D.	Chief Scientific Officer	Predix s Chief Scientific Officer
Stephen R. Donahue M.D.	Vice President of Clinical & Regulatory Affairs	Predix s Vice President of Clinical and Regulatory Affairs
Philip Graham, Ph.D.	Vice President of Product Management and Imaging	EPIX s Vice President of Program Management
Silvia Noiman, Ph.D.	Senior Vice President of Pipeline Management, General Manager Israel	Predix s Senior Vice President of Pipeline Management, General Manager Israel
Chen Schor, CPA	Chief Business Officer	Predix s Chief Business Officer
Sharon Shacham, Ph.D.	Vice President of Preclinical Development and Product Leadership	Predix s Vice President of Preclinical Development and Product Leadership
Brenda Sousa	Vice President of Human Resources	EPIX s Vice President of Human Resources

Q: What stockholder approval is needed to complete the merger? (See pages 57 and 59)

A: To consummate the merger, EPIX stockholders must approve the issuance of shares of EPIX common stock in the merger and approve the merger, which requires the affirmative vote of the holders of a majority of the shares present at the EPIX annual meeting, whether in person or by proxy. In addition, to ensure EPIX has sufficient shares of EPIX common stock authorized to issue in connection with the merger and to enable EPIX to meet the listing requirements of The NASDAQ National Market after the merger. EPIX is seeking stockholder approval of each of the following: (a) the amendment to EPIX s restated certificate of incorporation increasing the number of authorized shares of EPIX common stock, which requires the affirmative vote of the holders of a majority of the outstanding shares of EPIX common stock as of the record date and (b) the authorization of the EPIX board of directors to amend in its discretion EPIX s restated certificate of incorporation to effect a reverse stock split of the issued and outstanding shares of EPIX common stock at a ratio of between 1:1.25 to 1:4, which requires the affirmative vote of the holders of a majority of the outstanding shares of EPIX common stock as of the record date. As discussed in more detail in this joint proxy statement/prospectus, the approval of authorization to implement the reverse stock split will be necessary to complete the merger only if the trading price of EPIX common stock on The NASDAQ National Market is below $5.00 per share upon closing of the merger. The EPIX board of directors, however, is seeking approval of both actions at the EPIX annual meeting to ensure that all actions necessary to consummate the merger are obtained at that time. Additionally, the EPIX board of directors expects to amend EPIX s restated certificate of incorporation to increase the number of authorized shares of EPIX common stock, if approved, whether or not it is necessary to consummate the merger.

In addition, Predix stockholders must vote to approve and adopt the merger agreement and to approve the merger, which requires the affirmative vote of the holders of: (a) a majority of the Predix common stock and preferred stock voting as a single class (on an as-converted to Predix common stock basis); (b) 60% of the Predix preferred stock voting as a single class (on an as-converted to Predix common stock basis), and (c) $66^{2}/3$ % of the shares of Predix Series C preferred stock (on an as-converted to

Predix common stock basis), in each case, outstanding on the record date for the Predix special meeting.

In addition to obtaining stockholder approval, each of the other closing conditions set forth in the merger agreement must be satisfied or waived. For a more complete description of the closing conditions under the merger agreement, we urge you to read the section entitled The Merger Agreement Conditions to the Completion of the Merger on page 96 of this joint proxy statement/ prospectus.

Q: What do I need to do now? (See pages 54 and 58)

A: After carefully reading and considering the information contained in and incorporated into this joint proxy statement/ prospectus, please submit your proxy card according to the instructions on the enclosed proxy card as soon as possible. If you do not submit a proxy card or attend the special meeting and vote in person, your shares will not be represented or voted at the meeting.

Q: Will the merger trigger the recognition of gain or loss for U.S. federal income tax purposes for Predix stockholders? (See page 82)

A: The closing of the merger is conditioned upon the receipt by Predix and EPIX of opinions that the merger will constitute a reorganization for U.S. federal income tax purposes. Assuming the merger does constitute a reorganization, subject to the limitations and qualifications described in The Merger Material United States Federal Income Tax Consequences of the Merger, each Predix stockholder generally will recognize gain, but not loss, for federal income tax purposes under the installment method at the time of any cash milestone payment in the aggregate amount equal to the lesser of (a) the amount of cash such Predix stockholder receives in the merger or (b) the amount, if any, by which the sum of (i) the fair market value of any EPIX common stock such Predix stockholder receives, and (ii) the amount of cash such Predix stockholder receives in the merger, exceeds such Predix stockholder s adjusted tax basis in its shares of Predix common stock or preferred stock, as applicable, and will be required to include the amount of the gain in such stockholder s gross income for federal income tax purposes for the year in which the holder receives the cash milestone payment attributable to the gain. Under the installment method, a Predix stockholder will not recognize any gain in the merger until any cash milestone payment is made. However, a Predix stockholder electing out of the application of the installment method will be required to recognize gain at the closing in the amount equal to the lesser of (a) the fair market value of the milestone payment obligation such Predix stockholder receives in the merger or (b) the amount, if any, by which the sum of (i) the fair market value of any EPIX common stock such Predix stockholder receives, and (ii) the fair market value of the milestone payment obligation such Predix stockholder receives, exceeds such Predix stockholder s adjusted tax basis in its shares of Predix stock surrendered in the merger. Any cash received in lieu of a fractional share of EPIX common stock will be treated separately for federal income tax purposes. The tax consequences to Predix stockholders will depend on each stockholder s own circumstances. Each Predix stockholder should consult with his, her or its tax advisor for a full understanding of the tax consequences of the merger to that stockholder.

Q: How does the EPIX Board of Directors recommend that I vote?

A: After careful consideration, the EPIX board of directors recommends that EPIX stockholders vote:

FOR Proposal No. 1 to approve the issuance of shares of EPIX common stock in the merger and approve the merger;

FOR Proposal No. 2 to approve an amendment to EPIX s amended and restated certificate of incorporation to increase the number of authorized shares of common stock from 40,000,000 shares to 100,000,000 shares;

FOR Proposal No. 3 to authorize the EPIX board of directors to amend in its discretion EPIX s restated certificate of incorporation to effect a reverse stock split of EPIX s issued and outstanding shares of common stock, at such ratio to be determined by the EPIX board of directors;

FOR Proposal No. 4 to elect two directors for a three-year term to expire at the 2009 annual meeting of stockholders; provided, however, that if the merger is completed, the EPIX board of directors will consist of the nine persons identified in this joint proxy statement/ prospectus;

Table of Contents

FOR Proposal No. 5 to ratify the selection of Ernst & Young LLP as EPIX s independent registered public accounting firm for the fiscal year ending December 31, 2006; and

FOR Proposal No. 6 to adjourn the annual meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal Nos. 1, 2 and 3.

Q: How does the Predix Board of Directors recommend that I vote?

A: After careful consideration, the Predix board of directors recommends that Predix stockholders vote:

FOR Proposal No. 1 to approve and adopt the merger agreement and to approve the merger; and

FOR Proposal No. 2 to adjourn the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal No. 1.

Q: What risks should I consider in deciding whether to vote in favor of the share issuance, approval of the merger, the amendment to EPIX s restated certificate of incorporation, the approval and adoption of the merger agreement and the authorization of the EPIX board of directors to effect a reverse stock split?

A: You should carefully review the section of this joint proxy statement/ prospectus entitled Risk Factors beginning on page 20, which sets forth certain risks and uncertainties related to the merger and risks and uncertainties to which the combined company s business will be subject, including the individual businesses of each of EPIX and Predix.

Q: What happens if I do not return a proxy card or otherwise provide proxy instructions?

A: If you are an EPIX stockholder, the failure to return your proxy card or otherwise provide proxy instructions could be a factor in establishing a quorum for the annual meeting of EPIX stockholders. In addition, the failure to return your proxy card or otherwise provide instructions will have the same effect as voting against Proposal No. 2, the amendment of EPIX s restated certificate of incorporation to increase the authorized shares of EPIX common stock, the approval of which may be necessary to enable EPIX to issue shares of EPIX common stock to Predix stockholders, option holders and warrant holders in connection with the merger, and Proposal No. 3, the authorization of the EPIX board of directors to amend in its discretion EPIX s restated certificate of incorporation to effect a reverse stock split of EPIX s issued and outstanding shares of common stock, at such ratio to be determined by the EPIX board of directors, which may be necessary for EPIX to maintain its eligibility for trading on The NASDAQ National Market after completion of the merger. If you are a Predix stockholder, the failure to return your proxy card or otherwise provide proxy instructions will have the same effect as voting against the approval and adoption of the merger agreement and the approval of the merger, and could be a factor in establishing a quorum for the special meeting of Predix stockholders.

Q: May I vote in person?

A: If your shares of EPIX common stock on the record date are registered directly in your name with EPIX s transfer agent you are considered, with respect to those shares, the stockholder of record, and the proxy materials and proxy card are being sent directly to you by EPIX. If you are an EPIX stockholder of record, you may attend the annual meeting of EPIX stockholders to be held on , 2006 and vote your shares in person, rather than signing and returning your proxy card or otherwise providing proxy instructions. Each Predix stockholder on the record date is a stockholder of record and may attend the special meeting of Predix stockholders to be held on , 2006 and vote your shares in person, rather than signing and returning your proxy card or otherwise providing proxy instructions. All EPIX and Predix stockholders are requested to return their proxy cards, even if they intend to vote in person.

Q: May I change my vote after I have provided proxy instructions?

A: Yes. You may change your vote at any time before your proxy is voted at either the annual meeting of EPIX stockholders or the special meeting of Predix stockholders. You can do this in one of three ways.

First, you can send a written notice stating that you would like to revoke your proxy. Second, you can submit new proxy instructions either on a new proxy card and if you are an EPIX stockholder also, by telephone or via the Internet. Third, you can attend the meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares of EPIX common stock, you must follow directions received from your broker to change those instructions.

Q: Have any Predix stockholders entered into lock-up agreements?

A: EPIX expects to obtain lock-up agreements from the officers, directors and certain stockholders of Predix covering an aggregate of approximately 9,049,530 Predix shares (on an as-converted to Predix common stock basis), or approximately 56% of Predix s outstanding shares, which agreements prohibit the sale, transfer, pledge or other disposition with respect to EPIX common stock for up to 180 days following the consummation of the merger as follows: (a) one-third (1/3) of such holder s restricted shares will be released from the lock-up after the 90th day following the consummation of the merger; (b) an additional one-third (1/3) of such holder s restricted shares will be released from the lock-up after the 120th day following the consummation of the merger; and (c) the remaining one-third (1/3) of such holder s restricted shares will be released from the lock-up after the 180th day following the consummation of the merger.

In addition, prior to the closing, EPIX expects to obtain affiliate agreements from the holders of approximately 9,049,530 Predix shares (on an as-converted to Predix common stock basis), representing approximately 56% of Predix outstanding shares (on an as-converted to Predix common stock basis) as of such date. These agreements prohibit the sale, transfer or other disposition with respect to EPIX s common stock in violation of the Securities Act of 1933, as amended, or the rules and regulations thereunder.

Q: Have any EPIX stockholders entered into lock-up agreements?

A: Yes. The chairman of the board of directors of EPIX, Christopher F.O. Gabrieli, has agreed to enter into the same lock-up agreement as certain Predix stockholders with respect to his shares of EPIX common stock.

Q: Will Predix stockholders be able to trade the EPIX common stock that they receive in the merger? (See page 86)

A: EPIX has filed an initial listing application with The NASDAQ National Market pursuant to the Reverse Merger rules of The NASDAQ National Market. If such application is accepted, EPIX anticipates that its common stock will continue to be listed on The NASDAQ National Market following the completion of the merger under its current trading symbol EPIX. It is a condition to Predix s consummation of the merger that EPIX maintain the listing of its common stock on The NASDAQ National Market.

Subject to the lock-up agreements discussed herein, all shares of EPIX common stock issued to Predix stockholders, other than Predix stockholders who are deemed to be affiliates of Predix, will be freely tradable following the merger. EPIX has agreed to file a registration statement with respect to these shares of EPIX common stock to be issued in the merger to persons who are deemed to be affiliates of Predix. As a result, these shares will also be freely tradable upon the effectiveness of this registration statement, subject only to certain prospectus delivery requirements and the terms of the lock-up agreements described herein, if applicable.

Q: Who is paying for this proxy solicitation?

A: EPIX and Predix are conducting this proxy solicitation and will bear the cost of soliciting proxies, including the preparation, assembly, printing and mailing of this joint proxy statement/ prospectus, the proxy card and any additional information furnished to stockholders of EPIX and Predix. EPIX may also reimburse brokerage houses and other custodians, nominees and fiduciaries for their costs of forwarding proxy and solicitation materials to beneficial owners.

Q: When do you expect the merger to be completed?

A: EPIX and Predix are working to complete the merger as quickly as possible. EPIX and Predix expect to complete the merger by the end of July 2006.

Table of Contents

Q: Should Predix stockholders send in their stock certificates now? (See page 90)

A: No. After the merger is completed, EPIX will send you written instructions for exchanging your Predix stock certificates for EPIX stock certificates.

Q: Whom should I call with questions? (See page 242)

A: If you are an EPIX stockholder and would like additional copies, without charge, of this joint proxy statement/ prospectus or if you have questions about the merger, including the procedures for voting your shares, you should contact:

EPIX Pharmaceuticals, Inc.
Attn: Investor Relations
161 First Street
Cambridge, Massachusetts 02142
(617) 250-6000
E-mail: ahedison@epixpharma.com

If you are a Predix stockholder and would like additional copies, without charge, of this joint proxy statement/ prospectus or if you have questions about the merger, including the procedures for voting your shares, you should contact:

Predix Pharmaceuticals Holdings, Inc.
Attn: Investor Relations
4 Maguire Road
Lexington, Massachusetts 02421
(781) 372-3260
E-mail: investors@predixpharm.com

Table of Contents

SUMMARY OF THE JOINT PROXY STATEMENT/ PROSPECTUS

This summary highlights selected information from this joint proxy statement/ prospectus and may not contain all of the information that is important to you.

You should carefully read this entire document and the other documents EPIX and Predix refer to for a more complete understanding of the merger. This summary and the balance of this document contain forward-looking statements about events that are not certain to occur, and you should not place undue reliance on those statements. Please carefully read Cautionary Information Regarding Forward-Looking Statements on page 19 of this document.

Except where specifically noted, the following information and all other information contained in this joint proxy statement/prospectus does not give effect to any reverse stock split described in EPIX s Proposal No. 3.

This joint proxy statement/ prospectus contains trademarks, trade names, service marks and service names of EPIX, Predix and other companies.

The Companies (See pages 135 and 168)

EPIX Pharmaceuticals, Inc.

EPIX is a pharmaceutical company focused on the discovery and development of innovative specialty pharmaceuticals for imaging that are designed to transform the diagnosis, treatment and monitoring of disease. Using its proprietary Target Visualization Technology, EPIX creates imaging agents targeted at the molecular level. These agents are designed to enable physicians to use magnetic resonance imaging, or MRI, to obtain detailed information about specific disease processes. MRI has been established as the imaging technology of choice for a broad range of applications, including the identification and diagnosis of a variety of medical disorders. MRI is safe, relatively cost-effective and provides three-dimensional images that enable physicians to diagnose and manage disease in a minimally invasive manner.

EPIX s principal executive offices are located at 161 First Street, Cambridge, Massachusetts 02142, and its telephone number is (617) 250-6000. EPIX s website address is http://www.epixpharma.com. EPIX s website is a factual reference and it is not intended to be an active link to the website, and the information contained in the website is not a part of this joint proxy statement/ prospectus.

EPIX Delaware, Inc.

EPIX Delaware, Inc. is a wholly-owned subsidiary of EPIX that was recently incorporated in Delaware solely for the purpose of the merger. It does not conduct any business and has no material assets. Its principal executive offices have the same address and telephone number as EPIX set forth above.

Predix Pharmaceuticals Holdings, Inc.

Predix is a privately-held pharmaceutical company focused on the discovery and development of novel, highly selective, small-molecule drugs that target G-Protein Coupled Receptors and ion channels. Predix has progressed four drug candidates into clinical trials, one of which commenced a Phase I clinical trial on June 2, 2006, and has five additional programs in pre-clinical development or discovery. Predix is expecting to complete the first of at least two pivotal Phase III clinical trials for generalized anxiety disorder, for its lead drug candidate, PRX-00023, and receive initial data for this trial in the second half of 2006. Predix completed a Phase IIa clinical trial of PRX-00023 in this indication in July 2005. Predix has two other clinical-stage drug candidates that have completed Phase I clinical trials: PRX-03140 for the treatment of Alzheimer s disease that is expected to enter Phase II clinical trials in the second half of 2006, and PRX-08066 for the treatment of two types of pulmonary hypertension, which are pulmonary hypertension associated with chronic obstructive pulmonary disease that is expected to enter Phase II clinical trials in the second half of 2006, and pulmonary arterial hypertension. In addition, on June 2, 2006, Predix commenced a Phase I clinical trial of its PRX-07034 drug candidate for the treatment of obesity and cognitive impairment (associated with Alzheimer s disease or schizophrenia).

Predix s principal executive offices are located at 4 Maguire Road, Lexington, Massachusetts 02421, and its telephone number is (781) 372-3260. Predix s website address is http://www.predixpharm.com. Predix s website is a factual reference and it is not intended to be an active link to the website, and the information contained in the website is not a part of this joint proxy statement/ prospectus.

The Combined Company

At the effective time of the merger, EPIX stockholders will retain approximately 53% of the outstanding stock of the combined company, and the former Predix stockholders will own approximately 47% of the outstanding stock of the combined company, based on the number of shares of EPIX common stock and Predix common stock and preferred stock outstanding as of the date of the merger agreement. EPIX will also assume all outstanding Predix options and warrants in the merger. The combined company s board of directors is expected to consist of five directors designated by EPIX and four Predix directors designated by Predix. In addition, the management team of the combined company will consist of certain current members of both EPIX and Predix. Predix s principal executive office is expected to be the combined company s executive principal office.

Risks Associated with the Merger and the Combined Company, EPIX and Predix (See page 20)

The merger poses a number of risks to each company and its respective stockholders. In addition, both EPIX and Predix s businesses and industries are subject to various risks. These risks are discussed in detail under the caption Risk Factors beginning on page 20. You are encouraged to read and consider all of these risks carefully.

Stockholder Meetings

The EPIX Annual Meeting (See page 54)

Time, Date and Place. The annual meeting of the stockholders of EPIX will be held on , 2006, at the offices of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts, at 10:00 a.m., local time, to vote on Proposal No. 1 to approve the issuance of shares of EPIX common stock in the merger and approve the merger, Proposal No. 2 to approve an amendment to EPIX s restated certificate of incorporation to increase the number of authorized shares of common stock from 40,000,000 shares to 100,000,000 shares, Proposal No. 3 to authorize the EPIX board of directors to amend in its discretion EPIX s restated certificate of incorporation to effect a reverse stock split of EPIX s issued and outstanding shares of common stock, at such ratio to be determined by the EPIX board of directors, Proposal No. 4 to elect two directors for a three-year term to expire at the 2009 annual meeting of stockholders; provided, however, that, if the merger is completed, the EPIX board of directors will consist of the nine persons identified in this joint proxy statement/ prospectus, Proposal No. 5 to ratify the selection of Ernst & Young LLP as EPIX s independent registered public accounting firm for the fiscal year ending December 31, 2006, and Proposal No. 6 to adjourn the annual meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal Nos. 1, 2 and 3.

Record Date and Voting Power for EPIX. You are entitled to vote at the EPIX annual meeting if you owned shares of EPIX common stock at the close of business on June 28, 2006, the record date for the EPIX annual meeting. You will have one vote at the annual meeting for each share of EPIX common stock you owned at the close of business on the record date. There are shares of EPIX common stock entitled to vote at the annual meeting.

EPIX Required Vote. The affirmative vote of the holders of a majority of the shares present at the EPIX annual meeting, whether in person or by proxy, is required for approval of Proposal Nos. 1, 5 and 6 above. The affirmative vote of the holders of a majority of the outstanding shares of EPIX common stock on the record date is required for approval of Proposal Nos. 2 and 3. The affirmative vote of a plurality of the votes cast in person or by proxy at the EPIX annual meeting is required for approval of Proposal No. 4.

Share Ownership of Management. As of June 28, 2006, the directors and executive officers of EPIX, together with their affiliates, beneficially owned approximately 1.7% of the shares entitled to vote at the EPIX annual meeting.

The Predix Special Meeting (See page 58)

Time, Date and Place. The special meeting of the stockholders of Predix will be held on , 2006, at the offices of Goodwin Procter LLP, Exchange Place, Boston, Massachusetts, at 9:00 a.m., local time, to vote on Proposal No. 1 to approve and adopt the merger agreement and approve of the merger and Proposal No. 2 to adjourn the Predix special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal No. 1.

Record Date and Voting Power for Predix. You are entitled to vote at the Predix special meeting if you owned shares of Predix common stock or preferred stock at the close of business on June 28, 2006, the record date for the special meeting. You will have one vote at the special meeting for each share of Predix common stock you owned at the close of business on the record date. You will also have one vote at the special meeting for each share of Predix common stock issuable upon conversion of the shares of Predix preferred stock you owned at the close of business on the record date. There are shares of Predix common stock and 15,177,898 shares of Predix preferred stock (on an as-converted to Predix common stock basis) entitled to vote at the Predix special meeting.

Predix Required Vote. The affirmative vote of the holders of (a) a majority of the Predix common stock and preferred stock voting as a single class (on an as-converted to Predix common stock basis), (b) 60% of the Predix preferred stock voting as a single class (on an as-converted to Predix common stock basis) and (c) $66^{2}/3$ % of the shares of Predix series C preferred stock (on as as-converted to Predix common stock basis), in each case, outstanding on the record date, is required for approval of Proposal No. 1. The affirmative vote of the holders of a majority of the Predix common shares and preferred shares voting as a single class is required for approval of Proposal No. 2.

Share Ownership of Management. As of June 28, 2006, the directors and executive officers of Predix, together with their affiliates, beneficially owned approximately % of the shares of Predix common stock and preferred stock, on an as-converted Predix common stock basis, entitled to vote at the Predix special meeting. Stockholders of Predix beneficially owning approximately 40% of the outstanding voting stock of Predix have agreed to vote their shares in favor of the approval and adoption of the merger agreement and the approval of the merger. Certain of these stockholders are affiliated with directors of Predix.

Recommendation to Stockholders

To EPIX Stockholders (See page 72). The EPIX board of directors has determined and believes that the issuance of shares of EPIX common stock in the merger and the merger and the other proposals described in this joint proxy statementprospectus are advisable to and in the best interest of EPIX and its stockholders. The EPIX board of directors recommends that the holders of EPIX common stock vote FOR Proposal Nos. 1 through 6 at the annual meeting of stockholders of EPIX.

To Predix Stockholders (See page 81). The Predix board of directors has determined and believes that the merger is advisable to, and in the best interest of, Predix and its stockholders. The Predix board of directors recommends that the Predix stockholders vote FOR Proposals No. 1 and 2 at the special meeting of stockholders of Predix.

Fairness Opinion Received by EPIX (See page 72)

Needham & Company, LLC delivered its opinion to the EPIX board of directors that, as of March 30, 2006, and based on and subject to the factors and assumptions set forth therein, the consideration to be paid by EPIX in the merger is fair to EPIX and the holders of EPIX common stock from a financial point of view.

The full text of the written opinion of Needham & Company, LLC, dated March 30, 2006, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this joint proxy statement/ prospectus as Annex C. Needham & Company, LLC provided its opinion for the information and assistance of the EPIX board of directors in connection with its consideration of the merger. The written opinion of Needham & Company, LLC is not a recommendation as to how any holder of EPIX common stock should vote with respect to the issuance of shares of EPIX common stock in the merger, the approval of the merger or the amendment to EPIX s restated certificate of incorporation. **EPIX urges you to read the entire opinion of Needham & Company, LLC carefully.**

Voting Agreements (See page 101)

The following stockholders of Predix entered into voting agreements with EPIX on April 3, 2006: Caduceus Private Investment, L.P., UBS PW Juniper Crossover Fund, L.L.C., Hare and Company FAO: Finsbury Worldwide Pharma, Yozma II (Israel) L.P., Yozma Venture Capital Ltd, YVC-Yozma Management & Investments Ltd., as trustee for Yozma II (B.V.I.) L.P., PCM Venture Capital L.P., Yamanouchi Venture Capital and PA International Limited. These entities represent an aggregate of approximately 40% of the outstanding voting shares of Predix (on an as-converted to Predix common stock basis). Each has agreed in the voting agreements to vote all shares of Predix common stock and preferred stock beneficially owned by each as of the record date in favor of the approval and adoption of the merger agreement and the approval of the merger. Each also granted EPIX an irrevocable proxy to vote their shares of Predix common stock and preferred stock in favor of the adoption of the merger agreement and the approval of the merger. Certain of these stockholders are affiliated with directors of Predix.

Interests of EPIX s Directors and Management (See page 86)

Some directors and management of EPIX have interests in the merger that are different from, and in addition to, the interests of EPIX stockholders generally.

Upon completion of the merger, Christopher F.O. Gabrieli, Michael Gilman, Ph.D., Mark Leuchtenberger and Gregory D. Phelps, each of whom is a current director of EPIX, are expected to remain members of the EPIX board of directors. In addition, certain executive officers and key employees of EPIX are expected to serve as executive officers or key employees of EPIX after the effective time of the merger and certain officers of EPIX will be entitled to bonuses upon completion of the merger and/or severance payments after completion of the merger.

Upon completion of the merger and the issuance of EPIX common stock in the merger, the directors and officers of EPIX will collectively beneficially own approximately 0.8% of the outstanding stock of EPIX, calculated on the basis set forth under EPIX Principal Stockholders.

Interests of Predix s Directors and Management (See page 86)

Some directors and management of Predix have interests in the merger that are different from, and in addition to, the interests of Predix stockholders generally.

Upon completion of the merger, Patrick J. Fortune, Ph.D, Frederick Frank, Michael G. Kauffman, M.D., Ph.D. and Ian F. Smith, CPA, ACA, each of whom is a current director of Predix, are expected to be members of the EPIX board of directors. In addition, certain executive officers and key employees of Predix are expected to serve as executive officers or key employees of EPIX at the effective time of the merger.

Moreover, Mr. Frank, the Chairman of Predix s board of directors, is also the Vice Chairman and a director of Lehman Brothers Inc., Predix s financial advisor in connection with the merger. In connection with the merger, Lehman Brothers is entitled to a fee of $2.0 million from Predix, the entire amount of which is contingent upon consummation of the transaction.

Certain of the stockholders of Predix who have entered into voting agreements with EPIX, agreeing to vote all of the shares beneficially owned by them in favor of approval and adoption of the merger agreement and approval of the merger, are affiliated with directors of Predix.

Pursuant to the merger agreement, upon completion of the merger, the combined company will honor Predix s existing obligations to indemnify its present and former directors, officers and employees to the same extent as provided in Predix s certificate of incorporation, by-laws or any applicable contract or agreement. The certificate of incorporation and by-laws of the combined company will provide for the indemnification and limitation of liability to the same extent as set forth in Predix s certificate of incorporation and by-laws and the combined corporation will indemnify and hold harmless each present and former director, officer or employee of Predix in respect of acts or omissions occurring prior to the completion of the merger, including in connection with the merger agreement and the transactions contemplated thereby.

Upon completion of the merger and the issuance of EPIX common stock in the merger, the directors and officers of Predix will collectively beneficially own approximately 28.2% of the outstanding stock of EPIX, calculated on the basis set forth under Predix Principal Stockholders.

The NASDAQ National Market Listing (See page 87)

EPIX has filed an initial listing application with The NASDAQ National Market pursuant to the Reverse Merger rules of The NASDAQ National Market. If such application is accepted, EPIX anticipates that its common stock will continue to be listed on The NASDAQ National Market following the completion of the merger under its current trading symbol EPIX. It is a condition to Predix s consummation of the merger that EPIX maintain the listing of its common stock on The NASDAQ National Market.

Completion and Effectiveness of the Merger (See pages 88 and 96)

EPIX and Predix expect to complete the merger when all of the conditions to completion of the merger contained in the merger agreement have been satisfied or waived. The merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware.

EPIX and Predix are working toward satisfying the conditions to the merger, and expect to complete the merger promptly following the stockholder meetings.

Restrictions on Solicitation of Alternative Transactions by EPIX and Predix (See page 92)

EPIX and Predix have each agreed, and have further agreed to ensure that their representatives do not, prior to the consummation of the merger, directly or indirectly, solicit, encourage, have negotiations with respect to (including furnishing information) or take any action that could reasonably be expected to result in the initiation or submission of any inquiries, proposals or offers regarding, or approve, endorse or recommend, any acquisition, merger, take-over bid, sale of substantial assets, sale of shares of capital stock (including without limitation by way of a tender offer) or similar transactions. EPIX and Predix have also agreed to notify each other upon receipt of any alternative acquisition proposal or any inquiry that would reasonably be expected to lead to an alternative acquisition proposal, including the terms of the alternative acquisition proposal or inquiry and the identity of the person making the alternative acquisition proposal or inquiry. However, if EPIX or Predix receives an unsolicited bona fide written acquisition proposal that is a superior acquisition proposal prior to the EPIX annual meeting or Predix special meeting, respectively, then EPIX or Predix may provide nonpublic information to, and engage in discussions and negotiations with, the third party making the acquisition proposal so long as certain conditions are satisfied.

Conditions to the Completion of the Merger (See page 96)

EPIX and Predix s obligations to complete the merger are subject to certain conditions described under the heading The Merger Agreement Conditions to the Completion of the Merger beginning on page 96.

Termination of the Merger Agreement and Payment of Certain Termination Fees (See pages 98 and 99)

EPIX and Predix may terminate the merger agreement by mutual agreement and under certain other circumstances. EPIX and Predix have agreed that if the merger agreement is terminated under the circumstances described under The Merger Agreement Fees and Expenses on page 99, a termination fee of $4.5 million may be payable by either EPIX or Predix to the other party upon the termination of the merger agreement.

United States Federal Tax Consequences of the Merger (See page 82)

The closing of the merger is conditioned upon the receipt by EPIX and Predix of opinions that the merger will constitute a reorganization for U.S. federal income tax purposes. As discussed in detail in the section entitled The Merger Material United States Federal Income Tax Consequences of the Merger beginning on page 82, Predix stockholders will be required to pay U.S. federal income taxes on the amount of any gain such stockholder recognizes as a result of the merger. Determining the actual tax consequences of the merger to you may be complex and will depend on the facts of your own situation. You should consult your own tax advisors to fully understand the tax consequences to you of the merger, including estate, gift, state, local or non-U.S. tax consequences of the merger.

Accounting Treatment of the Merger (See page 81)

EPIX, the acquirer, will account for the merger as a purchase.

Appraisal Rights (See page 85)

Under Delaware law, Predix stockholders are entitled to appraisal rights in connection with the merger. Please see the section entitled The Merger Appraisal Rights on page 85 for more information. As EPIX s common stock is quoted on The NASDAQ National Market, EPIX stockholders will not be entitled to appraisal rights.

Exchange of Predix Stock Certificates (See page 90)

Following the effective time of the merger, EPIX will cause a letter of transmittal to be mailed to all holders of Predix common stock and preferred stock containing instructions for surrendering their certificates. Certificates should not be surrendered until the letter of transmittal is received, fully completed and returned as instructed in the letter of transmittal.

Regulatory Approvals (See page 94)

EPIX and Predix have made the required filings under the Hart-Scott Rodino Antitrust Improvement Act of 1976, as amended, or the HSR Act, with the Federal Trade Commission and the Department of Justice. On May 30, 2006, the waiting period under the HSR Act expired. However, the Federal Trade Commission or the Department of Justice, as well as a foreign regulatory agency or government, state or private person, may challenge the merger at any time before or after its completion. EPIX must also comply with applicable federal and state securities laws and the rules and regulations of The NASDAQ National Market, including the approval of an initial listing application, in connection with the issuance of shares of EPIX common stock in the merger and the filing of this joint proxy statement/ prospectus with the Securities and Exchange Commission.

Restrictions on the Ability to Sell EPIX Common Stock (See page 86)

Subject to the lock-up agreements described in this joint proxy statement/ prospectus, all shares of EPIX common stock that Predix stockholders receive in connection with the merger will be freely transferable for the purposes of the Securities Act of 1933, as amended, unless you are considered an affiliate of Predix at the time the merger agreement is submitted to Predix stockholders for approval and adoption, in which case you will be permitted to sell the shares of EPIX common stock you receive in the merger only pursuant to an effective registration statement or an exemption from the registration requirements of the Securities Act of 1933, as amended. The registration statement of which this joint proxy statement/ prospectus forms a part does not register the resale of stock received by affiliates of Predix in the merger. EPIX has agreed to file a registration statement with respect to the shares of EPIX common stock received by the affiliates of Predix. As a result, these shares will be freely transferable upon the effectiveness of the registration statement, subject only to certain prospectus delivery requirements and the terms of the lock-up agreements, if applicable.

Comparison of EPIX and Predix Stockholder Rights (see page 218)

Upon completion of the merger, Predix stockholders will become stockholders of EPIX. The internal affairs of EPIX are governed by EPIX s restated certificate of incorporation and amended and restated by-laws. The internal affairs of Predix are currently governed by Predix s restated certificate of incorporation, as amended, and amended and restated by-laws. Due to differences between the governing documents of EPIX and Predix, the merger will result in Predix stockholders having different rights once they become EPIX stockholders.

Table of Contents

EPIX SELECTED HISTORICAL FINANCIAL INFORMATION

The following EPIX selected historical financial information is only a summary and you should read the following financial information together with EPIX Management s Discussion and Analysis of Financial Condition and Results of Operations and EPIX s financial statements and the notes thereto included elsewhere in this joint proxy statement/ prospectus.

The following tables present EPIX s selected statements of operations and balance sheet data for the years ended December 31, 2001, 2002, 2003, 2004 and 2005 and the three months ended March 31, 2005 and 2006. EPIX has derived the following statements of operations data for the years ended December 31, 2003, 2004 and 2005 and the balance sheet data as of December 31, 2004 and 2005 from EPIX s audited financial statements which are included in this joint proxy statement/ prospectus. EPIX has derived the following consolidated statements of operations data for the three months ended March 31, 2005 and 2006 and the consolidated balance sheet data as of March 31, 2006 from EPIX s unaudited consolidated financial statements which are included in this joint proxy statement/ prospectus. EPIX has derived the following statements of operations data for the years ended December 31, 2001 and 2002 and the balance sheet data as of December 31, 2001, 2002 and 2003 from EPIX s audited financial statements, which are not included in this joint proxy statement/ prospectus. EPIX s historical results for any prior period are not necessarily indicative of results to be expected for any future period.

	Year Ended December 31,					Three Months Ended March 31,	
	2001	2002	2003	2004	2005	2005	2006
	(In thousands, except per share data)						
Statement of Operations Data:							
Revenues	$ 9,569	$ 12,270	$ 13,525	$ 12,259	$ 7,190	$ 2,086	$ 1,702
Operating loss	(18,841)	(22,816)	(21,083)	(20,111)	(24,802)	(6,191)	(4,919)
Loss before provision for income taxes	(18,156)	(22,098)	(20,714)	(20,281)	(24,269)	(6,256)	(4,484)
Provision for income taxes	1,092	94	80	100	42		44
Net loss	(19,248)	(22,191)	(20,795)	(20,381)	(24,311)	(6,256)	(4,527)
Weighted average common shares outstanding:							
Basic and diluted	14,007	16,878	19,056	22,889	23,258	23,227	23,285
Net loss per share, basic and diluted	$ (1.38)	$ (1.31)	$ (1.09)	$ (0.89)	$ (1.05)	$ (0.27)	$ (0.19)

	December 31,					March 31, 2006
	2001	2002	2003	2004	2005	
	(In thousands)					
Balance Sheet Data:						
Cash, cash equivalents and marketable securities	$ 24,966	$ 28,112	$ 79,958	$ 164,440	$ 124,728	$ 118,846

Working capital	8,277	12,364	57,011	136,653	113,098	109,229
Total assets	26,911	30,155	81,875	171,287	130,716	125,022
Long-term liabilities	12,844	7,829	4,331	101,210	100,756	100,699
Total stockholders equity (deficit)	(3,210)	5,887	54,157	41,382	17,833	14,131

Table of Contents

PREDIX SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following Predix selected historical financial information is only a summary and you should read the following financial information together with Predix Management s Discussion and Analysis of Financial Condition and Results of Operations and Predix s consolidated financial statements and the notes thereto included elsewhere in this joint proxy statement/ prospectus.

The following tables present Predix s selected consolidated statements of operations and balance sheet data for the years ended December 31, 2001, 2002, 2003, 2004 and 2005 and the three months ended March 31, 2005 and 2006. Predix has derived the following consolidated statements of operations data for the years ended December 31, 2003, 2004 and 2005 and the consolidated balance sheet data as of December 31, 2004 and 2005 from Predix s audited consolidated financial statements which are included in this joint proxy statement/ prospectus. Predix has derived the following consolidated statements of operations data for the three months ended March 31, 2005 and 2006 and the consolidated balance sheet data as of March 31, 2006 from Predix s unaudited consolidated financial statements which are included in this joint proxy statement/ prospectus. Predix has derived the following consolidated statements of operations data for the years ended December 31, 2001 and 2002 and the consolidated balance sheet data as of December 31, 2001, 2002 and 2003 from Predix s audited consolidated financial statements, which are not included in this joint proxy statement/ prospectus. Predix s historical results for any prior period are not necessarily indicative of results to be expected for any future period.

	Year Ended December 31,					Three Months Ended March 31,	
	2001	2002	2003(1)	2004	2005	2005	2006
	(In thousands, except per share data)						
Statement of Operations Data:							
Revenues	$	$ 551	$ 1,068	$ 13	$ 2,300	$ 153	$ 784
Operating loss(2)	(12,978)	(11,206)	(24,696)	(19,502)	(34,287)	(7,560)	(7,757)
Income tax benefit		258					
Net loss	(11,189)	(11,241)	(24,560)	(19,392)	(33,703)	(7,417)	(7,721)

	As of December 31,					March 31,
	2001	2002	2003	2004	2005	2006
	(In thousands)					
Balance Sheet Data:						
Cash, cash equivalents and marketable securities	$ 33,097	$ 21,976	$ 10,999	$ 13,813	$ 7,413	$ 7,939
Working capital (deficit)	31,713	21,671	9,409	11,798	1,314	(5,486)
Total assets	39,568	27,098	13,462	16,717	11,799	12,476
Capital lease obligations, net of current portion	50	32	219	127	109	100
Lease abandonment liability, net of current portion			1,331	1,068	1,109	1,056
Total stockholders equity (deficit)	37,623	26,140	9,906	12,470	1,248	(5,395)

(1) In August 2003, Predix acquired all of the capital stock of Predix Pharmaceuticals Ltd., an Israeli corporation. The transaction was recorded as a purchase for accounting purposes and Predix s consolidated statements of operations data include the operating results of Predix Pharmaceuticals Ltd. from the date of acquisition.

(2) As a result of the acquisition of Predix Pharmaceuticals Ltd., Predix consolidated facilities and reduced headcount resulting in restructuring charges in 2003 of $5.4 million.

**EPIX AND PREDIX
UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

The following unaudited pro forma condensed consolidated financial statements give effect to the merger of EPIX and Predix in a transaction to be accounted for as a purchase by EPIX. The unaudited pro forma condensed consolidated balance sheet combines the historical consolidated balance sheets of EPIX and Predix as of March 31, 2006, giving effect to the merger as if it occurred on March 31, 2006. The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2005 and the three months ended March 31, 2006 give effect to the merger as if it occurred on January 1, 2005 and reflect only pro forma adjustments expected to have a continuing impact on the combined results. The following information does not give effect to any reverse stock split of EPIX common stock described in EPIX s Proposal No. 3.

These unaudited pro forma condensed consolidated financial statements are for informational purposes only. They do not purport to indicate the results that would have actually been obtained had the merger been completed on the assumed date or for the periods presented, or that may be realized in the future. To produce the unaudited pro forma financial information, EPIX preliminarily allocated the purchase price using its best estimates of fair value. These estimates are based on the most recently available information in preparing a preliminary value. To the extent there are significant changes to Predix s business, the assumptions and estimates herein could change significantly. Furthermore, the parties may have reorganization and restructuring expenses as well as potential operating efficiencies as a result of combining the companies. The pro forma financial information does not reflect these potential expenses and efficiencies. The unaudited pro forma condensed consolidated financial statements should be read in conjunction with EPIX Management s Discussion and Analysis of Financial Condition and Results of Operations, Predix Management s Discussion and Analysis of Financial Condition and Results of Operations, the historical financial statements, including the related notes, of EPIX and the historical consolidated financial statements, including the related notes, of Predix, covering these periods, included elsewhere in this joint proxy statement/ prospectus.

Table of Contents

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
As of March 31, 2006

	EPIX	Predix	Pro Forma Adjustments	Note Reference	Pro Forma Combined
			(In thousands)		
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 75,964	$ 7,939	(6,602)	(G)	$ 77,301
Marketable securities	42,882				42,882
Accounts receivable	95				95
Prepaid expenses and other current assets	480	2,196	(708)	(H)	1,968
Total current assets	119,421	10,135	(7,310)		122,246
Restricted cash		934			934
Property and equipment, net	2,108	1,368			3,476
Other assets	3,493	39	(638)	(B)	2,894
Total assets	$ 125,022	$ 12,476	(7,948)		$ 129,550
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)					
Current liabilities:					
Accounts payable	$ 541	$ 3,456			$ 3,997
Accrued expenses	3,895	4,019	$ 2,139	(B)	10,053
Contract advances	5,425				5,425
Current portion of deferred revenue	331	1,303			1,634
Current portion of capital lease obligations		61			61
Current portion of lease abandonment liability		180			180
Notes payable		6,602	(6,602)	(G)	
Total current liabilities	10,192	15,621	(4,463)		21,350
Accrued rent		483			483
Convertible debt	100,000				100,000
Capital lease obligations, net of current portion		100			100
Lease abandonment liability, net of current portion		1,056			1,056
Deferred revenue, net of current portion	699	611			1,310
Total liabilities	110,891	17,871	(4,463)		124,299
Stockholders equity:					
Preferred stock		2,732	(2,732)	(C)	

Common stock	233	10	204	(A)	437
			(10)	(C)	
Additional paid-in capital	198,104	120,983	81,023	(A)	283,694
			4,567	(A)	
			(120,983)	(C)	
Accumulated other comprehensive income	(34)				(34)
Accumulated deficit	(184,172)	(129,120)	129,120	(C)	(278,846)
			(708)	(H)	
			(93,966)	(D)	
Total stockholders equity (deficit)	14,131	(5,395)	(3,485)		5,251
Total liabilities and stockholders equity	$ 125,022	$ 12,476	$ (7,948)		$ 129,550

11

Table of Contents

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
Three Months Ended March 31, 2006

	EPIX	Predix	Pro Forma Adjustments	Note Reference	Pro Forma Combined
	(In thousands, except per share data)				
Revenues:					
Product development revenue	$ 1,083	$ 597			$ 1,680
Royalty revenue	458				458
License fee revenue	162	187			349
Total revenues:	1,703	784			2,487
Costs and expenses:					
Research and development	3,993	7,036	242	(F)	11,271
General and administrative	2,338	1,475	60	(F)	3,873
Restructuring	290	30			320
Total costs and expenses	6,621	8,541	302		15,464
Loss from operations	(4,918)	(7,757)	(302)		(12,977)
Other income (expense):					
Investment income, net	1,304	42			1,346
Interest expense	(869)	(6)			(875)
Loss before provision for income tax	(4,483)	(7,721)	(302)		(12,506)
Provision for income tax	44				44
Net loss	$ (4,527)	$ (7,721)	(302)		$ (12,550)
Amounts per common share:					
Net loss per share, basic and diluted	$ (0.19)				$ (0.29)
Weighted average shares, basic and diluted	23,285		20,409	(E)	43,694

Table of Contents

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
Year Ended December 31, 2005

	EPIX	Predix	Pro Forma Adjustments	Note Reference	Pro Forma Combined
		(In thousands, except per share data)			
Revenues:					
Product development revenue	$ 4,196	$ 1,737			$ 5,933
Royalty revenue	2,333				2,333
License fee revenue	661	563			1,224
Total revenues:	7,190	2,300			9,490
Costs and expenses:					
Research and development	20,776	29,351	784	(F)	50,911
General and administrative	10,244	7,031	196	(F)	17,471
Restructuring	972	205			1,177
Total costs and expenses	31,992	36,587	980		69,559
Loss from operations	(24,802)	(34,287)	(980)		(60,069)
Other income (expense):					
Investment income, net	4,146	614			4,760
Interest expense	(3,613)	(30)			(3,643)
Loss before provision for income tax	(24,269)	(33,703)	(980)		(58,952)
Provision for income tax	42				42
Net loss	$ (24,311)	$ (33,703)	(980)		$ (58,994)
Amounts per common share:					
Net loss per share, basic and diluted	$ (1.05)				$ (1.35)
Weighted average shares, basic and diluted	23,258		20,409	(E)	43,667

Table of Contents

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Transaction and Basis of Presentation

On April 3, 2006, EPIX Pharmaceuticals, Inc. (EPIX) and Predix Pharmaceuticals Holdings, Inc. (Predix) signed an Agreement and Plan of Merger (the Merger Agreement) under which Predix will merge with and into EPIX Delaware, Inc., a wholly-owned subsidiary of EPIX, in a transaction to be accounted for as a purchase by EPIX. The assets and liabilities of Predix will be recorded as of the acquisition date at their estimated fair values. The reported consolidated financial condition and results of operations of EPIX after completion of the merger will reflect these values, but will not be restated retroactively to reflect historical consolidated financial position or results of operations of Predix. The transaction is expected to qualify as a reorganization within the meaning of Section 386(a) of the Internal Revenue Code. Under the terms of the merger agreement, each share of Predix common stock and preferred stock (on an as-converted to Predix common stock basis) outstanding at the closing of the merger will be exchanged for 1.239411 shares of EPIX common stock, subject to adjustment to account for the reverse stock split if implemented, plus cash in lieu of fractional shares. In addition, options to purchase Predix capital stock that are outstanding on the closing date will be assumed by EPIX and will thereafter constitute an option to acquire the number of shares of EPIX common stock determined by multiplying the number of shares of Predix capital stock subject to the option immediately prior to the merger by 1.239411, subject to adjustment to account for the reverse stock split if implemented, rounded down to the nearest whole share, with an exercise price equal to the exercise price of the assumed Predix option divided by 1.239411, subject to adjustment to account for the reverse stock split if implemented, rounded up to the nearest whole cent. Each of these options will be subject to the same terms and conditions that were in effect for the related Predix options. In addition, EPIX will make a milestone payment to Predix stockholders and option holders upon the occurrence of certain events. In no event will the shares of EPIX common stock issuable at the effective time of the merger, including the shares issuable upon exercise of Predix options assumed by EPIX in the merger, exceed 49.99% of the outstanding EPIX common stock immediately after the effective time of the merger. In addition, in no event may the milestone be paid in shares of EPIX common stock to the extent that such shares would exceed 49.99% of the outstanding shares of EPIX common stock immediately after such milestone payment, when combined with all shares of EPIX common stock issued in the merger and issuable upon exercise of all Predix options assumed by EPIX in the merger. The merger is subject to customary closing conditions, including approval by EPIX and Predix shareholders.

2. Purchase Price

A preliminary estimate of the purchase price is as follows (in thousands):

Fair value of EPIX shares issued	$	81,227
Estimated fair value of vested Predix stock options exchanged for EPIX stock options		4,567
Subtotal		85,794
Estimated transaction costs incurred by EPIX		2,777
Estimated purchase price	$	88,571

For pro forma purposes, the fair value of the EPIX common stock used in determining the purchase price was $3.98 per share, which is the implied price of EPIX common stock based on (a) the average closing price of EPIX common stock on the two full trading days immediately preceding the public announcement of the merger, the trading day the merger was announced and the two full trading days immediately following such public announcement and (b) the exchange ratio of 1.239411, which is subject to adjustment to account for the reverse stock split if implemented. The fair value of the EPIX stock options exchanged was determined by using the Black-Scholes option pricing model with the following

14

Table of Contents

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

assumptions: stock price of $3.98, which is the value ascribed to the EPIX common stock in determining the purchase price; volatility of 70%; risk-free interest rate of 4.62%; and an expected life of 4.9 years.

For pro forma purposes, the estimated purchase price has been allocated based on a preliminary valuation of Predix s tangible and intangible assets and liabilities based on their estimated fair values as of March 31, 2006 (in thousands):

Net tangible assets acquired	$	(5,395)
In-process research and development		93,966
Total	$	88,571

The allocation of the purchase price is preliminary. The final determination of the purchase price allocation will be based on the fair values of assets acquired, including the fair values of in-process research and development, other identifiable intangibles and the fair values of liabilities assumed as of the date that the merger is consummated.

The purchase price allocation will remain preliminary until EPIX completes a valuation of significant identifiable intangible assets acquired (including in-process research and development) and determines the fair values of the other assets and liabilities acquired. The final determination of the purchase price allocation is expected to be completed as soon as practicable after completion of the merger. The final amounts allocated to assets and liabilities acquired could differ significantly from the amounts presented in the unaudited pro forma condensed consolidated financial statements.

The estimated fair value attributed to in-process research and development represents an estimate of the fair value of purchased in-process technology for research projects that, as of the expected closing date of the merger, will not have reached technological feasibility and have no alternative future use. Only those research projects that had advanced to a stage of development where management believed reasonable net future cash flow forecasts could be prepared and a reasonable likelihood of technical success existed were included in the estimated fair value. Accordingly, the in-process research and development primarily represents the estimated fair value of PRX-00023, Predix s drug candidate currently in Phase III clinical trials for the treatment of generalized anxiety disorder, PRX-03140, Predix s drug candidate that has completed Phase I clinical trials for the treatment of Alzheimer s disease, and PRX-08066, Predix s drug candidate that has completed Phase I clinical trials for the treatment of pulmonary hypertension. The estimated fair value of the in-process research and development was determined based on a discounted forecast of the estimate net future cash flows for each project, adjusted for the estimated probability (for these purposes) of technical success and U.S. Food and Drug Administration or European Agency for Evaluation of Medicinal Products approval for each research project. In-process research and development will be expensed immediately following completion of the merger.

In determining the fair value to attribute to intangible assets, EPIX considered several categories of intangible assets including contract-based and technology-based intangible assets. In accordance with paragraph 39 and Appendix A of Statement of Financial Accounting Standards, or SFAS, No. 141, *Business Combinations*, identifiable intangible assets will be recognized if they arise from contractual or legal rights or if they are otherwise separable. Intangible assets that are not specifically identifiable, have indeterminate lives or are inherent in continuing business and related to the enterprise as a whole will be classified as goodwill provided it is appropriate to record goodwill relative to the valuation of the write off of in-process research and development.

Contract-based intangible assets (licensing arrangements): Predix s contractual relationship with Cystic Fibrosis Foundation Therapeutics, Inc. The terms of the agreement were considered to be ostensibly fair to both parties thus having no value separable from goodwill.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Technology-based intangible assets (technology platform, existing product candidates and patents, in-process research and development): Existing products and patents were determined to be separable from goodwill and will be valued as in-process research and development. The technology platform was determined to still be in-process and not complete, thus not separable from goodwill.

In identifying the acquired in-process research and development, the developmental projects were evaluated in the context of interpretation 4 and paragraph 11 of SFAS No. 2, *Accounting for Research and Development Costs*, along with reference to the American Institute of Certified Public Accountants Guide, *Assets Acquired in a Business Combination to be Used in Research and Development Activities: A Focus on Software, Electronic Devices and Pharmaceutical Industries.*

Based upon the preliminary valuation, there are no intangible assets other than in-process research and development that are separable from goodwill. Once the valuation is completed, the excess of the purchase price of Predix, if any, over the fair value of the net tangible and identifiable assets will be recorded as goodwill. It is, however, not currently anticipated that there will be goodwill.

3. Pro Forma Adjustments

(A) To record the value of the EPIX common stock and vested stock options issued in the merger. Cash paid in lieu of fractional shares will be from existing cash balances and cannot be estimated at this time.

(B) To record the estimated EPIX transactions costs not included in the March 31, 2006 balance sheet of $2.1 million. Transaction costs incurred by Predix will be expensed as incurred.

(C) To eliminate Predix s historical stockholders equity accounts.

(D) To record the estimated fair value of in-process research and development acquired in the merger. Because this expense is directly attributable to the acquisition and will not have a continuing impact, it is not reflected in the pro forma condensed statement of operations. However, this item will be recorded as an expense immediately following the completion of the merger.

(E) To record the issuance of EPIX shares to Predix shareholders to effect the merger.

(F) To record amortization of deferred compensation relating to unvested Predix options exchanged for unvested EPIX options.

(G) To record the repayment of Predix notes payable upon the closing of the merger.

(H) To record the amortization of the value of the warrants issued in connection with the Predix notes issued. Because this expense is directly attributable to the acquisition and will not have a continuing impact, it is not reflected in the pro forma condensed statement of operations.

The pro forma condensed consolidated financial statements at March 31, 2006 do not include $2.9 million of the bridge financing debt Predix entered into after March 31, 2006. At March 31, 2006, $6.6 million of the total notes issued of $9.5 million had been issued. See Note 15 to Predix s consolidated financial statements included elsewhere in this joint proxy statement/prospectus.

4. The Pro Forma Condensed Consolidated Statement of Operations

Other than the adjustment to reflect the amortization of deferred compensation, the pro forma condensed consolidated statement of operations does not include any pro forma adjustments as the expense associated with the fair value of the In Process Research and Development acquired in the merger will not have a continuing impact, therefore, it is not reflected above. In addition, the historical costs of the assets and liabilities acquired in the merger approximate their fair value as they are the result of fairly recent transactions. As such, there are no pro forma adjustments to the pro forma condensed consolidated statement of operations. The final amounts allocated to assets and liabilities acquired could differ significantly from the amounts presented in these unaudited pro forma condensed financial statements.

Table of Contents

COMPARATIVE PER SHARE DATA

The following table sets forth selected historical share, net loss per share and book value per share information of EPIX and unaudited pro forma share, net loss per share and book value per share information after giving effect to the merger between EPIX and Predix, assuming that an aggregate of 20,408,767 shares of EPIX common stock had been issued in exchange for outstanding shares of Predix common stock and preferred stock (on an as-converted to Predix common stock basis). You should read this information in conjunction with the selected historical financial information included elsewhere in this joint proxy statement/ prospectus. The unaudited pro forma share, net loss per share and book value per share information is derived from, and should be read in conjunction with, the unaudited pro forma condensed consolidated financial statements and related notes included elsewhere in this joint proxy statement/ prospectus. The historical share, net loss per share and book value per share information is derived from financial statements of EPIX as of and for the three months ended March 31, 2006. The amounts set forth below are in thousands, except per share amounts and does not give effect to any reverse stock split of EPIX common stock.

	March 31, 2006	
	EPIX	
	Historical	Pro Forma
Basic and diluted net loss per share	$ (0.19)	$ (0.29)
Book value per share	0.61	0.12
Shares used in calculating basic and diluted net loss per share	23,285	43,694
Shares used in calculating book value per share	23,285	43,694

Table of Contents

MARKET PRICE AND DIVIDEND INFORMATION

EPIX

EPIX s common stock currently trades on The NASDAQ National Market under the symbol EPIX. The following table shows the high and low sales price for the common stock by quarter, as reported by The NASDAQ National Market for the periods indicated:

Period	Price Range High	Price Range Low
Fiscal Year Ending December 31, 2006		
First Quarter	$ 5.17	$ 3.33
Second Quarter (through June 26, 2006)	4.83	3.01
Fiscal Year Ended December 31, 2005		
First Quarter	$ 18.18	$ 6.80
Second Quarter	9.80	6.26
Third Quarter	10.79	7.07
Fourth Quarter	8.47	3.78
Fiscal Year Ended December 31, 2004		
First Quarter	$ 23.40	$ 15.94
Second Quarter	26.37	20.34
Third Quarter	22.58	15.80
Fourth Quarter	20.00	15.28

On March 31, 2006, the last full trading day immediately preceding the public announcement of the merger, and on , 2006, the most recent practicable date prior to the mailing of this joint proxy statement/ prospectus, the last reported sales prices of EPIX s common stock, as reported by The NASDAQ National Market, were $3.50 and $ per share, respectively. You are encouraged to obtain current trading prices for EPIX s common stock in considering whether to vote to approve the merger. As of June 28, 2006, there were approximately holders of record of EPIX s common stock. EPIX has not paid cash dividends on its common stock and has no intention to do so in the foreseeable future.

Predix

Predix s common stock and preferred stock are not listed for trading on any securities exchange, and Predix does not currently file reports with the Securities and Exchange Commission. As of June 28, 2006, there were approximately 118 holders of record of Predix s common stock and 63 holders of record of Predix s preferred stock.

Predix has never declared or paid cash dividends on its capital stock. Predix does not anticipate paying any cash dividends on its capital stock in the foreseeable future. Predix currently intends to retain all available funds and any future earnings to fund the development and growth of its business.

The NASDAQ National Market Listing

EPIX has filed an initial listing application with The NASDAQ National Market pursuant to the Reverse Merger rules of The NASDAQ National Market. If such application is accepted, EPIX anticipates that its common stock will continue to be listed on The NASDAQ National Market following the completion of the merger under its current trading symbol EPIX.

Table of Contents

CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This joint proxy statement/ prospectus includes statements with respect to EPIX which constitute forward-looking statements within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Words such as anticipate, believes, budget, continue, could, estimate, expect, forecast, in potential, predicts, project, should, will and similar expressions are intended to identify such forward-looking statements. Forward-looking statements in this joint proxy statement/ prospectus include, without limitation, statements regarding benefits of the proposed merger and future expectations concerning available cash and cash equivalents of the combined company, the expected timing of the conclusion of clinical trials, the timing of regulatory filings, and other matters that involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to differ materially from results expressed in or implied by this joint proxy statement/ prospectus. Such risk factors include, among others:

- difficulties encountered in integrating merged businesses;
- uncertainties as to the timing of the merger, approval of the transaction by the stockholders of the companies and the satisfaction of closing conditions to the transaction, including the receipt of regulatory approvals, if any;
- the competitive environment in the life sciences industry;
- whether the companies can successfully develop new products and the degree to which these gain market acceptance;
- the success and timing of our pre-clinical studies and clinical trials;
- the companies ability to obtain and maintain regulatory approval for their product candidates and the timing of such approvals;
- the companies ability to research, develop and commercialize their product candidates;
- regulatory developments in the United States and foreign countries; and
- the companies ability to obtain and maintain intellectual property protection for their product candidates.

Actual results may differ materially from those contained in the forward-looking statements in this joint proxy statement/ prospectus. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this joint proxy statement/ prospectus. All prior and subsequent written and oral forward-looking statements concerning the merger and other matters addressed in this joint proxy statement/ prospectus and attributable to EPIX or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements included or referred to in this section. Except to the extent required by applicable law or regulation, EPIX does not undertake any obligation to republish revised forward-looking statements to reflect events and circumstances after the date of this joint proxy statement/ prospectus or to reflect the occurrence of unanticipated events.

Table of Contents

RISK FACTORS

You should consider the following risk factors in evaluating whether to vote for the approval and adoption of the merger agreement, the approval of the merger, the approval of the issuance of the EPIX common stock in the merger and/or the approval of the amendment to EPIX s restated certificate of incorporation. These factors should be considered in conjunction with the other information included in this joint proxy statement/ prospectus. References to we, us, our and other first person declarations in these risk factors refer to the operations of the combined company following the completion of the merger. Where we use the words describing either EPIX or Predix, as the case may be, we are referring to such entity as a stand alone company or their respective lines of business and industry as they relate to the combined company.

RISKS RELATING TO THE MERGER

If we are not successful in integrating our organizations, we may not be able to operate efficiently after the merger.

Achieving the benefits of the merger will depend in part on the successful integration of our operations and personnel in a timely and efficient manner. The integration process requires coordination of different development, regulatory, manufacturing and commercial teams, and involves the integration of systems, applications, policies, procedures, business processes and operations. This may be difficult and unpredictable because of possible cultural conflicts and different opinions on scientific and regulatory matters. The combination of EPIX and Predix s organizations may result in greater competition for resources and the elimination of research and development programs that might otherwise be successfully completed. If we cannot successfully integrate our operations and personnel, we may not realize the expected benefits of the merger.

Integrating our companies may divert management s attention away from our operations.

Successful integration of our operations, product candidates and personnel may place a significant burden on our management and our internal resources. The integration will require efforts from each company, including the coordination of their general and administrative functions. For example, integration of administrative functions includes coordinating employee benefits, payroll, financial reporting, purchasing and disclosure functions. Delays in successfully integrating and managing employee benefits could lead to dissatisfaction and employee turnover. Problems in integrating purchasing and financial reporting could result in control issues, including unplanned costs. In addition, the combination of EPIX s and Predix s organizations may result in greater competition for resources and elimination of research and development programs that might otherwise be successfully completed, especially in light of the difference in EPIX s current imaging focus and Predix s current therapeutic focus. The diversion of management s attention and any difficulties encountered in the transition and integration process could result in delays in the companies clinical trial programs and could otherwise harm our business, financial condition and operating results.

We expect to incur significant costs in connection with the merger and in integrating the companies into a single business.

We estimate that EPIX and Predix will incur aggregate direct transaction costs of approximately $5.8 million associated with the merger. In addition, we expect to incur significant costs integrating our operations, product candidates and personnel, which cannot be estimated accurately at this time. These costs may include costs for:

- severance;
- conversion of information systems;
- combining development, regulatory, manufacturing and commercial teams and processes;

Table of Contents

reorganization of facilities; and

relocation or disposition of excess equipment.

If the total costs of the merger exceed our estimates, or benefits of the merger do not exceed the total costs of the merger, the financial results of the combined company could be adversely affected.

We may be unable to repay, repurchase or redeem EPIX s 3.0% Convertible Senior Notes due 2024 if, and when, required.

The entire $100 million outstanding principal amount of EPIX s 3.0% Convertible Senior Notes will become due and payable at maturity in 2024. In addition, noteholders may require us to repurchase these notes at par, plus accrued and unpaid interest, on June 15, 2011, 2014 and 2019 and upon certain other designated events under the notes, which include a change of control of EPIX or termination of trading of EPIX common stock on The NASDAQ National Market. The definition of change in control set forth in the indenture governing the notes does not include certain mergers and similar transactions that are not deemed a change in control. While we believe that the merger does not constitute a change of control of EPIX under the indenture, we cannot assure you that we will not become obligated to repurchase these notes, in whole or in part, as a result of this merger. Based on the current trading price of EPIX s common stock, we anticipate that in such event most, if not all, of the noteholders would tender their notes for repurchase. We may not have enough funds or be able to arrange for additional financing to repurchase the notes tendered by the holders upon a designated event or otherwise. Any failure to repurchase tendered notes would constitute an event of default under the indenture, which might also constitute a default under the terms of EPIX s other debt. If we are required to repurchase or redeem these notes prior to their maturity, whether as a result of this merger or otherwise, the financial position of the combined company would be materially adversely affected and the anticipated benefits of the merger would be significantly diminished.

EPIX s failure to comply with the initial listing standards of The NASDAQ National Market will subject its stock to delisting from The NASDAQ National Market, which listing is a condition to the consummation of the merger.

EPIX s common stock is currently listed for trading on The NASDAQ National Market. Immediately prior to the consummation of the merger, EPIX will be required to meet the initial listing requirements to maintain the listing and continued trading of its shares on The NASDAQ National Market. These initial listing requirements are more difficult to achieve than the continued listing requirements under which EPIX is now trading. Based on information currently available to EPIX, EPIX anticipates that it will be unable to meet the $5.00 minimum bid price initial listing requirement at the closing of the merger unless it effects a reverse stock split as discussed in EPIX s Proposal No. 3. If EPIX is unable to satisfy these requirements, NASDAQ will notify EPIX that its stock will be subject to delisting from The NASDAQ National Market. It is a condition to Predix s obligation to consummate the merger that EPIX maintain the listing of its common stock on The NASDAQ National Market. In addition, oftentimes a reverse stock split will not result in a trading price for the affected common stock that is proportional to the ratio of the split. EPIX believes that a reverse stock split is in the best interest of the combined company and its stockholders. However, EPIX cannot assure you that the implementation of the reverse stock split will have a positive impact on the price of its common stock.

If we fail to retain key employees, the benefits of the merger could be diminished.

The successful combination of EPIX and Predix will depend in part on the retention of key personnel, including Michael G. Kauffman, M.D., Ph.D, Andrew C.G. Uprichard, M.D. and Kimberlee C. Drapkin, the expected Chief Executive Officer, President and Chief Financial Officer of the combined company, respectively. There can be no assurance that we will be able to retain our key management and scientific personnel. Although Dr. Kauffman and Ms. Drapkin are subject to employment agreements with Predix, the employment agreements may be terminated by either party for any reason and there is no guarantee

Table of Contents

that Dr. Kauffman, Dr. Uprichard or Ms. Drapkin will remain with the combined company. If we fail to retain such key employees, particularly those identified in this joint proxy statement/ prospectus as the expected management of the combined company, we may not realize the anticipated benefits of the merger. The business of each of EPIX and Predix is also subject to risks associated with the retention of key employees which are discussed in greater detail below.

If one or more of the product candidates in the combined company cannot be shown to be safe and effective in clinical trials, is not approvable or not commercially successful, then the benefits of the merger may not be realized.

The combined company will have five product candidates in the clinic and several additional product candidates planned to enter clinical testing in the next several years. All of these product candidates must be rigorously tested in clinical trials, and shown to be safe and effective before the U.S. Food and Drug Administration, or FDA, or its foreign counterparts, will consider them for approval. Failure to demonstrate that one or more of the product candidates is safe and effective, or significant delays in demonstrating safety and efficacy, could diminish the benefits of the merger. All of these product candidates must be approved by a government authority such as the FDA before they can be commercialized. Failure of one or more of the product candidates to obtain such approval, or significant delays in obtaining such approval, could diminish the benefits of the merger. Even if approved for sale, these product candidates must be successfully commercialized. Failure to commercialize successfully one or more of these product candidates could diminish the benefits of the merger.

Because Predix stockholders will receive a fixed number of shares of EPIX common stock in the merger, rather than a fixed value, if the market price of EPIX common stock declines, Predix stockholders will receive consideration in the merger of lesser value and if the market price of EPIX common stock increases, EPIX will pay consideration in the merger of greater value.

The aggregate number of shares of common stock of EPIX to be issued to Predix stockholders is fixed. Accordingly, the aggregate number of shares that Predix stockholders will receive in the merger will not change, even if the market price of EPIX common stock changes. In recent years, the stock market in general, and the securities of biotechnology companies in particular, including EPIX s securities, have experienced extreme price and volume fluctuations. These market fluctuations may adversely affect the market price of EPIX common stock. The market price of EPIX common stock upon and after the consummation of the merger could be lower than the market price on the date of the merger agreement or the current market price, which would decrease the value of the consideration to be received by Predix stockholders in the merger. Predix stockholders should obtain recent market quotations of EPIX common stock before they vote on the merger.

In addition, the market price of EPIX common stock upon and after the consummation of the merger could be higher than the market price on the date of the merger agreement or the current market price. As a result of the fixed number of shares of EPIX common stock issuable in the merger, increases in the market price of the EPIX common stock would increase the value of the consideration payable by EPIX in the merger. EPIX stockholders should obtain recent market quotations of EPIX common stock before they vote on the matters set forth in this joint proxy statement/ prospectus.

The merger may fail to qualify as a reorganization for U.S. federal income tax purposes, resulting in recognition of taxable gain or loss by Predix stockholders in respect of their Predix stock.

EPIX and Predix intend for the merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. Although the Internal Revenue Service, or IRS, will not provide a ruling on the matter, both EPIX and Predix will, as a condition to closing, obtain a legal opinion from their respective tax counsel that the merger will constitute a reorganization for U.S. federal income tax purposes. These opinions do not bind the IRS, nor do they prevent the IRS from adopting a contrary position. If the merger fails to qualify as a reorganization, each Predix stockholder generally will be treated as exchanging its Predix stock in a fully taxable transaction for

EPIX common stock and the milestone payment obligation. In addition, the merger would be treated as a sale of all of the assets of Predix to EPIX, with a corporate level tax liability owed by EPIX for the period in which the merger occurs. Such a tax liability may be significant and could have a material adverse effect on the financial position of the combined company.

Failure to complete the merger could adversely affect EPIX s stock price and EPIX s and Predix s future business and operations.

The merger is subject to the satisfaction of various closing conditions, including the approval by both EPIX and Predix stockholders, and neither EPIX nor Predix can guarantee that the merger will be successfully completed. In the event that the merger is not consummated, EPIX and Predix will be subject to many risks, including the costs related to the merger, such as legal, accounting and advisory fees, which must be paid even if the merger is not completed, or the payment of a termination fee under certain circumstances. If the merger is not consummated, the market price of EPIX common stock could decline.

Certain directors and management of EPIX and Predix may have interests that are different from, or in addition to, those of the respective EPIX and Predix stockholders generally.

The directors and management of EPIX and Predix may have interests in the merger that are different from, or are in addition to, those of the respective EPIX and Predix stockholders generally, including the following:

Upon the closing of the merger, Christopher F.O. Gabrieli, Michael Gilman, Ph.D., Mark Leuchtenberger and Gregory D. Phelps, each of whom is a current director of EPIX, is expected to be a member of the combined company s board of directors.

It is anticipated that certain current officers and key employees of EPIX, including Andrew C.G. Uprichard, M.D., Philip Graham, Ph.D., and Brenda Sousa, will be executive officers or key employees of the combined company.

Upon completion of the merger, Brenda Sousa, EPIX s Vice President of Human Resources, is entitled to a bonus of $47,500. In addition, Philip Chase, EPIX s Vice President and General Counsel, is entitled to a bonus of $72,000 upon completion of the merger.

Upon the closing of the merger, the executive officers of Predix, including Michael G. Kauffman, M.D., Ph.D., Silvia Noiman, Ph.D., Oren Becker, Ph.D., Chen Schor and Kimberlee C. Drapkin will become executive officers of the combined company.

EPIX will maintain all rights to indemnification existing in favor of Predix directors and officers for their acts and omissions occurring prior to the completion of the merger and will maintain the directors and officers liability insurance to cover any such liabilities for six years following the completion of the merger.

In addition, you should be aware that Frederick Frank, Michael G. Kauffman, M.D., Ph.D., Patrick J. Fortune, Ph.D. and Ian F. Smith, CPA, ACA will have a relationship with both EPIX and Predix due to their positions as current directors of Predix and future directors of EPIX. Moreover, Mr. Frank, the Chairman of the Predix board of directors, is also the Vice Chairman and a director of Lehman Brothers Inc., Predix s financial advisor in connection with the merger. Lehman Brothers is entitled to a fee of $2.0 million from Predix, all of which is contingent upon consummation of the merger, as well as reimbursement of up to $50,000 of its expenses. Please see the sections entitled The Merger Interests of Predix s Directors and Management in the Merger and Current Management of Predix and Related Information Certain Transactions with Management and Affiliates.

In addition, options, with exercise prices ranging from $0.81 to $1.80, held by each of Michael G. Kauffman, M.D., Ph.D., Silvia Noiman, Ph.D., Oren Becker, Ph.D., Chen Schor and Kimberlee C. Drapkin to purchase 594,679, 278,096, 261,376, 251,213, and 144,996 shares, respectively, will become

Table of Contents

immediately exercisable in full if, within 12 months after the merger, the officer is terminated without cause or terminates his or her employment due to a material change in duties, authority or responsibilities.

These interests may influence these directors in making their recommendation that you vote in favor of the approval and adoption of the merger agreement, the approval of the merger and/or the approval of the amendment to EPIX s restated certificate of incorporation. You should be aware of these interests when you consider the respective Predix and EPIX boards of directors recommendations that you vote in favor of the approval and adoption of the merger agreement, the approval of the merger and/or the approval of the amendment to EPIX s restated certificate of incorporation.

EPIX and Predix stockholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management of the combined company following the merger.

After the merger, the stockholders of each of EPIX and Predix will own a significantly smaller percentage of the combined company than their respective ownership of Predix and EPIX. At the effective time of the merger, EPIX stockholders will collectively own approximately 53% of the outstanding shares of the combined company and Predix stockholders will collectively own approximately 47% of the outstanding shares of the combined company, based on the number of shares of EPIX common stock and Predix common stock and preferred stock outstanding as of the date of the merger agreement. Consequently, stockholders of EPIX and Predix will be able to exercise less influence over the management and policies of the combined company that they currently exercise over the management and policies of their respective companies.

Future sales of common stock by existing EPIX and Predix stockholders may cause the stock price of the combined company to fall.

The market price of our common stock could decline as a result of sales by existing EPIX stockholders and former Predix stockholders in the market after the completion of the merger, or the perception that these sales could occur. These sales might also make it more difficult for the combined company to sell equity securities at an appropriate time and price.

Table of Contents

RISKS RELATING TO THE COMBINED COMPANY

Risks Relating to the Business of EPIX and the Combined Company

Research and Development Risks

EPIX may never receive marketing approval for any of its product candidates in the United States, including Vasovist and EP-2104R.

EPIX is not able to market any of its product candidates in the United States, Europe or in any other jurisdiction without marketing approval from the FDA, the European Commission, or any equivalent foreign regulatory agency. The regulatory process to obtain marketing approval for a new drug or biologic takes many years and requires the expenditure of substantial resources. This process can vary substantially based on the type, complexity, novelty and indication of the product candidate involved.

Although the European Medicines Agency, or the EMEA, granted approval of Vasovist for all 25 member states of the E.U. in October 2005, Vasovist has not been approved in the United States. In December 2003, EPIX submitted a new drug application, or NDA, for Vasovist to the FDA, and in June 2004, EPIX s development partner Schering AG submitted a Marketing Authorization Application, to the EMEA. In January 2005, EPIX received an approvable letter from the FDA for Vasovist in which the FDA requested additional clinical trials prior to approval. In May 2005, EPIX submitted a response to the FDA approvable letter, which was accepted by the FDA as a complete response in June 2005. In November 2005, the FDA provided EPIX with a second approvable letter. Although no safety or manufacturing issues were raised in the second approvable letter, the second approvable letter indicated that at least one additional clinical trial and a re-read of images obtained in certain previously completed Phase III trials will be necessary before the FDA could approve Vasovist. EPIX believes that these trials would require a substantial period of time to complete. EPIX has had two meetings with the FDA since receiving the second approvable letter to discuss the path forward for Vasovist in the United States. After considering the parameters of the additional clinical trials requested by the FDA, EPIX has decided to pursue an appeal of the second approvable letter, ask the FDA to approve Vasovist and to utilize an advisory committee as part of the appeal process. The approval, timeliness of approval or labeling of Vasovist are subject to significant uncertainties related to a number of factors, including the outcome of the appeal, the process of reaching agreement with the FDA on the clinical data and on any clinical trial protocol required for regulatory approval of Vasovist, a re-read, or reanalysis, of images obtained from completed Phase III trials by a new group of radiologists, the timing and process of conducting any clinical trials that may be ultimately required if the appeal is denied, obtaining the desired outcomes of any required clinical trials and the FDA s review process and conclusions regarding any additional Vasovist regulatory submissions. EPIX cannot assure you that its appeal will be successful or that EPIX will be able to reach agreement with the FDA on the design or clinical endpoints required for additional clinical trials or re-read of images from the completed Phase III trials that may be required if the appeal is denied. Further, EPIX cannot assure you that any such agreed upon clinical trials will be feasible for EPIX to conduct or whether such trials will be completed in a commercially reasonable timeframe, if at all. Any further clinical trials that are required could take several years to complete.

If the FDA does not approve Vasovist, then EPIX will not receive revenues based on sales of Vasovist in the United States. Even if ultimately approved, EPIX does not expect revenues from the commercial sales of any of its product candidates, other than Vasovist, for at least several years.

EPIX completed a Phase IIa clinical trial of EP-2104R. EPIX s partner, Schering AG, has an option to exclusively license EP-2104R. The future clinical development plan of EP-2104R is uncertain at this time, and the timing and number of future clinical trials depends upon whether Schering AG exercises its option and how Schering AG decides to manage the clinical development of EP-2104R going forward. The exercisability of this option will continue for a 90-day period of time after the submission of a report summarizing the results of this clinical trial. EPIX expects Schering AG will decide whether or not to exercise its option in the third quarter of 2006. If Schering AG exercises its option to exclusively license the product candidate, then EPIX will be eligible for milestone payments for certain clinical and regulatory achievements and a royalty after the product candidate is commercialized. In addition, if Schering AG exercises the option, Schering AG will be required to pay EPIX $5.0 million, and EPIX may be required to pay a portion of that milestone payment to third parties that have licensed technology to EPIX. However, if Schering AG declines to exercise its option, EPIX may bear the expenses of further clinical development itself, which expenses would be significant. Regardless of whether Schering AG exercises its option to license EP-2104R, the FDA, the EMEA and other regulatory agencies to which EPIX or Schering AG submit applications for marketing authorization may not agree that EPIX s product candidate is safe and effective and may not approve EPIX s product candidate, in which case EPIX s ability to receive any milestone payments or royalty payments related to EP-2104R will be significantly reduced.

The relevant regulatory authorities may not approve any of EPIX s applications for marketing authorization relating to any of its product candidates, including Vasovist and EP-2104R, or additional applications for or variations to marketing authorizations that EPIX may make in the future as to these or other product candidates. Among other things, EPIX has had only limited experience in preparing applications and obtaining regulatory approvals. If approval is granted, it may be subject to limitations on the indicated uses for which the product candidate may be marketed or contain requirements for costly post-marketing testing and surveillance to monitor safety or efficacy of the product candidate. If approval of an application to market product candidates is not granted on a timely basis or at all, or if EPIX is unable to maintain its approval, EPIX s business may be materially harmed.

EPIX is currently focusing its development efforts on only two product candidates and one research program and will have limited prospects for successful operations if its two lead product candidates do not prove successful in clinical trials or if its only research program does not produce another product candidate suitable for clinical trials.

As a result of the FDA s second approvable letter regarding Vasovist, EPIX eliminated approximately 50% of its workforce in January 2006. As part of this reorganization, EPIX plans to focus its resources primarily on the development of its lead product candidates, Vasovist and EP-2104R. Accordingly, EPIX has decided to cease work on the majority of its research projects related to imaging. EPIX continues to allocate resources to one high-priority research project. EPIX s efforts may not lead to commercially successful products for a number of reasons, including the inability to be proven safe and effective in clinical trials, the lack of regulatory approvals or obtaining regulatory approvals that are narrower than EPIX seeks, inadequate financial resources to complete the development and commercialization of EPIX s product candidates or their lack of acceptance in the marketplace. Given EPIX s limited focus on two lead product candidates and only one research program, if Vasovist and EP-2104R do not prove successful in clinical trials or are not commercialized for any reason, EPIX will have only one operational research program from which to seek additional product candidates. If EPIX is not able to identify additional product candidates from this single research program, it may be required to suspend or discontinue its operations and you could lose your entire investment in EPIX.

If EPIX s clinical trials are not successful, EPIX may not be able to develop and commercialize its product candidates.

To obtain regulatory approvals for the commercial sale of EPIX s potential products, EPIX and its partners will be required to complete extensive clinical trials in humans to demonstrate the safety and efficacy of its product candidates. Vasovist and EP-2104R are currently EPIX s only product candidates that have undergone human clinical trials and EPIX cannot be certain that any of its other research projects will yield a product candidate suitable for substantial human clinical testing.

With respect to both EPIX s current product candidates in human clinical trials and its research product candidates which may be suitable for testing in human clinical trials at some point in the future, EPIX may not be able to commence or complete the required clinical trials in any specified time period, or at all, either because the FDA or other regulatory agencies object, because EPIX is unable to attract or retain clinical trial participants, or for other reasons.

Even if EPIX completes a clinical trial of one of its potential products, the data collected from the clinical trial may not demonstrate that its product candidate is safe or effective to the extent required by the FDA, the EMEA, or other regulatory agencies to approve the potential product candidate, or at all. For example, in January and November 2005, the FDA informed EPIX that the clinical efficacy data for Vasovist that EPIX submitted in connection with its NDA was not adequate for approval.

The results from pre-clinical testing of a product candidate that is under development may not be predictive of results that will be obtained in human clinical trials. In addition, the results of early human clinical trials may not be predictive of results that will be obtained in larger scale, advanced-stage clinical trials. Furthermore, EPIX, one of its collaborators, or a regulatory agency with jurisdiction over the trials may suspend clinical trials at any time if the patients participating in such trials are being exposed to unacceptable health risks, or for other reasons.

The timing of completion of clinical trials is dependent in part upon the rate of enrollment of patients. Patient accrual is a function of many factors, including the size of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the existence of competitive clinical trials, and the availability of alternative treatments. Delays in planned patient enrollment may result in increased costs and prolonged clinical development. In addition, patients may withdraw from a clinical trial for a variety of reasons. If EPIX fails to accrue and maintain the number of patients into one of its clinical trials for which the clinical trial was designed, the statistical power of that clinical trial may be reduced which would make it harder to demonstrate that the product candidates being tested in such clinical trial are safe and effective.

Regulatory authorities, clinical investigators, institutional review boards, data safety monitoring boards and the hospitals at which EPIX s clinical trials are conducted all have the power to stop EPIX s clinical trials prior to completion. If EPIX s trials are not completed, EPIX would be unable to show the safety and efficacy required to obtain marketing authorization for its product candidates.

EPIX must receive government regulatory approval for its product candidates before they can be marketed and sold in the United States or in other countries and this approval process is uncertain, time-consuming and expensive.

Vasovist and EP-2104R are regulated by the FDA as drugs. Under the Food, Drug and Cosmetic Act and the FDA s implementing regulations, the FDA regulates the research, development, manufacture and marketing, among other things, of pharmaceutical products. The process required by the FDA before Vasovist and EPIX s other product candidates may be marketed in the United States typically involves the performance of pre-clinical laboratory and animal tests; submission of an investigational new drug application, or IND; completion of human clinical trials; submission of an NDA to the FDA; and FDA approval of an NDA.

This regulatory approval process is lengthy and expensive. Although some of EPIX s employees have experience in obtaining regulatory approvals, EPIX has only limited experience in filing or pursuing applications necessary to gain regulatory approvals. Pre-clinical testing of EPIX s product development candidates is subject to good laboratory practices, as prescribed by the FDA, and the manufacture of any products developed by EPIX will be subject to current good manufacturing practices, as prescribed by the FDA, or cGMP. EPIX may not obtain the necessary FDA approvals and subsequent approvals in a timely manner, if at all. EPIX cannot be sure as to the length of the clinical trial period or the number of patients that will be required to be tested in the clinical trials in order to establish the safety and efficacy of Vasovist for regulatory approval in the United States or any of its future product candidates. For example, EPIX has received two approvable letters from the FDA and has had two meetings with the FDA to discuss the path forward for Vasovist in the United States and EPIX has decided to appeal the FDA s decision not to approve Vasovist without data from additional clinical trials. EPIX cannot predict whether an appeal or additional trials would be completed timely or successfully. EPIX s clinical trials may not be successful and EPIX may not complete them in a timely manner. EPIX could report serious side effects as the clinical trials proceed. EPIX s results from early clinical trials may not predict results that it obtains in later clinical trials, even after promising results in earlier trials. The rate of completion of EPIX s clinical trials depends upon, among other things, the rate of patient enrollment and subsequent blinded reading of images and data analysis.

Furthermore, EPIX, or the FDA or other regulatory authorities may suspend or terminate clinical trials at any time, including terminating clinical trials for safety reasons. In addition, the FDA may suggest or require alterations to clinical trials at any time. For example, in September 2001, after discussions with the FDA, EPIX expanded its initial target indication for Vasovist from one specific body region, the aortoiliac region, to a broader indication that included the entire body s vascular system, except for the heart. This expansion required EPIX to add two new clinical trials to its then existing Phase III clinical trial program; one to determine the efficacy of Vasovist-enhanced magnetic resonance angiography for the detection of vascular disease in the renal arteries, and another to determine the efficacy of Vasovist-enhanced magnetic resonance angiography for the detection of vascular disease in the pedal arteries. Although providing EPIX with greater market potential for the sale of Vasovist upon approval, this change to the Phase III clinical trial program and the associated delay in the startup of new clinical centers resulted in an approximate 15-month delay in EPIX s NDA submission and an increase in costs associated with the program. If EPIX does not successfully complete clinical trials for its product candidates, it will not be able to market these product candidates.

In addition, EPIX may encounter unanticipated delays or significant costs in its efforts to secure necessary approvals. EPIX s analysis of data obtained from pre-clinical and clinical activities is subject to confirmation and interpretation by regulatory authorities which could delay, limit or prevent FDA regulatory approval. In addition, the FDA may require EPIX to modify its future clinical trial plans or to conduct additional clinical trials in ways that it cannot currently anticipate, resulting in delays in its obtaining regulatory approval. Delays in obtaining government regulatory approval could adversely affect EPIX s, or its partner s, marketing as well as the ability to generate significant revenues from commercial sales.

Future U.S. legislative or administrative actions also could prevent or delay regulatory approval of EPIX s product candidates. Even if EPIX obtains regulatory approvals, they may include significant limitations on the indicated uses for which EPIX may market a product. A marketed product also is subject to continual FDA and other regulatory agency review and regulation. Later discovery of previously unknown problems or failure to comply with the applicable regulatory requirements may result in restrictions on the marketing of a product or withdrawal of the product from the market as well as possible civil or criminal sanctions. Further, many academic institutions and companies conducting research and clinical trials in the magnetic resonance imaging, or MRI, contrast agent field are using a variety of approaches and technologies. If researchers obtain any adverse results in pre-clinical studies or clinical trials, it could adversely affect the regulatory environment for MRI contrast agents in general. In addition, if EPIX obtains marketing approval, the FDA may require post-marketing testing and surveillance programs to monitor the product s efficacy and side effects. Results of these post-marketing programs may prevent or limit the further marketing of the monitored product. If EPIX, or its partners, such as Schering AG, cannot successfully market EPIX s product candidates, EPIX will not generate sufficient revenues to achieve or maintain profitability.

EPIX and its strategic partners are also subject to numerous and varying foreign regulatory requirements governing the design and conduct of clinical trials and the manufacturing and marketing of EPIX s product candidates. The foreign regulatory approval process may include all of the risks associated with obtaining FDA approval set forth above and EPIX may not obtain foreign regulatory approvals on a timely basis, if at all, thereby compromising its ability to market its product candidates abroad.

Gadolinium-based imaging agents, such as Vasovist and EP-2104R, may cause adverse side effects which could limit EPIX s ability to receive approval for these product candidates and its ability to effectively market these product candidates, if approved.

EPIX s Vasovist and EP-2104R, both MRI contrast drugs, contain gadolinium. In May 2006, the Danish Medicines Agency announced that it was investigating a possible link between the use of Omniscan, an imaging agent containing gadolinium, and the development of a very rare skin disease in 25 patients with severely impaired renal function who had been administered the imaging agent. Although the Danish Medicines Agency stated that a causal relationship between Omniscan and the skin changes had not been documented, they are conducting further investigations with respect to all MRI contrast media containing gadolinium. Although EPIX has reviewed its safety databases for Vasovist and EP-2104R and has found no instances of this rare skin disease, its databases may be too small to show such an effect, if it exists. In the event gadolinium-based imaging agents such as Vasovist and EP-2104R are linked to this very rare skin disease or other unanticipated side effects, such safety concerns could have a material adverse affect on EPIX s ability to obtain marketing approval for Vasovist and/or EP-2104R or any such approval for use may be revoked, or could materially harm EPIX s and its partners ability to successfully market Vasovist and/or EP-2104R.

If EPIX fails to comply with the extensive regulatory requirements to which it and its product candidates are subject, EPIX s product candidates could be subject to restrictions or withdrawal from the market and EPIX could be subject to penalties.

EPIX is subject to extensive U.S. and foreign governmental regulatory requirements and lengthy approval processes for its product candidates. The development and commercial use of EPIX s product candidates will be regulated by numerous federal, state, local and foreign governmental authorities in the United States, including the FDA and foreign regulatory agencies. The nature of EPIX s research and development and manufacturing processes requires the use of hazardous substances and testing on certain laboratory animals. Accordingly, EPIX is subject to extensive federal, state and local laws, rules, regulations and policies governing the use, generation, manufacture, storage, air emission, effluent discharge, handling and disposal of certain materials and wastes as well as the use of and care for laboratory animals. If EPIX fails to comply or if an accident occurs, EPIX may be exposed to legal risk and be required to pay significant penalties or be held liable for any damages that result. Such liability could exceed EPIX s financial resources. Furthermore, current laws could change and new laws could be passed that may force EPIX to change its policies and procedures, an event which could impose significant costs on EPIX.

EPIX is required to maintain pharmacovigilance systems for collecting and reporting information concerning suspected adverse reactions to its product candidates. In response to pharmacovigilance reports, regulatory authorities may initiate proceedings to revise the prescribing information for EPIX s product candidates or to suspend or revoke its marketing authorizations. Procedural safeguards are often limited, and marketing authorizations can be suspended with little or no advance notice.

Both before and after approval of a product, quality control and manufacturing procedures must conform to cGMP. Regulatory authorities, including the EMEA and the FDA, periodically inspect manufacturing facilities to assess compliance with cGMP. Accordingly, EPIX and its contract manufacturers will need to continue to expend time, funds, and effort in the area of production and quality control to maintain cGMP compliance.

In addition to regulations adopted by the EMEA, the FDA, and other foreign regulatory authorities, EPIX is also subject to regulation under the Occupational Safety and Health Act, the Toxic Substances Control Act, the Resource Conservation and Recovery Act, and other federal, state, and local regulations.

In addition, the testing, manufacturing, labeling, advertising, promotion, export and marketing, among other things, of EPIX s product candidates, both before and after approval, are subject to extensive regulation by governmental authorities in the United States, Europe and elsewhere throughout the world.

Failure to comply with the laws administered by the FDA, the EMEA, or other governmental authorities could result in any of the following:

- delay in approval or refusal to approve a product candidate;
- product candidate recall or seizure;
- interruption of production;
- operating restrictions;
- warning letters;
- injunctions;
- criminal prosecutions; and
- unanticipated expenditures.

EPIX s research and development efforts may not result in product candidates appropriate for testing in human clinical trials.

EPIX has historically spent significant resources on research and development and pre-clinical studies of product candidates. However, these efforts may not result in the development of product candidates appropriate for testing in human clinical trials. For example, EPIX s research may result in product candidates that are not expected to be effective in treating diseases or may reveal safety concerns with respect to product candidates. In connection with EPIX s recent restructuring, it postponed or terminated several research and development programs, and it may postpone or terminate research and development of a product candidate or a program at any time for any reason such as the safety or effectiveness of the potential product, allocation of resources or unavailability of qualified research and development personnel. The failure to generate high-quality research and development candidates would negatively impact EPIX s ability to advance product candidates into human clinical testing and ultimately, negatively impact its ability to market and sell products.

EPIX has have a limited manufacturing capability and it intends to outsource manufacturing of Vasovist to third parties, who may not perform as EPIX expects.

EPIX does not have, nor does it currently have plans to develop, full-scale manufacturing capability for Vasovist. While EPIX has manufactured small amounts of Vasovist for research and development efforts, it relies on, and it intends to continue to rely on, Tyco/ Mallinckrodt as the primary manufacturer of Vasovist for any future human clinical trials and commercial use. Together with Schering AG, EPIX is considering alternative manufacturing arrangements for Vasovist for commercial use, including the transfer of manufacturing to Schering AG. In the event that Tyco/ Mallinckrodt fails to fulfill its manufacturing responsibilities satisfactorily, Schering AG has the right to purchase Vasovist from a third party or to manufacture the compound itself. However, either course of action could materially delay the manufacture and development of Vasovist. Schering AG may not be able to find an alternative manufacturer. In addition, Schering AG may not be able to manufacture Vasovist itself in a timely manner or in sufficient quantities. If EPIX experiences a delay in manufacturing, it could result in a delay in the approval or commercialization of Vasovist and have a material adverse effect on its business, financial condition and results of operations.

Technology Risks

If MRI manufacturers are not able to enhance their hardware and software sufficiently, EPIX will not be able to complete development of its contrast agent for the evaluation of cardiac indications.

Although MRI hardware and software is sufficient for the evaluation of non-coronary vascular disease, which is EPIX s initial target indication, EPIX believes that the technology is not as advanced for cardiac applications. EPIX s initial NDA filing for Vasovist is related to non-coronary vascular disease. Based on feasibility studies EPIX completed in 2001, however, the imaging technology available for cardiac applications, including coronary angiography and cardiac perfusion imaging, was not developed to the point where there was clear visualization of the cardiac region due to the effects of motion from breathing and from the beating of the heart. In 2004, EPIX initiated Phase II feasibility trials of Vasovist for cardiac indications using available software and hardware that can be adapted for coronary and cardiac perfusion data acquisition, and preliminary review of the data indicates that EPIX has not resolved the technical issues related to this use of Vasovist. EPIX has collaborated with a number of leading academic institutions and with GE Healthcare, Siemens Medical Systems and Philips Medical Systems to help optimize cardiac imaging with Vasovist. EPIX does not know when, or if, these techniques will enable Vasovist to provide clinically relevant images in cardiac indications. If MRI device manufacturers are not able to enhance their scanners to perform clinically useful cardiac imaging, EPIX will not be able to complete its development activities of Vasovist for that application, thereby reducing the potential market for a product in this area.

EPIX depends on exclusively licensed technology from the Massachusetts General Hospital and if EPIX loses this license, it is unlikely it could obtain this technology elsewhere, which would have a material adverse effect on EPIX s business.

Under the terms of a license agreement that EPIX has with the Massachusetts General Hospital, or MGH, EPIX is the exclusive licensee to certain technology, which relate to royalties it receives and to Vasovist. The license agreement imposes various commercialization, sublicensing, royalty and other obligations on EPIX. The license agreement expires on a country-by-country basis when the patents covered by the license agreement expire. For example, the patents covered by this license agreement are currently expected to expire in November 2006, although the life of these patents may be extended. One of these patents has been extended through Supplementary Protection Certificates for Primovist through May 2011 in certain European countries. The license agreement does not contain a renewal provision. If EPIX fails to comply with these and other requirements, its license could convert from exclusive to nonexclusive, or terminate entirely. It is unlikely that EPIX would be able to obtain this technology elsewhere. Any such event would mean that EPIX would not receive royalties from Bracco for MultiHance or Schering AG for Primovist, and that EPIX or Schering AG could not sell Vasovist, either of which would have a material adverse effect on EPIX s business, financial condition and results of operations. Currently, EPIX believes it is in compliance with the terms of the license agreement and its does not have any reason to believe that this license may be terminated.

EPIX depends on patents and other proprietary rights, and if they fail to protect its business, EPIX may not be able to compete effectively.

The protection of EPIX s proprietary technologies is material to its business prospects. EPIX pursues patents for its product candidates in the United States and in other countries where it believes that significant market opportunities exist. EPIX owns or has an exclusive license to patents and patent applications on aspects of its core technology as well as many specific applications of this technology. These patents relate to MRI signal generation technology, Vasovist, EP-2104R and EPIX s other research projects and include method of use patents. Some of EPIX s patents related to Vasovist will expire in 2006. Other patents related to Vasovist will not expire until 2015. Protection for Vasovist manufacturing processes in the United States will not expire until 2017. Patents related to certain methods of using Vasovist will not expire until 2021. A patent related to EP-2104R will not expire until 2022. If all of EPIX s pending patent applications issue with claims substantially similar to those currently set forth in such applications, further patent protection for EP-2104R may not expire until 2022. Even though EPIX holds numerous patents and has made numerous patent applications, because the patent positions of pharmaceutical and biopharmaceutical firms, including EPIX s patent positions, generally include complex legal and factual questions, EPIX s patent positions remain uncertain. For example, because most patent applications are maintained in secrecy for a period after filing, EPIX cannot be certain that the named applicants or inventors of the subject matter covered by its patent applications or patents, whether directly owned or licensed to EPIX, were the first to invent or the first to file patent applications for such

Table of Contents

inventions. Third parties may oppose, challenge, infringe upon, circumvent or seek to invalidate existing or future patents owned by or licensed to EPIX. A court or other agency with jurisdiction may find EPIX s patents invalid, not infringed or unenforceable and EPIX cannot be sure that patents will be granted with respect to any of its pending patent applications or with respect to any patent applications filed by it in the future. Even if EPIX has valid patents, these patents still may not provide sufficient protection against competing products or processes. If EPIX is unable to successfully protect its proprietary methods and technologies, or if its patent applications do not result in issued patents, EPIX may not be able to prevent other companies from practicing its technology and, as a result, its competitive position may be harmed.

EPIX may need to initiate lawsuits to protect or enforce its patents and other intellectual property rights, which could result in its incurrence of substantial costs and which could result in the forfeiture of these rights.

EPIX may need to bring costly and time-consuming litigation against third parties in order to enforce its issued patents, protect its trade secrets and know how, or to determine the enforceability, scope and validity of proprietary rights of others. In addition to being costly and time-consuming, such lawsuits could divert management s attention from other business concerns. These lawsuits could also result in the invalidation or a limitation in the scope of EPIX s patents or forfeiture of the rights associated with its patents or pending patent applications. EPIX may not prevail and a court may find damages or award other remedies in favor of an opposing party in any such lawsuits. During the course of these suits, there may be public announcements of the results of hearings, motions and other interim proceedings or developments in the litigation. Securities analysts or investors may perceive these announcements to be negative, which could cause the market price of EPIX s stock to decline. In addition, the cost of such litigation could have a material adverse effect on EPIX s business and financial condition.

Other rights and measures that EPIX relies upon to protect its intellectual property may not be adequate to protect its products and services and could reduce its ability to compete in the market.

In addition to patents, EPIX relies on a combination of trade secrets, copyright and trademark laws, non-disclosure agreements and other contractual provisions and technical measures to protect its intellectual property rights. While EPIX requires employees, collaborators, consultants and other third parties to enter into confidentiality and/or non-disclosure agreements, where appropriate, any of the following could still occur:

- the agreements may be breached;
- EPIX may have inadequate remedies for any breach;
- proprietary information could be disclosed to EPIX s competitors; or
- others may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to EPIX s trade secrets or disclose such technologies.

If, as a result of the foregoing or otherwise, EPIX s intellectual property is disclosed or misappropriated, it would harm EPIX s ability to protect its rights and its competitive position. Moreover, several of EPIX s management and scientific personnel were formerly associated with other pharmaceutical and biotechnology companies and academic institutions. In some cases, these individuals are conducting research in similar areas with which they were involved prior to joining EPIX. As a result, EPIX, as well as these individuals, could be subject to claims of violation of trade secrets and similar claims.

EPIX s success will depend partly on its ability to operate without infringing the intellectual property rights of others, and if EPIX is unable to do so, it may not be able to sell its products.

EPIX s commercial success will depend, to a significant degree, on its ability to operate without infringing upon the patents of others in the United States and abroad. There may be pending or issued patents held by parties not affiliated with EPIX relating to technologies EPIX uses in the development or use of certain of its contrast agents. If any judicial or administrative proceeding upholds these or any third-party patents as valid and enforceable, EPIX could be prevented from practicing the subject matter claimed in such patents, or would be required to obtain licenses from the owners of each such patent, or to redesign its product candidates or processes to avoid infringement. For example, in November 2003, EPIX entered into an intellectual property agreement with Dr. Martin R. Prince, an early innovator in the field of magnetic resonance angiography, relating to dynamic magnetic resonance angiography, which involves capturing magnetic resonance angiography images during the limited time, typically 30 to 60 seconds, available for imaging with extracellular agents. Under the terms of the intellectual property agreement, Dr. Prince granted EPIX certain discharges, licenses and releases in connection with the historic and future use of Vasovist by EPIX and agreed not to sue EPIX for intellectual property infringement related to the use of Vasovist. In consideration of Dr. Prince entering into the agreement, EPIX agreed to pay him an upfront fee of $850,000 and royalties on sales of Vasovist consistent with a non-exclusive early stage academic license and agreed to deliver to him 132,000 shares of EPIX s common stock, with a value of approximately $2.3 million based on the closing price of EPIX s common stock on the date of the agreement. In addition, EPIX agreed to supply Dr. Prince with approximately $140,000 worth of Vasovist. If EPIX is unable to obtain a required license on acceptable terms, or are unable to design around these or any third-party patents, it may be unable to sell its products, which would have a material adverse effect on its business.

If EPIX fails to get adequate levels of reimbursement from third-party payors for its product candidates after they are approved in the United States and abroad, EPIX may have difficulty commercializing its product candidates.

EPIX believes that reimbursement in the future will be subject to increased restrictions, both in the United States and in foreign markets. EPIX believes that the overall escalating cost of medical products and services has led to, and will continue to lead to, increased pressures on the health care industry, both foreign and domestic, to reduce the cost of products and services, including products offered by it. There can be no assurance, in either the United States or foreign markets, that third-party reimbursement will be available or adequate, that current reimbursement amounts will not be decreased in the future or that future legislation, regulation, or reimbursement policies of third-party payors will not otherwise adversely affect the demand for EPIX s product candidates or its ability to sell its product candidates on a profitable basis, particularly if MRI exams enhanced with EPIX s contrast agents are more expensive than competing vascular imaging techniques that are equally effective. The unavailability or inadequacy of third-party payor coverage or reimbursement could have a material adverse effect on EPIX s business, financial condition and results of operations.

EPIX could be adversely affected by changes in reimbursement policies of governmental or private healthcare payors, particularly to the extent any such changes affect reimbursement for procedures in which its product candidates would be used. Failure by physicians, hospitals and other users of EPIX s product candidate to obtain sufficient reimbursement from third-party payors for the procedures in which EPIX s product candidate would be used or adverse changes in governmental and private third-party payors policies toward reimbursement for such procedures may have a material adverse effect on EPIX s ability to market its product candidate and, consequently, it could have an adverse effect on EPIX s business, financial condition and results of operations. If EPIX obtains the necessary foreign regulatory approvals, market acceptance of its product candidates in international markets would be dependent, in part, upon the availability of reimbursement within prevailing healthcare payment systems. Reimbursement and healthcare payment systems in international markets vary significantly by country, and include both government sponsored health care and private insurance. EPIX and its strategic partners intend to seek international reimbursement approvals, although EPIX cannot assure you that any such approvals will be obtained in a timely manner, if at all, and failure to receive international reimbursement approvals could have an adverse effect on market acceptance of EPIX s product candidate in the international markets in which such approvals are sought.

If EPIX is unable to attract and retain key management and other personnel, it would hurt EPIX s ability to compete.

EPIX s future business and operating results depend in significant part upon its ability to attract and retain qualified directors, senior management and key technical personnel. In September 2005, the EPIX board of directors appointed Michael J. Astrue as Interim Chief Executive Officer. Mr. Astrue replaced Michael Webb, who resigned from EPIX and its board of directors in September 2005. Mr. Astrue resigned as Interim Chief Executive Officer on May 5, 2006. In addition, EPIX s Chief Financial Officer resigned in July 2005. Andrew C.G. Uprichard, M.D., EPIX s President and Chief Operating Officer, is currently acting as EPIX s principal executive officer and EPIX currently has no Chief Financial Officer and its Executive Director, Finance, is currently serving as its principal financial and accounting officer. In addition, Mr. Pelletier and EPIX have agreed that Mr. Pelletier will resign as EPIX s Executive Director of Finance in August 2006. Christopher F.O. Gabrieli, the Chairman of the EPIX board of directors, is a candidate for the Governor of the Commonwealth of Massachusetts, the general election for which is scheduled in November 2006. If elected, Mr. Gabrieli will step down from the EPIX board of directors. EPIX s inability to attract and retain qualified individuals to these positions and others, the loss of any of EPIX s key management and other personnel, or their failure to perform their current positions could have a material adverse effect on EPIX s business, financial condition and results of operations, and its ability to achieve its business objectives or to operate or compete in its industry may be seriously impaired. Competition for personnel is intense and EPIX may not be successful in attracting or retaining such personnel. If EPIX were to lose these employees to its competition, it could spend a significant amount of time and resources to replace them, which would impair its research and development or commercialization efforts. If the merger is not consummated, EPIX must compete with companies that have greater resources and/or superior product candidates or products to rebuild its senior management team and attract other personnel.

Business Risks

EPIX currently depends on its strategic collaborators for support in product development and the regulatory approval process and, in the future, will depend on them for product marketing support as well. These efforts could be materially harmed if EPIX experiences problems with its collaborators.

EPIX depends on strategic collaborators for support in product development and the regulatory approval process as well as a variety of other activities including manufacturing, marketing and distribution of its product candidate in the United States and abroad, when, and if, the FDA and corresponding foreign agencies approve its product candidates for marketing. To date, EPIX has entered into strategic alliances and collaborations with Schering AG, Tyco/ Mallinckrodt, GE Healthcare, Philips Medical Systems and Siemens Medical Systems. Four of EPIX s key agreements include three collaboration agreements with Schering AG to perform joint research and to develop and commercialize Vasovist, EP-2104R and other MRI vascular agents worldwide, and an agreement with Tyco/ Mallinckrodt granting Tyco/ Mallinckrodt rights to enter into an agreement with Schering AG to manufacture Vasovist for clinical development and commercial use. EPIX may not receive milestone payments from these alliances should Vasovist or EP-2104R fail to meet certain performance targets in development and commercialization. Further, EPIX s receipt of revenues from strategic alliances is affected by the level of efforts of its collaborators. EPIX s collaborators may not devote the resources necessary to complete development and commence marketing of Vasovist, EP-2104R or other product candidates in their respective territories, or they may not successfully market Vasovist, EP-2104R or other product candidates. In addition, Schering AG and Tyco/ Mallinckrodt currently manufacture imaging agents for other technologies that will compete against Vasovist, and Schering AG will be responsible for setting the price of the product candidate worldwide. Accordingly, Schering AG may not set prices in a manner that maximizes revenues for EPIX. EPIX s failure to receive future milestone payments, or a reduction or discontinuance of efforts by its partners would have a material adverse effect on EPIX s business, financial condition and results of operations.

Furthermore, EPIX s collaboration agreement with Schering AG may be terminated early under certain circumstances, including if there is a material breach of the agreement by either party. In October

2005, EPIX announced that it had entered into an amendment to its research collaboration agreement with Schering AG. This amendment narrowed the definition of the field of collaboration to exclude from the research collaboration certain specific types of imaging technology, including certain nanotechnology-based imaging agents. This research collaboration concluded in May 2006. EPIX is in discussions, and expects to continue discussions, with Schering AG regarding the disposition of the research products under this research collaboration. While the research agreement is separate from EPIX s agreement with Schering AG relating to Vasovist and EP-2104R, EPIX cannot predict how the disposition or winding down of the individual research programs will occur, or whether it will be able to take forward any of these research programs itself or find alternative partners for these programs.

In addition, EPIX intends to seek additional collaborations with third parties who may negotiate provisions that allow them to terminate their agreements with EPIX prior to the expiration of the negotiated term under certain circumstances. EPIX is substantially dependent upon Schering AG to commercialize Vasovist, EPIX s lead product candidate, in the United states and Europe. If Schering AG or any other third-party collaborator were to terminate its agreements with EPIX, if EPIX is unable to negotiate an acceptable agreement with Schering AG relating to a new research agreement or if Schering AG or any other third-party collaborator otherwise fail to perform its obligations under EPIX s collaboration or to complete them in a timely manner, EPIX could lose significant revenue. If EPIX is unable to enter into future strategic alliances with capable partners on commercially reasonable terms, it may delay the development and commercialization of future product candidates and could possibly postpone them indefinitely.

In addition, Bayer AG recently extended an offer to acquire all of the outstanding shares of Schering AG. Although EPIX has not yet determined the impact this acquisition may have on its relationship with Schering AG or the marketing of Vasovist, if the strategy of Bayer AG and Schering AG after the acquisition differs from that of Schering AG s current strategy with respect to the marketing of Vasovist, EPIX s expectations regarding the marketing of Vasovist could be negatively impacted which could have a material adverse effect on EPIX s business.

In addition, EPIX relies on certain of its collaborators, such as GE Healthcare, Siemens Medical Systems and Philips Medical Systems, to develop software that can be used to enhance or suppress veins or arteries from Vasovist-enhanced magnetic resonance angiography images. Although not required for clinical use of Vasovist, the ability to separate veins from arteries using Vasovist-enhanced magnetic resonance angiography may be useful to clinicians in reading Vasovist-enhanced images for the evaluation of vascular disease. Therefore, if EPIX s collaborators do not develop or implement the required software successfully, some clinicians may not be able to easily interpret the information provided from Vasovist-enhanced images and may not be inclined to use the product candidate. EPIX s inability to market Vasovist successfully to clinicians would have a material adverse effect on EPIX s business.

EPIX s stock price is volatile. It is possible that you may lose all or part of your investment.

The market prices of the capital stock of medical technology companies have historically been very volatile and the market price of the shares of EPIX s common stock fluctuates. The market price of EPIX s common stock is affected by numerous factors, including:

- actual or anticipated fluctuations in EPIX s operating results;
- announcements of technological innovation or new commercial products by EPIX or its competitors;
- new collaborations entered into by EPIX or its competitors;
- developments with respect to proprietary rights, including patent and litigation matters;
- results of pre-clinical studies and clinical trials;
- the timing of EPIX s achievement of regulatory milestones;

Table of Contents

conditions and trends in the pharmaceutical and other technology industries;

adoption of new accounting standards affecting such industries;

changes in financial estimates by securities analysts;

perceptions of the value of corporate transactions; and

degree of trading liquidity in EPIX s common stock and general market conditions.

During the period from January 1, 2006 through June 26, 2006, the closing price of EPIX s common stock ranged from $5.02 to $3.09. The last reported closing price for EPIX s common stock on March 31, 2006, the last trading day before the public announcement of the merger, was $3.50 and it was $3.60 on June 26, 2006. Significant declines in the price of EPIX s common stock could impede EPIX s ability to obtain additional capital, attract and retain qualified employees and reduce the liquidity of its common stock.

In addition, the stock market has from time to time experienced significant price and volume fluctuations that have particularly affected the market prices for the common stock of similarly staged companies. These broad market fluctuations may adversely affect the market price of EPIX s common stock. In the past, following periods of volatility in the market price of a particular company s securities, shareholders have often brought class action securities litigation against that company. Such litigation could result in substantial costs and a diversion of management s attention and resources. For example, in January 2005, a securities class action was filed in U.S. District Court for the District of Massachusetts against EPIX and certain of its officers on behalf of persons who purchased EPIX s common stock between July 10, 2003 and January 14, 2005. The complaint alleged that EPIX and the other defendants violated the Securities Exchange Act of 1934, as amended, by issuing a series of materially false and misleading statements to the market throughout the class period, which statements had the effect of artificially inflating the market price of EPIX s securities. In January 2006, the U.S. District Court for the District of Massachusetts granted EPIX s Motion to Dismiss for Failure to Prosecute the shareholder class action lawsuit against EPIX. The dismissal was issued without prejudice after a hearing, which dismissal does not prevent another suit to be brought based on the same claims.

EPIX has never generated revenues from commercial sales of its product candidates.

EPIX currently has one product for sale in Europe and it cannot guarantee that it will ever have additional marketable product candidates. Vasovist was approved for commercial sale in Europe in October 2005 and is currently being marketed in Europe by EPIX s partner, Schering AG. If Schering AG fails to launch Vasovist in all European countries or fails to achieve significant sales, EPIX s revenues could be materially harmed and EPIX may receive even less royalty income than it currently expects to receive. EPIX expects to receive a typical pharmaceutical royalty based on the sale of Vasovist by Schering AG in Europe. Even if Schering AG continues its launch of Vasovist and it is able to successfully market and sell Vasovist throughout Europe, EPIX does not expect any significant royalties for 2006 sales.

EPIX has never generated positive cash flow, and if EPIX fails to generate revenue, it will have a material adverse effect on its business.

To date, EPIX has received revenues from payments made under licensing, royalty arrangements and product development and marketing agreements with strategic collaborators. In particular, EPIX s revenue for the three months ended March 31, 2006 was $1.7 million and consisted of $1.1 million of product development revenue from Schering AG, $458,000 of royalty revenue related to the Bracco and Schering AG agreements, and $162,000 of license fee revenue related to the Schering AG, Tyco/ Mallinckrodt strategic collaborations and Bracco agreements. In addition to these sources of revenue, EPIX has financed its operations to date through public stock and debt offerings, private sales of equity securities and equipment lease financings.

Although EPIX believes that it is currently in compliance with the terms of its collaboration and licensing agreements, the revenues derived from them are subject to fluctuation in timing and amount. EPIX may not receive anticipated revenue under its existing collaboration or licensing agreements, these agreements may be subject to disputes and, additionally, these agreements may be terminated upon certain circumstances. Therefore, to achieve profitable and sustainable operations, EPIX, alone or with others, must successfully develop, obtain regulatory approval for, introduce, market and sell products. EPIX may not receive revenue from the sale of any of its product candidates for the next several years because it, and its partners, may not:

- successfully complete EPIX s product development efforts;
- obtain required regulatory approvals in a timely manner, if at all;
- manufacture EPIX s product candidates at an acceptable cost and with acceptable quality; or
- successfully market any approved products.

As a result, EPIX may never generate revenues from sales of its product candidates and its failure to generate positive cash flow could cause its business to fail.

EPIX anticipates future losses and may never become profitable.

EPIX s future financial results are uncertain. EPIX has experienced significant losses since it commenced operations in 1992. EPIX s accumulated net losses as of March 31, 2006 were approximately $184.2 million. These losses have primarily resulted from expenses associated with EPIX s research and development activities, including pre-clinical studies and clinical trials, and general and administrative expenses. EPIX anticipates that its research and development expenses will remain significant in the future and it expects to incur losses over at least the next several years as it continues its research and development efforts, pre-clinical testing and clinical trials and as it implements manufacturing, marketing and sales programs. In particular, EPIX may be required to conduct additional clinical trials in order to achieve FDA approval of Vasovist, which trials would be expensive and which could contribute to EPIX continuing to incur losses. As a result, EPIX cannot predict when it will become profitable, if at all, and if it does, it may not remain profitable for any substantial period of time. EPIX s expenses after the merger may increase significantly as a result of the addition of Predix s research and development and commercialization efforts. In addition, Predix s independent accountants raised substantial doubts about Predix s ability to continue as a going concern and EPIX will assume approximately $9.5 million in debt in connection with its acquisition of Predix. Therefore, the merger may also result in losses to be sustained over a longer period of time than EPIX would experience on its own without the acquisition of Predix and require EPIX to raise additional funds sooner than if it did not acquire Predix. If EPIX fails to achieve profitability within the timeframe expected by investors or if the acquisition of Predix and its research and development programs negatively impacts EPIX s results of operations, the market price of its common stock may decline and consequently its business may not be sustainable.

If the market does not accept EPIX s technology and product candidates, EPIX may not generate sufficient revenues to achieve or maintain profitability.

The commercial success of Vasovist and EPIX s other product candidates, even if approved for marketing by the FDA and corresponding foreign agencies, depends on their acceptance by the medical community and third-party payors as clinically useful, cost-effective and safe. While contrast agents are currently used in an estimated 25% to 35% of all MRI exams, there are no MRI agents approved by the FDA for vascular imaging. Furthermore, clinical use of magnetic resonance angiography has been limited and use of magnetic resonance angiography for some vascular disease imaging has occurred mainly in research and academic centers. Market acceptance, and thus sales of EPIX s products, will depend on several factors, including:

- safety;

Table of Contents

- cost-effectiveness relative to alternative vascular imaging methods;
- availability of third-party reimbursement;
- ease of administration;
- clinical efficacy; and
- availability of competitive products.

Market acceptance will also depend on EPIX s ability and that of its strategic partners to educate the medical community and third-party payors about the benefits of diagnostic imaging with Vasovist-enhanced magnetic resonance angiography compared to imaging with other technologies. Vasovist represents a new approach to imaging the non-coronary vascular system, and market acceptance both of magnetic resonance angiography as an appropriate imaging technique for the non-coronary vascular system, and of Vasovist, is critical to EPIX s success. If Vasovist or any of EPIX s other product candidates, when and if commercialized, do not achieve market acceptance, EPIX may not generate sufficient revenues to achieve or maintain profitability.

EPIX may need to raise additional funds necessary to fund its operations, and if EPIX does not do so, it may not be able to implement its business plan.

Since inception, EPIX has funded its operations primarily through its public offerings of common stock, private sales of equity securities, debt financing, equipment lease financings, product development revenue, and royalty and license payments from its strategic partners. Although EPIX believes that it has adequate funding for the foreseeable future, it may need to raise substantial additional funds for research, development and other expenses through equity or debt financings, strategic alliances or otherwise. EPIX s future liquidity and capital requirements will depend upon numerous factors, including the following:

- the progress and scope of clinical trials;
- the timing and costs of filing future regulatory submissions;
- the timing and costs required to receive both U.S. and foreign governmental approvals;
- the cost of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights;
- the extent to which EPIX s product candidates gain market acceptance;
- the timing and costs of product introductions;
- the extent of EPIX s ongoing and any new research and development programs;
- the costs of training physicians to become proficient with the use of EPIX s product candidates; and
- the costs of developing marketing and distribution capabilities.

Based on EPIX s current plans, expense rates, targeted timelines and its view regarding acceptance of Vasovist in the marketplace, EPIX estimates that cash, cash equivalents and marketable securities on hand as of March 31, 2006 will be sufficient to fund its operations for at least the next several years. However, EPIX premises this expectation on its current operating plan, which may change as a result of many factors, including the acquisition of Predix. Taking into consideration the acquisition of Predix and incorporating its research and development programs into the operations of EPIX, EPIX estimates that cash, cash equivalents and marketable securities on hand as of June 26, 2006, together with expected revenue from the sale of Vasovist and reimbursement of clinical trial costs by Schering AG, and the cash, cash equivalents and marketable securities acquired from Predix, will fund the combined company s operations into 2008. If, however, EPIX considers other opportunities, changes its planned activities or is required to pay all or a substantial portion of the milestone payment in cash under the merger agreement, it may require additional funding before currently expected. In this regard, Predix is engaged in discussions

Table of Contents

with third parties regarding prospective collaborations for its drug candidates. If these discussions were to result in Predix entering into a definitive agreement for such a collaboration that triggered the milestone payment before EPIX issues a significant number of new shares of its capital stock or before the consummation of the merger, EPIX may be required to pay all or a substantial portion of the milestone payment in cash.

EPIX s competitors may have greater financial resources, superior products or product candidates, manufacturing capabilities and/or marketing expertise, and EPIX may not be able to compete with them successfully.

The healthcare industry is characterized by extensive research efforts and rapid technological change and there are several companies that are working to develop products similar to EPIX s product candidates. However, there are a number of general use MRI agents approved for marketing in the United States. and in certain foreign markets that, if used or developed for magnetic resonance angiography, are likely to compete with Vasovist. Such products include Magnevist and Gadovist by Schering AG, Dotarem by Guerbet, S.A., Omniscan by GE Healthcare, ProHance and MultiHance by Bracco and OptiMARK by Tyco/ Mallinckrodt. EPIX is aware of five agents under clinical development that have been or are being evaluated for use in magnetic resonance angiography: Schering AG s Gadomer and SHU555C, Guerbet s Vistarem, Bracco s B-22956/1, Ferropharm s Code VSOP-C184, and Advanced Magnetics Ferumoxytol. EPIX cannot assure you that its competitors will not succeed in the future in developing products that are more effective than any that EPIX is developing. EPIX believes that its ability to compete in developing MRI contrast agents depends on a number of factors, including the success and timeliness with which it completes FDA trials, the breadth of applications, if any, for which its product candidates receive approval, and the effectiveness, cost, safety and ease of use of its product candidates in comparison to the products of its competitors. Public information on the status of clinical development and performance characteristics for these agents is limited. However, many of these competitors have substantially greater capital and other resources than EPIX does and may represent significant competition for EPIX. These companies may succeed in developing technologies and products that are more effective or less costly than any of those that EPIX may develop. In addition, these companies may be more successful than EPIX is in developing, manufacturing and marketing their products.

Moreover, there are several well-established medical imaging methods that currently compete and will continue to compete with MRI, including digital subtraction angiography, which is an improved form of X-ray angiography, computed tomography angiography, nuclear medicine and ultrasound, and there are companies that are actively developing the capabilities of these competing methods to enhance their effectiveness in vascular system imaging.

EPIX cannot guarantee that it will be able to compete successfully in the future, or that developments by others will not render Vasovist or its future product candidates obsolete or non-competitive, or that its collaborators or customers will not choose to use competing technologies or products. Any inability to compete successfully on EPIX s part will have a materially adverse impact on its operating results.

Product liability claims could increase EPIX s costs and adversely affect its results of operations.

The clinical testing of EPIX s products and the manufacturing and marketing of any approved products may expose EPIX to product liability claims and it may experience material product liability losses in the future. EPIX currently has limited product liability insurance for the use of its approved products and product candidates in clinical research, which is capped at $10.0 million, but its coverage may not continue to be available on terms acceptable to it or adequate for liabilities EPIX actually incur. EPIX does not have product liability insurance coverage for the commercial sale of its product candidates, but intends to obtain such coverage when and if EPIX commercializes its product candidates. However, EPIX may not be able to obtain adequate additional product liability insurance coverage on acceptable terms, if at all. A successful claim brought against EPIX in excess of available insurance coverage, or any claim or product recall that results in significant adverse publicity against EPIX, may have a material adverse effect on EPIX s business and results of operations.

EPIX significantly increased its leverage as a result of the sale of 3.0% Convertible Senior Notes due 2024.

In connection with the sale of 3.0% Convertible Senior Notes due 2024, EPIX has incurred indebtedness of $100 million. In addition, holders of EPIX s 3% Convertible Senior Notes due 2024 may require EPIX to repurchase these notes at par, plus accrued and unpaid interest, on June 15, 2011, 2014 and 2019. The amount of EPIX s indebtedness could, among other things:

make it difficult for EPIX to make payments on the notes;

make it difficult for EPIX to obtain financing for working capital, acquisitions or other purposes on favorable terms, if at all;

make EPIX more vulnerable to industry downturns and competitive pressures; and

limit EPIX s flexibility in planning for, or reacting to changes in, its business.

EPIX s ability to meet its debt service obligations will depend upon its future performance, which will be subject to regulatory approvals and sales of its products, as well as other financial and business factors affecting its operations, many of which are beyond EPIX s control.

Certain anti-takeover clauses in EPIX s charter and by-laws and in Delaware law may make an acquisition of EPIX more difficult.

EPIX s restated certificate of incorporation authorizes the EPIX board of directors to issue, without stockholder approval, up to 1,000,000 shares of preferred stock with voting, conversion and other rights and preferences that could adversely affect the voting power or other rights of the holders of EPIX s common stock. The issuance of preferred stock or of rights to purchase preferred stock could be used to discourage an unsolicited acquisition proposal. In addition, the possible issuance of preferred stock could discourage a proxy contest, make more difficult the acquisition of a substantial block of EPIX s common stock or limit the price that investors might be willing to pay for shares of EPIX s common stock. The restated certificate of incorporation provides for staggered terms for the members of the EPIX board of directors. A staggered EPIX board of directors and certain provisions of EPIX s by-laws and of the state of Delaware law applicable to EPIX could delay or make more difficult a merger, tender offer or proxy contest involving EPIX. EPIX is subject to Section 203 of the General Corporation Law of the State of Delaware, which, subject to certain exceptions, restricts certain transactions and business combinations between a corporation and a stockholder owning 15% or more of the corporation s outstanding voting stock for a period of three years from the date the stockholder becomes an interested stockholder. These provisions may have the effect of delaying or preventing a change in control of EPIX without action by the stockholders and, therefore, could adversely affect the price of EPIX s stock.

Risks Relating to the Business of Predix and the Combined Company

Business Risks

If Predix does not obtain required regulatory approval of its drug candidates, Predix will be unable to market and sell Predix s drug candidates.

PRX-00023, PRX-03140, PRX-08066 and PRX-07034 and any other drug candidates Predix may discover or acquire and seek to commercialize are subject to extensive regulation by the FDA and similar regulatory agencies in other countries relating to development, clinical trials, manufacturing and commercialization. In the United States and in many foreign jurisdictions, rigorous pre-clinical testing and clinical trials and an extensive regulatory review process must be successfully completed before a new drug can be sold. Satisfaction of these and other regulatory requirements is costly, time consuming, uncertain and subject to unanticipated delays. The time required to obtain approval by the FDA is unpredictable but typically exceeds five years following the commencement of clinical trials, depending upon many factors, including the complexity of the drug candidate. Predix initiated clinical trials for PRX-00023, PRX-03140 and PRX-08066 in February 2004, December 2004 and May 2005, respectively, and thus far, these drug candidates have been studied in only a small number of patients. In addition, a Phase I clinical trial for PRX-07034 recently commenced on June 2, 2006. Early-stage clinical trials in small numbers of patients are often not predictive of results in later-stage clinical trials with a larger and more diverse patient population. Even drug candidates with favorable results in late-stage pivotal clinical trials may fail to get approved for commercialization for many reasons, including:

Predix s failure to demonstrate to the satisfaction of the FDA or comparable foreign regulatory authorities that a drug candidate is safe and effective for a particular indication;

Predix s inability to demonstrate that a drug candidate s benefits outweigh its risks;

Predix s inability to demonstrate that the drug candidate presents a significant advantage over existing therapies;

the FDA s or comparable foreign regulatory authorities disagreement with the manner in which Predix and Predix s collaborators interpret the data from pre-clinical studies or clinical trials;

the FDA s or comparable foreign regulatory authorities failure to approve Predix s manufacturing processes or facilities or the processes or facilities of Predix s collaborators; or

a change in the approval policies or regulations of the FDA or comparable foreign regulatory authorities.

It is possible that none of Predix s drug candidates or any other drug candidates Predix may seek to develop in the future will ever obtain the appropriate regulatory approvals necessary for Predix to begin selling them.

Predix s clinical trials may not yield results that will enable Predix to obtain regulatory approval for Predix s drug candidates.

Predix will only receive regulatory approval to commercialize a drug candidate if Predix can demonstrate to the satisfaction of the FDA or the applicable foreign regulatory agency, in well-designed and conducted clinical trials, that the drug candidate is safe and effective and otherwise meets the appropriate standards required for approval for a particular indication. Clinical trials are lengthy, complex and extremely expensive processes with uncertain results. Predix has limited experience in conducting and managing the clinical trials necessary to obtain regulatory approvals, including filing and prosecuting the applications necessary to gain approval by the FDA. To date, Predix has not completed a Phase III clinical trial or submitted an NDA to the FDA for any of its drug candidates. This limited experience may result in longer regulatory processes in connection with Predix s efforts to obtain approval of its product candidates. In connection with the clinical trials for PRX-00023, PRX-03140 and PRX-08066 as well as the recently commenced Phase I clinical trial for PRX-07034 and any other drug candidate Predix may seek to develop in the future, Predix faces risks including that:

the drug candidate may not prove to be safe and efficacious;

the dosage form of the drug candidate may not deliver reproducible amounts of drug to patients;

patients may die or suffer other adverse effects for reasons that may or may not be related to the drug candidate being tested;

the results of later-stage clinical trials may not confirm the positive results of earlier trials;

the results may not meet the level of statistical significance required by the FDA or other regulatory agencies for approval; and the FDA or other regulatory agencies may require additional or expanded trials.

Table of Contents

Of the large number of drugs in development, only a small percentage result in the submission of an NDA to the FDA and even fewer are approved for commercialization. If Predix fails to demonstrate the safety and efficacy of Predix s drug candidates, Predix will not be able to obtain the required regulatory approvals to commercialize these drug candidates. Furthermore, even if Predix does receive regulatory approval to market a commercial product, any such approval may be subject to limitations on the indicated uses for which Predix or a collaborator may market the product.

If Predix does not obtain additional financing, its ability to implement its business plan will be significantly harmed.

Predix has incurred substantial losses to date and Predix expects to incur substantial losses for the foreseeable future. Predix has no current sources of material ongoing revenue. As of March 31, 2006, Predix had an accumulated deficit of approximately $129.8 million. As a result, Predix s independent accountant has indicated that it has substantial doubts that Predix can continue as a going concern. To address this matter, Predix entered into a bridge financing agreement with certain of its shareholders, in which Predix issued notes totaling approximately $9.5 million. This bridge financing will increase the combined company s outstanding debt obligations following the merger. In the event that the merger is not consummated, Predix will be required to raise additional capital in 2006 through the sale of debt or equity securities or through research and development collaborations to fund its operations for the next 12 months. There can be no assurance that any such financing will be available, or that Predix will be able to enter such collaborations, on favorable terms, if at all. Predix s independent accountant s going concern opinion may negatively affect Predix s ability to raise additional funds. If Predix fails to raise sufficient capital, Predix will not be able to implement its business plan and may need to cease its operations.

Predix has never had commercially available products and, because all of Predix s drug candidates are in early stages of development, there is a high risk of failure, and Predix may never succeed in developing marketable products or generating product revenue.

Predix has never had any drug candidates receive regulatory approval for commercial sale. Predix s most advanced drug candidate, PRX-00023, completed a Phase IIa clinical trial in July 2005, and Predix is expecting to complete the first of at least two pivotal Phase III clinical trials for generalized anxiety disorder for this drug candidate in the second half of 2006. Predix has three other clinical-stage drug candidates: PRX-03140 for the treatment of Alzheimer s disease that is expected to enter Phase II clinical trials in the second half of 2006; PRX-08066 for the treatment of two types of pulmonary hypertension, which are pulmonary hypertension associated with chronic obstructive pulmonary disease that is expected to enter Phase II clinical trials in the second half of 2006, and pulmonary arterial hypertension; and PRX-07034 for the treatment of obesity and cognitive impairment, that commenced Phase I clinical testing on June 2, 2006. In addition, PRX-08066 has never been tested in patients with pulmonary arterial hypertension or pulmonary hypertension associated with chronic obstructive pulmonary disease and PRX-07034 has never been tested in patients with obesity and cognitive impairment. Predix does not expect to have any commercial products on the market for at least the next several years, if at all. Predix is exploring human diseases at the cellular level and attempting to develop drug candidates that regulate cellular processes. Trial and error is inherent in drug discovery and development, and Predix may fail at numerous stages along the way. Success in pre-clinical studies of a drug candidate may not be predictive of similar results in humans during clinical trials, and successful results from early clinical trials of a drug candidate may not be replicated in later clinical trials. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in late-stage clinical trials even after achieving promising results in early-stage development. For example, Sanofi-Aventis recently discontinued the development of its product candidate for the treatment of Alzheimer s disease designed to target the 5-HT4 protein receptor due to lack of efficacy. This compound is believed to have the same mechanism of action as PRX-03140, was more advanced in the clinic and was more potent in *in vitro* assays. Accordingly, the results from the completed and ongoing studies and trials for PRX-00023, PRX-03140, PRX-08066 and PRX-07034 may not be predictive of the results Predix may obtain in later-stage trials.

If clinical trials for Predix s drug candidates are prolonged or delayed, Predix may be unable to commercialize Predix s drug candidates on a timely basis, which would require Predix to incur additional costs and delay Predix s receipt of any revenue from potential product sales.

Predix may encounter problems with Predix s completed, ongoing or planned clinical trials that will cause Predix or any regulatory authority to delay or suspend those clinical trials or delay the analysis of data derived from them. A number of events, including any of the following, could delay the completion of Predix s ongoing and planned clinical trials and negatively impact Predix s ability to obtain regulatory approval for, and to enter into collaborations, market and/or sell, a particular drug candidate, including Predix s clinical-stage drug candidates PRX-00023, PRX-03140, PRX-08066 and PRX-07034:

conditions imposed on Predix by the FDA or any foreign regulatory authority regarding the scope or design of Predix s clinical trials;

delays in obtaining, or Predix s inability to obtain, required approvals from institutional review boards or other reviewing entities at clinical sites selected for participation in Predix s clinical trials;

delay in developing a clinical dosage form, insufficient supply or deficient quality of Predix s drug candidates or other materials necessary to conduct Predix s clinical trials;

negative or inconclusive results from clinical trials, or results that are inconsistent with earlier results, that necessitate additional clinical study;

negative or inconclusive results from clinical trials, or results that are inconsistent with earlier results, that necessitate additional clinical study;

serious and/or unexpected drug-related side effects experienced by subjects in clinical trials; or

failure of Predix s third-party contractors or Predix s investigators to comply with regulatory requirements or otherwise meet their contractual obligations to Predix in a timely manner.

In addition, the number and complexity of clinical trials needed to achieve regulatory approval for Predix s lead drug candidates, PRX-00023 for the treatment of generalized anxiety disorder and depression and PRX-03140 for the treatment of Alzheimer s disease, could be significant. Achieving primary efficacy endpoints in these trials is difficult due to the significant placebo effect in these patient populations. In addition, the clinical path of PRX-00023 may be delayed because Predix has less clinical data and clinical experience with PRX-00023 than it would have had it followed the more common practice of conducting more than one Phase II clinical trial for PRX-00023. Instead, after meeting with the FDA regarding the design, endpoints and statistical plan of its Phase III clinical trial, Predix elected to progress PRX-00023 directly into Phase III development. In addition, Predix must also submit the results of a two-year carcinogenicity study of PRX-00023 prior to its approval. Predix has not yet initiated this study and intends to conduct this study prior to submitting an NDA to the FDA. If the clinical development of PRX-00023 is delayed as a result of these matters, additional requirements set forth by the FDA, including requirements related to confirming the correct dose for PRX-00023, or otherwise, the time and cost of the development of PRX-00023 could increase significantly.

Predix s clinical trials may not begin as planned, may need to be restructured, and may not be completed on schedule, if at all. Delays in Predix s clinical trials may result in increased development costs for Predix s drug candidates. In addition, if Predix s clinical trials are delayed, Predix s competitors may be able to bring product candidates to market before Predix does and the commercial viability of Predix s drug candidates, including PRX-00023, PRX-03140, PRX-08066 and PRX-07034, could be significantly reduced.

If Predix encounters difficulties enrolling subjects in Predix s clinical trials, or subjects drop out of trials in progress, Predix s trials could be delayed or otherwise adversely affected.

Clinical trials for Predix s drug candidates require sufficient patient enrollment. Predix may not be able to enroll a sufficient number of qualified patients in a timely or cost-effective manner. For example,

Table of Contents

Predix experienced difficulty in enrolling healthy elderly volunteers in Predix s Phase I clinical trial for PRX-03140. Any future delays in patient enrollment could result in increased costs and longer development times. Enrollment of patients is affected by many factors, including:

- the limited size of the patient population and the availability of commercial products for certain target indications, including pulmonary arterial hypertension and pulmonary hypertension associated with chronic obstructive pulmonary disease;
- the nature and design of the trial protocol;
- the proximity of patients to clinical sites;
- the availability of other effective treatments for the relevant disease (whether approved or experimental);
- the eligibility criteria for enrollment in Predix s clinical trials;
- perceived risks and benefits of the drug candidate under study; and
- competing studies or trials.

Predix s failure to enroll patients in Predix s clinical trials could delay the completion of these clinical trials. Furthermore, enrolled patients may drop out of Predix s clinical trials, which could impair the validity or statistical significance of the clinical trials. In addition, the FDA could require Predix to conduct clinical trials with a larger number of subjects than Predix has projected for any of Predix s drug candidates. If Predix has difficulty enrolling or retaining a sufficient number of patients to participate and complete Predix s clinical trials as planned, Predix may need to delay or terminate ongoing or planned clinical trials. Delays in enrolling patients in Predix s clinical trials or the withdrawal of subjects enrolled in Predix s clinical trials would adversely affect Predix s ability to develop and seek approval for Predix s drug candidates, could delay or eliminate Predix s ability to generate drug candidates and revenue and could impose significant additional costs on Predix.

Predix s drug candidates are currently unformulated.

All of Predix s drug candidates, including its lead product candidate, PRX-00023, are currently unformulated. The lack of an optimized and commercially-viable formulation during clinical trials may have a significant impact in the overall development and commercialization of these drug candidates, including:

- the current dosage may not provide reproducible amounts of drug;
- the pharmaceutical development of a commercially viable formulation may add significant cost and time to Predix s clinical development programs;
- additional trials may be required if the new formulation is not bioequivalent to formulations already used in clinical trials;
- future clinical trials may be delayed in order to identify, develop, optimize, manufacture and certify a commercially viable formulation; and
- regulatory filings, and/or commercial launch may be delayed due to the lack of a commercial process for cGMP manufacturing of the new formulation.

The occurrence of any of the foregoing could materially harm Predix s business.

Table of Contents

If Predix fails to obtain the additional capital necessary to fund Predix s operations, Predix will be unable to successfully develop and commercialize Predix s drug candidates.

Predix will require substantial future capital to continue to complete clinical development and commercialize Predix s clinical-stage drug candidates, PRX-00023, PRX-03140, PRX-08066 and PRX- 07034, and to conduct the research and development and clinical and regulatory activities necessary to bring other drug candidates to market. Predix s future capital requirements will depend on many factors that are currently unknown to us, including:

- the progress and results of Predix s first Phase III clinical trial for PRX-00023 and any other trials Predix may initiate based on the results of this trial;
- Predix s ability to enter into a strategic collaboration, licensing or other arrangement, particularly with respect to PRX-00023, on terms favorable to Predix;
- the progress and results of any future clinical trials Predix may initiate with PRX-03140 and PRX-08066 based on the Phase I results obtained to date;
- the results of Predix s pre-clinical studies and testing for Predix s pre-clinical programs, and any decisions to initiate clinical trials if supported by the pre-clinical results;
- the costs, timing and outcome of regulatory review of PRX-00023, PRX-03140, PRX-08066 and PRX-07034, and any pre-clinical drug candidates that progress to clinical trials;
- the scope, progress, results and cost of pre-clinical development, manufacturing, pharmaceutical development, clinical trials and regulatory review of any new drug candidates Predix may discover or acquire;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing Predix s issued patents, and defending intellectual property-related claims;
- the costs of establishing sales and marketing functions and of establishing commercial manufacturing arrangements if any of Predix s drug candidates is approved;
- the costs to satisfy Predix s obligations under potential future collaborations; and
- the timing, receipt and amount of sales or royalties, if any, from PRX-00023, PRX-03140, PRX-08066 and PRX-07034, and any other drug candidates.

Predix cannot assure you that additional funds will be available when Predix needs them on terms that are acceptable to Predix, or at all. Companies at Predix s stage of development have recently encountered difficulties raising money under current conditions in the capital markets. For example, Predix commenced, but did not successfully complete, an initial public offering of its common stock in 2005. If adequate funds are not available on a timely basis, Predix may be required to:

- terminate or delay pre-clinical studies, manufacturing, pharmaceutical development, clinical trials or other development for one or more of Predix s drug candidates, including the initiation of clinical development of PRX-00023 for a depression indication;
- delay Predix s establishment of sales and marketing capabilities or other activities that may be necessary to commercialize any of Predix s drug candidates; or
- curtail significant drug discovery programs that are designed to identify new drug candidates.

Based on Predix s current plans, expense rates, targeted timelines and its view regarding the progression of its product candidates through clinical trials, Predix estimates that cash, cash equivalents and marketable securities on hand as of June 26, 2006 will be sufficient to fund its operations through July 2006. As a result, there exists substantial doubt about Predix s ability to continue as a going concern through December 31, 2006 without additional funding or the successful completion of the merger. However, Predix premises this expectation on its current operating plan, which may change as a result of many factors including its acquisition by EPIX and the access to EPIX s cash, cash equivalents and

45

marketable securities if the merger is completed. However, Predix may need additional funds sooner than planned. In addition, Predix may seek additional capital if market conditions permit or for strategic considerations even if Predix believes Predix has sufficient funds for Predix s current or future operating plans.

Failure to comply with foreign regulatory requirements governing human clinical trials and marketing approval for drugs could prevent Predix from selling Predix s drug candidates in foreign markets, which may adversely affect Predix s operating results and financial condition.

The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement for marketing Predix s drug candidates outside the United States vary greatly from country to country and may require additional testing. Predix has no experience in obtaining foreign regulatory approvals. The time required to obtain approvals outside the United States may differ from that required to obtain FDA approval. Predix may not obtain foreign regulatory approvals on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other countries or by the FDA. Failure to comply with these regulatory requirements or obtain required approvals could impair Predix s ability to develop foreign markets for Predix s drug candidates.

Predix s drug candidates will remain subject to ongoing regulatory requirements even if they receive marketing approval, and if Predix fails to comply with requirements, Predix could lose these approvals and the sale of any approved commercial products could be temporarily or permanently suspended.

Even if Predix receives regulatory approval to market a particular drug candidate, the product will remain subject to extensive regulatory requirements, including requirements relating to manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion and record keeping. In addition, as clinical experience with a drug expands after approval because it is typically used by a greater number of patients after approval than during clinical trials, side effects and other problems may be observed after approval that were not seen or anticipated during pre-approval clinical trials. If Predix fails to comply with the regulatory requirements of the FDA and other applicable U.S. and foreign regulatory authorities or previously unknown problems with any approved commercial products, manufacturers or manufacturing processes are discovered, Predix could be subject to administrative or judicially imposed sanctions or other setbacks, including:

- restrictions on the products, manufacturers or manufacturing processes;
- civil or criminal penalties;
- fines;
- injunctions;
- product seizures or detentions;
- import bans;
- product recalls and related publicity requirements;
- total or partial suspension of production; and
- refusal to approve pending applications for marketing approval of new products or supplements to approved applications.

The imposition on Predix of any of the foregoing could materially harm Predix s business.

Predix deals with hazardous materials and must comply with environmental laws and regulations, which can be expensive and restrict how Predix does business.

Predix s activities may involve the controlled storage, use and disposal of a small amount of hazardous materials, including infectious agents, corrosive, explosive and flammable chemicals and various radioactive compounds. Predix is subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of these hazardous materials. Although Predix is not currently, nor has it been, the subject of any investigations by a regulatory authority, it cannot assure you that it will not become the subject of any such investigation. Although Predix believes that Predix s safety procedures for handling and disposing of these materials comply with the standards prescribed by these laws and regulations, Predix cannot eliminate the risk of accidental contamination or injury from these materials.

In the event of an accident, state or federal authorities may curtail Predix s use of these materials and interrupt Predix s business operations. In addition, Predix could be liable for any civil damages that result, which may exceed Predix s financial resources and may seriously harm Predix s business. Due to the small amount of hazardous materials that Predix generates, Predix has determined that the cost to secure insurance coverage for environmental liability and toxic tort claims far exceeds the benefits. Accordingly, Predix does not maintain any insurance to cover pollution conditions or other extraordinary or unanticipated events relating to Predix s use and disposal of hazardous materials. Additionally, an accident could damage, or force Predix to shut down, Predix s operations. In addition, if Predix develops a manufacturing capacity, Predix may incur substantial costs to comply with environmental regulations and would be subject to the risk of accidental contamination or injury from the use of hazardous materials in Predix s manufacturing process.

Predix is focusing Predix s drug discovery and development efforts on G-Protein Coupled Receptor and ion channel-targeted drug candidates, which have historically had a high incidence of adverse side effects.

Despite commercial success, many G-Protein Coupled Receptor, or GPCR, and ion channel-targeted drugs have been associated with a high incidence of adverse side effects due in part to poor selectivity in binding to their target protein, resulting in also binding to other off-target proteins. Predix believes it is designing its drug candidates to be more selective and to have a more favorable side-effect profile. However, all of Predix s drug candidates are in early stages of development, and although Predix s clinical drug candidates have to date exhibited acceptable side-effect profiles in clinical trials in a limited number of subjects, Predix cannot assure you that these results will be repeated in larger-scale trials. If serious side effects occur in later-stage clinical trials of Predix s drug candidates, Predix may not receive regulatory approval to commercialize them. Even if any of Predix s drug candidates receive regulatory approval, if they do not exhibit a more favorable side-effect profile than existing therapies, Predix s competitive position could be substantially diminished.

The application of Predix s in silico drug discovery technology and approach may be limited to a subset of therapeutically useful and ion channel proteins, which may reduce the opportunities to develop and commercialize drug candidates against other important therapeutic targets.

To date, Predix s technology and approach has generated clinical drug candidates, including PRX-00023, PRX-03140, PRX-08066 and PRX-07034, which mimic the activity of a small molecule, serotonin, within a class of G-Protein Coupled Receptors, or GPCRs, known as serotonergic receptors. The activity is achieved through binding of the ligand, serotonin, to a lipophilic region of the transmembrane spanning domain. These GPCRs and mechanisms of interaction represent a small subset of all known therapeutically-relevant GPCRs. The application of Predix s *in silico* technology to other known therapeutically-relevant GPCR targets based on large molecule ligands, hydrophilic interactions or surface interactions is unknown. Ion channels can consist of multiple protein subunits that have complex and subtle mechanisms of activation and inactivation. Therefore, it may be difficult to apply Predix s proprietary drug discovery technology to small-molecule ion channel programs. Although Predix believes that the *in silico* technology platform can be utilized and developed to discover such small molecules,

Table of Contents

Predix cannot ensure that its *in silico* technology and approach will generate clinical candidates for all GPCRs and ion channels that are important targets for therapeutic intervention.

Predix may not be able to keep up with the rapid technological change in the biotechnology and pharmaceutical industries, which could make any of Predix s future approved products obsolete and reduce Predix s revenue.

Biotechnology and related pharmaceutical technologies have undergone and continue to be subject to rapid and significant change. Predix s future will depend in large part on Predix s ability to maintain a competitive position with respect to these technologies. Predix believes that its proprietary drug discovery technology and approach enables structure-based discovery and optimization of certain G-Protein Coupled Receptor and ion channel-targeted drug candidates. However, Predix s competitors may render Predix s technologies obsolete by advances in existing GPCR and ion channel-targeted drug discovery approaches or the development of new or different approaches. In addition, any future products that Predix develops, including Predix s clinical-stage drug candidates, PRX-00023, PRX-03140, PRX-08066 and PRX-07034 may become obsolete before Predix recovers expenses incurred in developing those products, which may require that Predix raise additional funds to continue Predix s operations.

Predix s competitors may develop products that are less expensive, safer or more effective, which may diminish or eliminate the commercial success of any future products that Predix may commercialize.

Competition in the pharmaceutical and biotechnology industries is intense and expected to increase. Predix faces competition from pharmaceutical and biotechnology companies, as well as numerous academic and research institutions and governmental agencies engaged in drug discovery activities or funding, both in the United States and abroad. Some of these competitors have products or are pursuing the development of drug candidates that target the same diseases and conditions that are the focus of Predix s three most advanced clinical-stage product candidates, including the following:

PRX-00023. If approved, PRX-00023, the drug candidate Predix is developing for the treatment of anxiety and depression, will compete with approved products from such pharmaceutical companies as Forest Laboratories, GlaxoSmithKline, Pfizer and Wyeth, and may compete with several drug candidates in clinical development from other companies, including Eli Lilly and MediciNova. Predix believes that there are over 35 drug candidates in clinical trials or that have been submitted for approval for the treatment of anxiety and over 45 drug candidates in clinical trials or that have been submitted for approval for the treatment of depression.

PRX-03140. If approved, PRX-03140, the drug candidate Predix is developing for the treatment of Alzheimer s disease, will compete with approved products from such pharmaceutical companies as Forest Laboratories, Johnson & Johnson, Novartis and Pfizer, and may compete with several drug candidates in clinical development from other companies, including Myriad Genetics and Neurochem. Predix believes that there are over 60 drug candidates in clinical trials for the treatment of Alzheimer s disease.

PRX-08066. If approved, PRX-08066, the drug candidate Predix is developing for the treatment of pulmonary hypertension, will compete with approved products from such pharmaceutical companies as Actelion, CoTherix, GlaxoSmithKline, Pfizer and United Therapeutics, and may compete with several drug candidates in clinical development by other companies such as Encysive Pharmaceuticals and Myogen. Predix believes that there are approximately ten drug candidates in clinical trials or that have been submitted for approval for the treatment of pulmonary arterial hypertension and/or pulmonary hypertension associated with chronic obstructive pulmonary disease.

Many patents covering commercial products for these indications will expire within the next four to nine years, which will result in greater competition in these indications resulting from companies producing generic versions of the commercial drugs. In addition, many of Predix s competitors and their collaborators have substantially greater capital, research and development resources, manufacturing, sales and marketing experience and capabilities. Smaller companies also may prove to be significant competitors, particularly

Table of Contents

through proprietary research discoveries and collaboration arrangements with large pharmaceutical and established biotechnology companies. Many of Predix s competitors have products that have been approved or are in advanced development and may develop superior technologies or methods to identify and validate drug targets and to discover novel small-molecule drugs. Predix s competitors, either alone or with their collaborators, may succeed in developing drugs that are more effective, safer, more affordable or more easily administered than Predix s and may achieve patent protection or commercialize drugs sooner than Predix. Predix s competitors may also develop alternative therapies that could further limit the market for any drugs that Predix may develop.

If a successful product liability claim or series of claims is brought against Predix for uninsured liabilities or in excess of insured liabilities, Predix could be forced to pay substantial damage awards.

The use of any of Predix s drug candidates in clinical trials, and the sale of any approved products, might expose Predix to substantial product liability claims. Predix currently maintains product liability insurance coverage in the amount of $10 million to cover Predix against such claims. However, such insurance coverage might not protect Predix against all of the claims to which Predix might become subject. Predix might not be able to maintain adequate insurance coverage at a reasonable cost or in sufficient amounts or scope to protect Predix against potential losses. If a claim is brought against Predix, Predix might be required to pay legal and other expenses to defend the claim, as well as uncovered damages awards resulting from a claim brought successfully against Predix. Furthermore, whether or not Predix is ultimately successful in defending any such claims, Predix might be required to direct significant financial and managerial resources to such defense and adverse publicity is likely to result.

Risks Relating to Predix s Dependence on Third Parties

Predix relies on third parties to conduct Predix s clinical trials, and those third-parties may not perform satisfactorily, including failing to meet established deadlines for the completion of such trials.

Predix does not have the ability to independently conduct clinical trials for Predix s drug candidates, and Predix relies on third parties such as contract research organizations, medical institutions and clinical investigators to enroll qualified patients and conduct Predix s clinical trials. Predix s reliance on these third parties for clinical development activities reduces Predix s control over these activities. Accordingly, these third-party contractors may not complete activities on schedule, or may not conduct Predix s clinical trials in accordance with regulatory requirements or Predix s trial design. To date, Predix believes Predix s contract research organizations and other similar entities with which Predix is working have performed well. However, if these third parties do not successfully carry out their contractual duties or meet expected deadlines, Predix may be required to replace them. Although Predix believes that there are other third-party contractors Predix could engage to continue these activities, it may result in a delay of the affected trial. Accordingly, Predix s efforts to obtain regulatory approvals for and commercialize Predix s drug candidates may be delayed.

Predix s drug candidates require significant biological testing, pre-clinical testing, manufacturing and pharmaceutical development expertise and investment. Predix relies primarily on external partners to complete these activities.

Predix does not have in-house biological or pre-clinical testing capabilities. Therefore, it relies on third parties to perform *in vitro* potency, *in vivo* functional efficacy, animal toxicology and pharmacokinetics testing prior to advancing its product candidates into clinical trials. Predix also does not have internal expertise to scale up, manufacture or formulate its drug candidates. Predix currently relies solely on Johnson Matthey Pharma Services for its drug substance manufacturing and testing, and solely on Aptuit, Inc. for its drug product manufacturing and testing. Although Predix believes that it could replace these suppliers on commercially reasonable terms, if any of these third parties fail to fulfill their obligations to Predix or do not successfully compete the testing in a timely or acceptable manner, Predix s drug development efforts could be negatively impacted and/or delayed.

If Predix does not establish a collaboration to further develop and commercialize PRX-00023 or other drug candidates, Predix may have to alter Predix s development plans.

Predix estimates that, from inception through March 31, 2006, its out-of-pocket payments to third parties for pre-clinical study support, clinical supplies and clinical trials associated with Predix s three most advanced clinical-stage drug candidates, PRX-00023, PRX-03140 and PRX-08066, totaled approximately $29 million. Predix s drug development programs and potential commercialization of Predix s drug candidates will require substantial additional cash to fund expenses. Predix s strategy includes collaborating with a leading pharmaceutical or biotechnology company to assist Predix in further developing and potentially commercializing PRX-00023 and its other drug candidates requiring large commercial sales and marketing infrastructures. Predix may also seek to enter into such collaborations for Predix s other drug candidates, especially for target indications in which the potential collaborator has particular therapeutic expertise or that involve a large, primary care market that must be served by large sales and marketing organizations. Predix faces significant competition in seeking appropriate collaborators and these collaborations are complex and time-consuming to negotiate and document. Although Predix has had, and is currently in, discussions with prospective collaborative partners with respect to development programs, Predix does not currently have any agreement or arrangement with respect to any such collaboration. Predix may not be able to enter into any such collaboration on terms that are acceptable to Predix, or at all. If that were to occur, Predix may have to curtail the development of a particular drug candidate, reduce or delay its development program or one or more of Predix s other development programs, delay its potential commercialization, or increase Predix s expenditures and undertake development or commercialization activities at Predix s own expense. If Predix elects to increase Predix s expenditures to fund development or commercialization activities on Predix s own, Predix will need to obtain additional capital, which may not be available to Predix on acceptable terms, or at all. If Predix does not obtain sufficient funds, Predix will not be able to complete clinical development of Predix s drug candidates or bring Predix s drug candidates to market and generate product revenue.

If physicians and patients do not accept Predix s product candidates, Predix may be unable to generate significant revenue, if any.

Even if PRX-00023, PRX-03140, PRX-08066 and PRX-07034, or any other drug candidates Predix may develop or acquire in the future, obtain regulatory approval, they may not gain market acceptance among physicians, healthcare payors, patients and the medical community. Physicians may elect not to recommend these drugs for a variety of reasons including:

- timing of market introduction of competitive products;
- lower demonstrated clinical safety and efficacy compared to other products;
- lack of cost-effectiveness;
- lack of availability of reimbursement from managed care plans and other third-party payors;
- convenience and ease of administration;
- prevalence and severity of adverse side effects;
- other potential advantages of alternative treatment methods; and
- ineffective marketing and distribution support.

If Predix s approved drugs, if any, fail to achieve market acceptance, Predix would not be able to generate significant revenue.

If the government and third-party payors fail to provide coverage and adequate payment rates for Predix s product candidates, if any, Predix s revenue and prospects for profitability will be harmed.

In both domestic and foreign markets, Predix s sales of any product candidates will depend in part upon the availability of reimbursement from third-party payors. Such third-party payors include

Table of Contents

government health programs such as Medicare, managed care providers, private health insurers and other organizations. These third-party payors are increasingly attempting to contain healthcare costs by demanding price discounts or rebates and limiting both coverage on which drugs they will pay for and the amounts that they will pay for new drugs. As a result, they may not cover or provide adequate payment for Predix s drugs. Predix might need to conduct post-marketing studies in order to demonstrate the cost-effectiveness of any future products to such payors satisfaction. Such studies might require Predix to commit a significant amount of management time and financial and other resources. Predix s future products might not ultimately be considered cost-effective. Adequate third-party reimbursement might not be available to enable Predix to maintain price levels sufficient to realize an appropriate return on investment in product development.

U.S. and foreign governments continue to propose and pass legislation designed to reduce the cost of healthcare. For example, in some foreign markets, the government controls the pricing of prescription pharmaceuticals. In the United States, Predix expects that there will continue to be federal and state proposals to implement similar governmental controls. In addition, recent changes in the Medicare program and increasing emphasis on managed care in the United States will continue to put pressure on pharmaceutical product pricing. Cost control initiatives could decrease the price that Predix would receive for any products in the future, which would limit Predix s revenue and profitability. Accordingly, legislation and regulations affecting the pricing of pharmaceuticals might change before Predix s drug candidates are approved for marketing. Adoption of such legislation could further limit reimbursement for pharmaceuticals.

Risks Relating to Predix s Intellectual Property

If Predix s patent position does not adequately protect Predix s drug candidates or any future products, others could compete against Predix more directly, which would harm Predix s business.

As of May 15, 2006, Predix s patent portfolio included a total of 17 pending patent applications in the United States as well as counterpart applications in certain foreign countries having composition of matter, method of use and process claims related to Predix s programs. PRX-00023 is the subject of one pending patent application filed in 20 jurisdictions since 2004. PRX-03140 is the subject of three pending patent applications filed in six jurisdictions since 2004. PRX-08066 is covered in U.S. Patent 7,030,240. The patent claims cover PRX-08066 and related compounds. This patent expires in 2023. Two pending patent applications are directed to other aspects of Predix s 5-HT2B drug development program, from which PRX-08066 was delivered. PRX-07034 is the subject of two pending patent applications filed in two jurisdictions. Physiome Sciences, Inc., a predecessor of Predix, received U.S. Patent 5,947,899, which covers a computational system and method for modeling the heart. This patent expires in 2016. Predix s commercial success will depend in part on Predix s ability to cause patents to issue on these applications, obtain additional patents and protect Predix s existing patent position as well as Predix s ability to maintain adequate protection of other intellectual property for Predix s technologies, drug candidates and any future products in the United States and other countries. If Predix does not adequately protect Predix s intellectual property, competitors may be able to use Predix s technologies and erode or negate any competitive advantage Predix may have, which could harm Predix s business and ability to achieve profitability. Patents may also issue to third parties which could interfere with Predix s ability to bring one or more of Predix s drug candidates to market. The laws of some foreign countries do not protect Predix s proprietary rights to the same extent as the laws of the United States, and Predix may encounter significant problems in protecting Predix s proprietary rights in these countries.

The patent positions of biotechnology and pharmaceutical companies, including Predix s patent position, involve complex legal and factual questions, and, therefore, any patents issued to Predix may be challenged, deemed unenforceable, invalidated or circumvented. Predix will be able to protect Predix s proprietary rights from unauthorized use by third parties only to the extent that Predix s proprietary technologies, drug candidates, and any future products are covered by valid and enforceable patents or are effectively maintained as trade secrets.

The degree of future protection for Predix s proprietary rights is uncertain, and Predix cannot ensure that:

- Predix or Predix s licensors were the first to make the inventions covered by each of Predix s pending patent applications;
- Predix or Predix s licensors were the first to file patent applications for these inventions;
- others will not independently develop similar or alternative technologies or duplicate any of Predix s technologies;
- any of Predix s or Predix s licensors pending patent applications will result in issued patents;
- any of Predix s or Predix s licensors patents will be valid or enforceable;
- any patents issued to Predix or Predix s licensors and collaborators will provide a basis for commercially viable products, will provide Predix with any competitive advantages or will not be challenged by third parties;
- Predix will develop additional proprietary technologies or drug candidates that are patentable; or
- the patents of others will not have an adverse effect on Predix s business.

Predix may be unable to adequately prevent disclosure of trade secrets and other proprietary information.

Predix relies on trade secrets to protect Predix s proprietary technologies, including Predix s G-Protein Coupled Receptor and ion channel structures, especially where Predix does not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. Predix relies in part on confidentiality agreements with Predix s employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to protect Predix s trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy if unauthorized disclosure of confidential information occurs. In addition, others may independently discover Predix s trade secrets and proprietary information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of Predix s proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect Predix s competitive business position. Predix relies on trade secrets and confidentiality in particular with respect to Predix s drug discovery technology and any future competitive advantage provided by it. Predix may not enjoy any such competitive advantage if Predix is not able to effectively maintain and enforce any trade secret rights relating to Predix s drug discovery technology.

Litigation or other proceedings or third-party claims of intellectual property infringement would require Predix to spend time and money and could prevent Predix from developing or commercializing Predix s drug candidates.

Predix s commercial success will depend in part on not infringing the patents and proprietary rights of other parties. Although Predix is not currently aware of any litigation or other proceedings or third-party claims of intellectual property infringement related to Predix s drug candidates, the pharmaceutical industry is characterized by extensive litigation regarding patents and other intellectual property rights. Other parties may obtain patents in the future and claim that Predix s use of technologies infringes these patents or that Predix is employing their proprietary technology without authorization. If another party claims Predix is infringing or misappropriating its technology, Predix could:

- be required to defend a lawsuit, which is very expensive and time consuming, even if Predix ultimately prevails;
- be required to defend against an interference proceeding in the United States Patent and Trademark Office, which can also be very expensive and time consuming, regardless of the outcome;

receive an adverse decision in a lawsuit or in an interference proceeding resulting in the loss of some or all of Predix s rights to Predix s intellectual property, drug products or drug candidates;

be required to pay a large sum for damages, including possible punitive damages, if Predix is found to be infringing;

be prohibited from developing, making, using, selling or offering for sale Predix s drug candidates until Predix obtains a license from the infringed party, and this license may not be granted to Predix at all or may not be granted on satisfactory terms; and

be forced to develop non-infringing products, technologies and methods which, even if possible, could require substantial additional capital, could necessitate additional regulatory approval and could delay commercialization.

Although Predix has not received any communications from third parties challenging Predix s patents or patent applications covering Predix s drug candidates to date, third parties may challenge Predix s rights to, or the scope or validity of, Predix s patents.

Predix may be subject to claims that Predix or Predix s employees have wrongfully used or disclosed alleged trade secrets of their former employers.

As is commonplace in Predix s industry, Predix employs individuals who were previously employed at other biotechnology or pharmaceutical companies, including Predix s potential competitors. Predix may be subject to claims that these employees or Predix has inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if Predix is successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

Risks Relating to Predix s Israel Operations

Political and military instability and other factors may adversely affect Predix s operations in Israel.

Predix has significant operations in Israel and regional instability, military conditions, terrorist attacks, security concerns and other factors in Israel may directly affect these operations. Predix s employees in Israel are primarily computational chemists and are responsible for the computational chemistry for all of Predix s discovery stage programs. Accordingly, any disruption in Predix s Israeli operations could adversely affect Predix s ability to advance Predix s discovery stage programs into clinical trials. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors. A state of hostility, varying in degree and intensity, has led to security and economic problems for Israel, and in particular since 2000, there has been an increased level of violence between Israel and the Palestinians. Any armed conflicts or political instability in the region could harm Predix s operations in Israel. In addition, many of Predix s employees in Israel are obligated to perform annual military reserve duty, and, in the event of a war, military or other conflict, Predix s employees could be required to serve in the military for extended periods of time. Predix s operations could be disrupted by the absence for a significant period of time of one or more of Predix s key employees or a significant number of Predix s other employees due to military service. Furthermore, several countries restrict business with Israel and Israeli companies, and these restrictive laws and policies could harm Predix s business.

Table of Contents

THE ANNUAL MEETING OF EPIX STOCKHOLDERS

Date, Time and Place

The annual meeting of EPIX stockholders will be held on , 2006, at the offices of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., commencing at 10:00 a.m., local time. We are sending this joint proxy statement/ prospectus to you in connection with the solicitation of proxies by the EPIX board of directors for use at the EPIX annual meeting and any adjournments or postponements of the annual meeting.

Purposes of the EPIX Annual Meeting

The purposes of the EPIX annual meeting are:

1. To consider and vote upon the issuance of shares of EPIX common stock in the merger as contemplated by the Agreement and Plan of Merger, dated as of April 3, 2006, by and among EPIX Pharmaceuticals, Inc., EPIX Delaware, Inc., a wholly-owned subsidiary of EPIX, and Predix Pharmaceuticals Holdings, Inc., and approve the merger of Predix Pharmaceuticals Holdings, Inc. with and into EPIX Delaware, Inc.;

2. To approve an amendment to EPIX s amended and restated certificate of incorporation to increase the number of authorized shares of common stock from 40,000,000 shares to 100,000,000 shares, representing an additional 60,000,000 shares, which may be necessary to provide EPIX with sufficient authorized shares of common stock to issue in connection with the merger, as described in this joint proxy statement/ prospectus;

3. To authorize the EPIX board of directors to amend in its discretion EPIX s restated certificate of incorporation to effect a reverse stock split of EPIX s issued and outstanding shares of common stock, at such ratio to be determined by the EPIX board of directors, which may be necessary for EPIX to maintain its eligibility for trading on The NASDAQ National Market after completion of the merger, which is a condition to consummate the merger, as described in this joint proxy statement/ prospectus;

4. To elect two directors for a three-year term to expire at the 2009 annual meeting of stockholders; provided, however, that, if the merger is completed, the EPIX board of directors will consist of the nine persons identified in this joint proxy statement/ prospectus;

5. To ratify the selection of Ernst & Young LLP as EPIX s independent registered public accounting firm for the fiscal year ending December 31, 2006;

6. To consider and vote on a proposal to approve the adjournment of the annual meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the annual meeting to approve Proposal Nos. 1, 2 and 3; and

7. To transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

Recommendation of EPIX s Board of Directors

THE EPIX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT THE ISSUANCE OF SHARES OF EPIX COMMON STOCK IN THE MERGER IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, EPIX AND ITS STOCKHOLDERS AND HAS APPROVED SUCH ISSUANCE. THE EPIX BOARD OF DIRECTORS RECOMMENDS THAT EPIX STOCKHOLDERS VOTE FOR PROPOSAL NO. 1 TO APPROVE THE ISSUANCE OF SHARES OF EPIX COMMON STOCK IN THE MERGER AND APPROVE THE MERGER.

THE EPIX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT AN AMENDMENT TO EPIX S RESTATED CERTIFICATE OF INCORPORATION TO INCREASE

THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 40,000,000 SHARES TO 100,000,000 SHARES, WHICH REPRESENTS AN ADDITIONAL 60,000,000 SHARES, IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, EPIX AND ITS STOCKHOLDERS AND HAS APPROVED SUCH AMENDMENT. THE EPIX BOARD OF DIRECTORS RECOMMENDS THAT EPIX STOCKHOLDERS VOTE FOR PROPOSAL NO. 2 TO APPROVE AN AMENDMENT TO EPIX S RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 40,000,000 SHARES TO 100,000,000 SHARES. THE APPROVAL OF PROPOSAL NO. 2 MAY BE NECESSARY TO ENABLE EPIX TO ISSUE THE REQUIRED NUMBER OF SHARES OF EPIX COMMON STOCK TO PREDIX STOCKHOLDERS, OPTION HOLDERS AND WARRANT HOLDERS IN CONNECTION WITH THE MERGER.

THE EPIX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT AUTHORIZING THE EPIX BOARD OF DIRECTORS TO AMEND IN ITS DISCRETION EPIX S RESTATED CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF EPIX S ISSUED AND OUTSTANDING SHARES OF COMMON STOCK, AT SUCH RATIO TO BE DETERMINED BY THE EPIX BOARD OF DIRECTORS, IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, EPIX AND ITS STOCKHOLDERS AND HAS APPROVED SUCH AUTHORIZATION. THE EPIX BOARD OF DIRECTORS RECOMMENDS THAT EPIX STOCKHOLDERS VOTE FOR PROPOSAL NO. 3 TO AUTHORIZE THE EPIX BOARD OF DIRECTORS TO AMEND IN ITS DISCRETION EPIX S RESTATED CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF EPIX S ISSUED AND OUTSTANDING SHARES OF COMMON STOCK, AT SUCH RATIO TO BE DETERMINED BY THE EPIX BOARD OF DIRECTORS. THE APPROVAL OF PROPOSAL NO. 3 MAY BE NECESSARY FOR EPIX TO MAINTAIN ITS ELIGIBILITY FOR TRADING ON THE NASDAQ NATIONAL MARKET AFTER COMPLETION OF THE MERGER, WHICH IS A CONDITION TO CONSUMMATION OF THE MERGER.

THE EPIX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT THE ELECTION OF TWO DIRECTORS FOR A THREE-YEAR TERM TO EXPIRE AT THE 2009 ANNUAL MEETING OF STOCKHOLDERS IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, EPIX AND ITS STOCKHOLDERS AND HAS APPROVED AND ADOPTED THE PROPOSAL. THE EPIX BOARD OF DIRECTORS RECOMMENDS THAT EPIX STOCKHOLDERS VOTE FOR PROPOSAL NO. 4 TO ELECT TWO DIRECTORS FOR A THREE-YEAR TERM TO EXPIRE AT THE 2009 ANNUAL MEETING OF STOCKHOLDERS PROVIDED, HOWEVER, THAT, IF THE MERGER IS COMPLETED, THE EPIX BOARD OF DIRECTORS WILL CONSIST OF THE NINE PERSONS IDENTIFIED IN THE ACCOMPANYING JOINT PROXY STATEMENT/ PROSPECTUS.

THE EPIX BOARD OF DIRECTORS HAS DETERMINED THAT THE RATIFICATION OF THE SELECTION OF ERNST & YOUNG LLP AS EPIX S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2006 IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, EPIX AND ITS STOCKHOLDERS AND HAS APPROVED SUCH RATIFICATION. THE EPIX BOARD OF DIRECTORS RECOMMENDS THAT EPIX STOCKHOLDERS VOTE FOR PROPOSAL NO. 5 TO RATIFY THE SELECTION OF ERNST & YOUNG LLP AS EPIX S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2006.

THE EPIX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT ADJOURNING THE EPIX ANNUAL MEETING, IF NECESSARY, IF A QUORUM IS PRESENT, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF PROPOSAL NOS. 1, 2 AND 3 IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, EPIX AND ITS STOCKHOLDERS AND HAS APPROVED AND ADOPTED THE PROPOSAL. THE EPIX BOARD OF DIRECTORS RECOMMENDS THAT EPIX STOCKHOLDERS VOTE FOR PROPOSAL NO. 6 TO ADJOURN THE EPIX ANNUAL MEETING, IF NECESSARY, IF A

Table of Contents

QUORUM IS PRESENT, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF PROPOSAL NOS. 1, 2 AND 3.

Record Date and Voting Power

Only holders of record of EPIX common stock at the close of business on the record date, June 28, 2006, are entitled to notice of, and to vote at, the EPIX annual meeting. There were approximately holders of record of EPIX common stock at the close of business on the record date. Because many of such shares are held by brokers and other institutions on behalf of stockholders, EPIX is unable to estimate the total number of stockholders represented by these record holders. At the close of business on the record date, shares of EPIX common stock were issued and outstanding. Each share of EPIX common stock entitles the holder thereof to one vote on each matter submitted for stockholder approval. See EPIX Principal Stockholders for information regarding persons known to the management of EPIX to be the beneficial owners of more than 5% of the outstanding shares of EPIX common stock.

Voting and Revocation of Proxies

The proxy accompanying this joint proxy statement/ prospectus is solicited on behalf of the EPIX board of directors for use at the EPIX annual meeting.

If you are a stockholder of record, you may vote in person at the annual meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person if you have already voted by proxy.

To vote in person, come to the annual meeting and we will give you a ballot when you arrive.

To vote using the proxy card, simply mark, sign and date your proxy card and return it promptly in the postage-paid envelope provided. If you return your signed proxy card to us before the annual meeting, we will vote your shares as you direct.

To vote over the telephone, dial toll-free 1-800-652-VOTE (8683) in the United States or Canada using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m., Eastern Time on , 2006 to be counted.

To vote on the Internet, go to www.computershare.com/expressvote to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m., Eastern Time on , 2006 to be counted.

All properly executed proxies that are not revoked will be voted at the EPIX annual meeting and at any adjournments or postponements of the annual meeting in accordance with the instructions contained in the proxy. If a holder of EPIX common stock executes and returns a proxy and does not specify otherwise, the shares represented by that proxy will be voted FOR Proposal No. 1 to approve the issuance of shares of EPIX common stock in the merger and to approve the merger; FOR Proposal No. 2 to approve an amendment to EPIX s restated certificate of incorporation to increase the number of authorized shares of common stock from 40,000,000 shares to 100,000,000 shares, which represents an additional 60,000,000 shares; FOR Proposal No. 3 to authorize the EPIX board of directors to amend in its discretion EPIX s restated certificate of incorporation to effect a reverse stock split of EPIX s issued and outstanding shares of common stock, at such ratio between 1:1.25 to 1:4 to be determined by the EPIX board of directors; FOR Proposal No. 4 to elect two directors for a three-year term to expire at the 2009 annual meeting of stockholders; provided, however, that, if the merger is completed, the EPIX board of directors will consist of the nine persons identified in this joint proxy statement/ prospectus; FOR Proposal No. 5 to ratify the selection of Ernst & Young LLP as EPIX s independent registered public accounting firm for the fiscal year ending December 31, 2006; and FOR Proposal No. 6 to adjourn the annual meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient

votes in favor of Proposal Nos. 1, 2 and 3 in accordance with the recommendation of the EPIX board of directors.

An EPIX stockholder who has submitted a proxy may revoke it at any time before it is voted at the EPIX annual meeting by executing and returning a proxy bearing a later date, providing proxy instructions via the telephone or the Internet (your latest telephone or Internet proxy is counted), filing written notice of revocation with the Secretary of EPIX stating that the proxy is revoked or attending the annual meeting and voting in person.

Required Vote

The presence, in person or by proxy, at the annual meeting of the holders of a majority of the shares of EPIX common stock outstanding and entitled to vote at the annual meeting is necessary to constitute a quorum at the meeting. Abstentions and broker non-votes will be counted towards a quorum. The affirmative vote of the holders of a majority of the shares present at the EPIX annual meeting, whether in person or by proxy, is required for approval of Proposal Nos. 1, 5 and 6 above. The affirmative vote of the holders of a majority of the outstanding common stock on the record date is required for approval of Proposal Nos. 2 and 3. The affirmative vote of a plurality of the votes cast in person or by proxy at the EPIX annual meeting is required for approval of Proposal No. 4.

Votes will be counted by the inspector of election appointed for the meeting, who will separately count For, Withhold and Against votes, abstentions and broker non-votes. Abstentions will be counted towards the vote total for each proposal and will have the same effect as Against votes. Broker non-votes have no effect and will not be counted towards the vote total for Proposal Nos. 1, 4, 5 and 6 and will have the same effect as Against votes with respect to Proposal Nos. 2 and 3.

At the record date for the EPIX annual meeting, the directors and executive officers of EPIX owned approximately % of the outstanding shares of EPIX common stock entitled to vote at the meeting.

Solicitation of Proxies

In addition to solicitation by mail, the directors, officers, employees and agents of EPIX may solicit proxies from EPIX s stockholders by personal interview, telephone, telegram or otherwise. EPIX will bear the costs of the solicitation of proxies from its stockholders. Arrangements will also be made with brokerage firms and other custodians, nominees and fiduciaries who are record holders of EPIX common stock for the forwarding of solicitation materials to the beneficial owners of EPIX common stock. EPIX will reimburse these brokers, custodians, nominees and fiduciaries for the reasonable out-of-pocket expenses they incur in connection with the forwarding of solicitation materials.

Other Matters

As of the date of this joint proxy statement/ prospectus, the EPIX board of directors does not know of any business to be presented at the EPIX annual meeting other than as set forth in the notice accompanying this joint proxy statement/ prospectus. If any other matters should properly come before the annual meeting, it is intended that the shares represented by proxies will be voted with respect to such matters in accordance with the judgment of the persons voting the proxies.

Table of Contents

THE SPECIAL MEETING OF PREDIX STOCKHOLDERS

Date, Time and Place

The special meeting of Predix stockholders will be held on , 2006, at the offices of Goodwin Procter LLP, One Exchange Place, Boston, Massachusetts, commencing at 9:00 a.m., local time. We are sending this joint proxy statement/ prospectus to you in connection with the solicitation of proxies by the Predix board of directors for use at the Predix special meeting and any adjournments or postponements of the special meeting.

Purposes of the Predix Special Meeting

The purposes of the Predix special meeting are:

1. To consider and vote upon Proposal No. 1 to approve and adopt the merger agreement and approve of the merger.

2. To consider and vote on Proposal No. 2 to adjourn the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal No. 1.

3. To transact such other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

Recommendations of Predix s Board of Directors

THE PREDIX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT THE MERGER IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, PREDIX AND ITS STOCKHOLDERS AND HAS APPROVED THE MERGER AND THE MERGER AGREEMENT. THE PREDIX BOARD OF DIRECTORS RECOMMENDS THAT PREDIX STOCKHOLDERS VOTE FOR PROPOSAL NO. 1 TO APPROVE AND ADOPT THE MERGER AGREEMENT AND APPROVE OF THE MERGER.

THE PREDIX BOARD OF DIRECTORS HAS CONCLUDED THAT THE PROPOSAL TO ADJOURN THE PREDIX SPECIAL MEETING, IF NECESSARY, IF A QUORUM IS PRESENT, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF THE FOREGOING PROPOSAL NO. 1 IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, PREDIX AND ITS STOCKHOLDERS AND HAS APPROVED AND ADOPTED THE PROPOSAL. ACCORDINGLY, THE PREDIX BOARD OF DIRECTORS RECOMMENDS THAT PREDIX STOCKHOLDERS VOTE FOR PROPOSAL NO. 2 TO ADJOURN THE PREDIX SPECIAL MEETING, IF NECESSARY, IF A QUORUM IS PRESENT, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF PROPOSAL NO. 1.

Record Date and Voting Power

Only holders of record of Predix common stock and holders of record of Predix preferred stock at the close of business on the record date, June 28, 2006, are entitled to notice of, and to vote at, the Predix special meeting. Each share of Predix common stock entitles the holder thereof to one vote on each matter submitted for stockholder approval. The shares of Predix preferred stock entitle the holder thereof to one vote for each share of common stock into which such shares of preferred stock are convertible. The outstanding shares of Predix preferred stock currently convert into common stock on an 18-to-1 basis. There were 118 holders of record of Predix common stock with shares of common stock issued and outstanding, 63 holders of record of Predix preferred stock, with 273,203,492 shares of Predix preferred stock, which are convertible into 15,177,898 shares of Predix common stock, issued and outstanding at the close of business on the record date. See Predix Principal Stockholders for information regarding persons known to the management of Predix to be the beneficial owners of more than 5% of the outstanding shares of Predix capital stock.

Table of Contents

Voting and Revocation of Proxies

The proxy accompanying this joint proxy statement/ prospectus is solicited on behalf of the Predix board of directors for use at the Predix special meeting.

If you are a stockholder of record, you may vote in person at the Predix special meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person if you have already voted by proxy.

To vote in person, come to the special meeting and you will be given a ballot when you arrive.

To vote using the proxy card, simply mark, sign and date your proxy card and return it promptly in the postage-paid envelope provided. If you return your signed proxy card to us before the special meeting, we will vote your shares as you direct.

All properly executed proxies that are not revoked will be voted at the Predix special meeting and at any adjournments or postponements of the special meeting in accordance with the instructions contained in the proxy. If a holder of Predix common stock or preferred stock executes and returns a proxy and does not specify otherwise, the shares represented by the proxy will be voted FOR Proposal No. 1 to approve and adopt the merger agreement and approve of the merger and FOR Proposal No. 2 to adjourn the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal No. 1, in accordance with the recommendation of the Predix board of directors.

A Predix stockholder who has submitted a proxy may revoke it at any time before it is voted at the Predix special meeting by executing and returning a proxy bearing a later date, filing written notice of revocation with the Secretary of Predix stating that the proxy is revoked or attending the special meeting and voting in person.

Required Vote

The presence, in person or by proxy, at the special meeting of the holders of a majority of the shares of Predix common and preferred stock outstanding (on an as-converted to Predix common stock basis) and entitled to vote at the Predix special meeting is necessary to constitute a quorum at the Predix special meeting. Approval of Proposal No. 1 requires the affirmative vote of the holders of: (a) a majority of the common stock and the preferred stock voting as a single class (on an as-converted to Predix common stock basis), (b) 60% of the Predix preferred stock voting as a single class (on an as-converted to Predix common stock basis) and (c) $66^{2}/3$ % of the shares of Predix Series C preferred stock (on an as-converted to Predix common stock basis), in each case, outstanding on the record date. Abstentions will be counted towards a quorum and will have the same effect as negative votes on Proposal No. 1, but will not be counted for any purpose in determining whether Proposal No. 2 is approved.

The following Predix stockholders entered into voting agreements with EPIX on April 3, 2006: Caduceus Private Investment, L.P., UBS PW Juniper Crossover Fund, L.L.C., Hare and Company FAO: Finsbury Worldwide Pharma, Yozma II (Israel) L.P., Yozma Venture Capital Ltd, YVC-Yozma Management & Investments Ltd., as trustee for Yozma II (B.V.I.) L.P., PCM Venture Capital L.P., Yamanouchi Venture Capital and PA International Limited. Each has agreed in the voting agreements to vote all shares of Predix common stock and preferred stock beneficially owned by each as of the record date in favor of the approval and adoption of the merger agreement and the approval of the merger. Each also granted EPIX an irrevocable proxy to vote their shares of Predix common stock and preferred stock in favor of the adoption of the merger agreement and the approval of the merger. Approximately 120,069 shares of Predix common stock and 6,769,289 shares of Predix preferred stock (on an as-converted to Predix common stock basis), which represents approximately 40% of the outstanding Predix voting stock and as of the record date, are subject to the voting agreements and irrevocable proxies. See Voting Agreements.

Solicitation of Proxies

In addition to solicitation by mail, the directors, officers, employees and agents of Predix may solicit proxies from Predix stockholders by personal interview, telephone, telegram or otherwise. Predix will bear the costs of the solicitation of proxies from its stockholders.

Other Matters

As of the date of this joint proxy statement/ prospectus, the Predix board of directors does not know of any business to be presented at the Predix special meeting other than as set forth in the notice accompanying this joint proxy statement/ prospectus. If any other matters should properly come before the special meeting, it is intended that the shares represented by proxies will be voted with respect to such matters in accordance with the judgment of the persons voting the proxies.

THE MERGER

This section of the joint proxy statement/ prospectus describes the material aspects of the merger. While EPIX and Predix believe that the description covers the material terms of the merger, this summary may not contain all of the information that is important to you. For a more complete understanding of the merger, you should carefully read this entire joint proxy statement/ prospectus, the attached annexes and the other documents referred to in this joint proxy statement/ prospectus.

General Description of the Merger

At the effective time of the merger, Predix will merge with and into EPIX Delaware, Inc., a wholly-owned subsidiary of EPIX, with EPIX Delaware, Inc. surviving the merger as a wholly-owned subsidiary of EPIX. Predix stockholders will receive shares of EPIX common stock in exchange for the shares of Predix stock they own. All options to purchase Predix common stock then outstanding granted under Predix s 2003 Stock Incentive Plan and Physiome Sciences, Inc. 1997 Stock Option Plan, as amended, and all warrants to purchase Predix common stock or preferred stock then outstanding at the effective time of the merger shall be assumed by EPIX.

The terms of the merger agreement provide for the issuance of EPIX common stock to Predix stockholders in exchange for all of the outstanding shares of Predix, with Predix stockholders receiving 1.239411 shares of EPIX common stock, subject to adjustment to account for the reverse stock split if implemented, for each share of Predix common stock and preferred stock, on an as-converted to Predix common stock basis, that they hold. In approving the merger agreement, the holders of Predix preferred stock will be agreeing to accept the merger consideration as set forth in the merger agreement in lieu of any liquidation preferences that they would be entitled to under the Predix restated certificate of incorporation, as amended, prior to the consummation of the merger. Upon completion of the merger, EPIX stockholders will retain approximately 53%, and the former Predix stockholders will own approximately 47%, of outstanding shares of EPIX s common stock, based on the number of shares of EPIX common stock and Predix common stock and preferred stock outstanding as of the date of the merger agreement.

In addition, EPIX will make a milestone payment to Predix stockholders, option holders and warrant holders in the amount of $35 million upon the occurrence of certain events. EPIX may elect to make the milestone payment in cash or shares of EPIX common stock, or any combination thereof. The milestone payment will be allocated and paid to each Predix holder of record of Predix shares, options or warrants that they hold at the time of the merger, in each case, pro rata based upon the percentage of the initial merger consideration that such holder would have received at the time of the merger and assuming that, for the purpose of the milestone payment only, that each Predix warrant and option to purchase Predix shares (whether or not vested) was exercised in full immediately prior to the merger. In no event will the shares of EPIX common stock issuable at the effective time of the merger, including the shares of EPIX common stock issuable upon exercise of Predix options and warrants assumed by EPIX in the merger, exceed 49.99% of the outstanding EPIX common stock immediately after the effective time of the merger.

Predix stockholders, option holders and warrant holders will be entitled to receive the milestone payment within 90 days following the occurrence, as determined by the non-Predix members of the combined company s board of directors, whether before or after the consummation of the merger, of any of the following events between the date of this joint proxy statement/ prospectus and June 30, 2008:

- receipt of statistically significant final results from a randomized, placebo- or active comparator- controlled, double-blinded Phase II or Phase III clinical trial of:
  - PRX-00023 for the treatment of generalized anxiety disorder, depression, attention deficit hyperactivity disorder or other neuropsychiatric disorder with at least 100 patients;
  - PRX-03140 for the treatment of Alzheimer s disease or other cognitive disorders with at least 60 patients;

PRX-08066 for the treatment of pulmonary artery hypertension, chronic obstructive pulmonary disease or a different indication with at least 60 patients;

PRX-07034 for the treatment of obesity, cognitive disorders or a different indication with at least 60 patients; or

entering into a strategic partnership for any Predix drug candidate, which provides milestone and research funding payments of more than $50 million, of which $20 million must be received by June 30, 2008 in unrestricted cash through non-refundable license fees, research funding payments, and/or premiums paid in connection with an equity investment by the strategic partner within 60 days following entry into the strategic partnership.

The milestone payment will be paid within 90 days after the achievement of a milestone event, at the option of the non-Predix members of the combined company s board of directors, either:

in cash, shares of EPIX common stock or any combination thereof with the number of such shares to be issued determined based on the five-day average closing price of EPIX common stock on The NASDAQ National Market ending on the trading day that is ten days prior to the payment date; or

$20 million payable in accordance with the preceding bullet and $15 million payable on the date that is 12 months after the payment of the initial $20 million in shares of EPIX common stock, with the number of such shares to be issued determined based on 75% of the 30-day average closing price of EPIX common stock on The NASDAQ National Market ending on the trading day that is ten days prior to the payment date. If, as a result of the 49.99% limitation described below, the entire $15 million payment cannot be made in shares of EPIX common stock, the balance will be paid in cash plus interest calculated from the milestone payment date at the rate of 10% per year.

In no event may the milestone be paid in shares of EPIX common stock to the extent that such shares would exceed 49.99% of the outstanding shares of EPIX common stock immediately after such milestone payment, when combined with all shares of EPIX common stock issued in the merger and issuable upon exercise of all Predix options and warrants assumed by EPIX in the merger. As a result of this limitation, if the milestone payment is triggered before EPIX issues a significant number of new shares of its capital stock or before consummation of the merger, all or a substantial portion of the milestone payment will be paid in cash. Additionally, the milestone will be paid in cash to the holders of Predix options and warrants assumed by EPIX in the merger.

Background of the Merger

On September 14, 2005, the EPIX board of directors appointed Michael J. Astrue as Interim Chief Executive Officer. Mr. Astrue replaced Michael Webb, who resigned from EPIX and its board of directors after Mr. Webb and the EPIX board of directors came to the mutual decision that EPIX needed a change in leadership to help it execute its business plan in the diagnostic imaging field and define and pursue opportunities for growth beyond diagnostic imaging. Mr. Astrue was hired to, among other things, pursue opportunities for growth beyond the diagnostic imaging field and to assist the EPIX board of directors in the search for a permanent Chief Executive Officer.

During the interview and recruitment process prior to his appointment as EPIX s Interim Chief Executive Officer and continuing thereafter, Mr. Astrue had informal discussions with members of the EPIX board of directors about strategies for pursuing opportunities for growth beyond the diagnostic imaging field. After his appointment in September 2005, Mr. Astrue and the EPIX board of directors agreed to develop a list of companies with whom to discuss the possibility of a combination with EPIX. The criteria used to evaluate potential merger candidates included (a) the number of drug candidates such companies have in human clinical trials, (b) the quality and depth of management of the merger candidate, (c) the geographic location of such companies, with a clear preference given to Massachusetts-based or virtual companies, and (d) the avoidance of more speculative technologies. Based on these

Table of Contents

criteria, Mr. Astrue and the EPIX board of directors agreed to develop a list of potential merger candidates.

During October 2005, EPIX identified approximately 30 companies that broadly matched these criteria. Of these, ten companies, including Predix, were prioritized as the companies that most closely matched these criteria. Each of the ten companies prioritized by EPIX had at least one product in clinical trials or expected to be in clinical trials within six months, was based in eastern Massachusetts, had technology that was not speculative based on a preliminary evaluation by EPIX s management and ranged in value from approximately $30 million to $200 million, based on the estimates of EPIX s management. The EPIX board of directors instructed EPIX s management to review these companies more closely and asked EPIX s management to arrange for representatives of these companies to meet the EPIX board of directors. Mr. Astrue and/or Sheila DeWitt, Ph.D., EPIX s Vice President of Business Development and Strategic Planning, contacted each of these companies about the possibility of a combination with EPIX. Each of the companies contacted during this process was invited to make a presentation to the EPIX board of directors. As part of the process of contacting these companies, on October 23, 2005, Mr. Astrue telephoned Dr. Michael Kauffman, President and Chief Executive Officer of Predix. During this conversation Mr. Astrue and Dr. Kauffman discussed EPIX s potential interest in acquiring Predix.

During October and November 2005, EPIX s management reviewed publicly available material related to the ten companies identified by the EPIX board of directors and held preliminary discussions with each of these companies. The discussions with each of the ten companies included some or all of the following topics: an overview of the technology of the potential merger candidate; an overview of any products being developed by the potential merger candidate, including any potential significant technical, clinical or regulatory hurdles and the size of the likely commercial markets for such products; a financial overview of the potential merger candidate; the depth of management of the potential merger candidate; an overview of EPIX s technology, products and regulatory status; an overview of EPIX s financial position; and an overview of EPIX s partnership with Schering AG. At no point in these discussions did EPIX make or receive a formal offer from any of these potential merger candidates.

In August 2005, Predix filed with the Securities and Exchange Commission a registration statement on Form S-1 covering the sale of $70,000,000 of Predix common stock in connection with its proposed initial public offering. In October 2005, Predix postponed the offering, and subsequently withdrew the registration statement. The withdrawal of the offering and the uncertainty of the public equity market required Predix to consider alternative capital-raising transactions, including combinations with other companies, strategic collaborations and private placements of debt or equity securities with existing or new investors that would result in sufficient capital, now and in the future, to fund Predix s product development programs.

In late September and early October 2005, EPIX engaged Dr. Neil Kirby and Dr. Michael Gilman as consultants to assist EPIX in its due diligence review of these companies, specifically to analyze each company s product development plans and technology, respectively. Certain of EPIX s existing consultants also assisted EPIX in its review of these companies.

On October 25, 2005, Dr. Kauffman contacted Mr. Astrue via e-mail to indicate that Predix was interested in participating in EPIX s process for evaluating potential merger candidates and accepted the invitation to present an overview of Predix s business and technology to the EPIX board of directors.

On October 27, 2005, the EPIX board of directors met to discuss the status of discussions with potential merger candidates. Three of the merger candidates made presentations to the EPIX board of directors at this meeting. These presentations included an overview of the presenting company s business and technology as well as a rationale for a combination with EPIX.

On October 28, 2005, EPIX and Predix entered into a confidentiality agreement.

Throughout October and November 2005, EPIX conducted preliminary due diligence on each of the potential merger candidates.

On November 1, 2005, EPIX engaged Chestnut Securities, Inc. to assist EPIX in evaluating the previously identified merger candidates and to explore other opportunities to diversify.

Throughout November 2005, EPIX and Chestnut Securities had numerous discussions about the possibility of a combination of each previously identified merger candidate with EPIX.

Throughout November and December 2005, Predix was also exploring a potential private placement of its securities and opportunities to enter into a strategic transaction with a public company with sufficient capital to fund its product development programs, and was conducting active discussions and due diligence with respect to such potential opportunities. At no point in these discussions did Predix make or receive a formal offer regarding such opportunities. Predix s decision to pursue a transaction with EPIX over these other potential opportunities was based on, among other things, the preliminary valuations of Predix being discussed with respect to the potential transaction, EPIX s assets, financial position and access to public markets, and the likelihood of being able to consummate a transaction on terms acceptable to the Predix board of directors.

On November 21, 2005, the EPIX board of directors again met to discuss the status of discussions with potential merger candidates. Five of the merger candidates, including Predix, made presentations to the EPIX board of directors regarding the possibility of a business combination between such companies and EPIX. On the basis of these presentations and the preliminary due diligence performed by EPIX s management, the EPIX board of directors determined that Predix was an attractive merger candidate, and instructed EPIX s management to continue discussions with Predix about the possibility of a combination of the two companies. This determination was based upon the fact that: (a) Predix had several advanced-stage clinical programs, including PRX-00023 in development for the treatment of generalized anxiety disorder and PRX-03140 in development for the treatment of Alzheimer s disease; (b) if approved, the EPIX board of directors believed that the commercial markets for PRX-00023 and PRX-03140 were likely to be substantial; (c) the EPIX board of directors viewed the Predix board of directors and members of Predix s senior management as capable and experienced; (d) Predix was based in Massachusetts which the EPIX board of directors believed would ease the integration of EPIX and Predix upon completion of the proposed transaction; (e) Predix had a discovery platform that the EPIX board of directors believed was capable of producing additional compounds for clinical development; and (f) Predix expressed an interest in pursuing EPIX s core diagnostic imaging franchise together with its therapeutic products under development.

On November 29, 2005, EPIX hired Philip Chase as Vice President and General Counsel to assist in the analysis, negotiation and potential consummation of a merger transaction.

On November 29, 2005, the Predix board of directors met to discuss strategic alternatives following the withdrawal of Predix s initial public offering, including a possible merger with another public biotechnology company candidate engaged in drug discovery.

On November 29, 2005, Frederick Frank, Chairman of the Predix board of directors, telephoned Mr. Astrue to discuss the potential valuation of Predix. Specifically, Mr. Frank indicated that Predix believed that $175 million was an appropriate valuation of Predix.

Between November 29, 2005 and April 3, 2006, Mr. Astrue and Christopher Gabrieli, Chairman of the EPIX board of directors, regularly discussed with Mr. Frank and Dr. Kauffman the proposed terms and structure of a potential merger between EPIX and Predix.

On December 2, 2005, members of the EPIX board of directors met with members of EPIX management to discuss the status of negotiations between EPIX and potential partners.

On December 2, 2005, EPIX engaged Health Advances to assist EPIX in conducting due diligence by analyzing the market potential of product candidates owned or licensed by potential merger candidates, including Predix.

On December 13, 2005, Predix engaged Lehman Brothers as its financial advisor to advise Predix with regard to a potential business combination or other strategic transaction, including the transaction with EPIX, and, if requested by Predix, to participate in negotiations on Predix s behalf.

On December 14, 2005, Messrs. Astrue, Wirth and Gabrieli and Albert Holman of Chestnut Securities met with Dr. Kauffman and Mr. Frank and Jonathan Silverstein, a director of Predix, at Logan International Airport in Boston, Massachusetts to discuss the process EPIX intended to use for evaluating potential merger candidates and the range of possible valuations of Predix. In addition, there was substantial discussion about the form of consideration that EPIX would pay in a transaction and the structure of a transaction. EPIX and Predix also agreed to begin formal due diligence on one another.

On December 15, 2005, the EPIX board of directors met to discuss the status of the discussions with the various potential merger candidates. Based on the previous presentations of the candidates to the EPIX board of directors and the EPIX board of directors evaluation of these merger candidates, the EPIX board of directors decided to narrow the list of potential merger candidates to four companies, of which Predix was one. The considerations relied on by the EPIX board of directors to narrow the list of potential acquisition candidates to four included excessive valuation expectations of the excluded parties, EPIX s evaluation of technical and commercial feasibility of a potential partner s drug candidates and the perceived quality of management of the potential partner. The EPIX board of directors instructed management to continue negotiations with Predix and three other companies identified as attractive merger candidates.

Between December 15, 2005 and April 3, 2006, EPIX continued discussions with each of the four companies identified by the EPIX board of directors as the preferred potential merger candidates, including Predix. EPIX indicated to the three companies other than Predix that EPIX had identified and was in negotiations with a preferred potential merger candidate and that EPIX would be interested in exploring opportunities to complete a transaction with each should the discussions with the preferred merger candidate fail to result in a definitive agreement. Each of these three companies agreed to continue to have limited discussions with EPIX, including discussions involving additional review of technical, clinical and regulatory data of the potential merger candidates and periodic updates on EPIX s view of the likelihood of entering into a definitive agreement with its preferred potential merger candidate. At no point in these discussions did EPIX make or receive a formal offer from any potential merger candidate other than Predix.

On December 15, 2005, the Predix board of directors again met to discuss strategic alternatives available to Predix. The Predix board of directors discussed the potential advantages and disadvantages of either entering into a merger transaction with one of the two public company merger candidates, of which EPIX was one, being considered by Predix, or undertaking a private offering of Predix s securities.

Between December 15, 2005 and April 3, 2006, the management team of EPIX met regularly internally and with EPIX s outside legal counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., and financial advisors, Chestnut Securities, and Needham & Company, LLC after their engagement on February 16, 2006, to discuss the status of on-going negotiations and due diligence with the merger candidates, including Predix.

On December 19, 2005, Dr. Kauffman and other members of senior management of Predix presented a technical overview of Predix s lead product candidates to Mr. Astrue and other members of EPIX s management and consultants at EPIX s offices in Cambridge, Massachusetts.

On December 21, 2005, Dr. Kauffman contacted Mr. Gabrieli via e-mail to discuss the timing of a potential transaction and the possibility of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. beginning the preparation of the legal documentation, including a merger agreement, for the proposed transaction while the parties continued due diligence and discussions concerning structure and consideration.

On December 29, 2005, Mr. Frank telephoned Mr. Astrue to continue discussions regarding the valuation of Predix and form of consideration to be paid by EPIX. Messrs. Astrue and Frank discussed whether the initially proposed $175 million valuation of Predix was appropriate.

Table of Contents

Between December 31, 2005 and April 3, 2006, the management of EPIX met regularly with Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Chestnut Securities, and Needham & Company, LLC after their engagement on February 16, 2006, and the management of Predix met with their outside legal counsel, Goodwin Procter LLP, and Lehman Brothers to discuss the status of ongoing negotiations and due diligence. In addition, during the same period, representatives of Chestnut Securities and Lehman Brothers, regularly discussed the terms and structure of a potential merger between EPIX and Predix and performed and discussed due diligence.

On January 6 and January 10, 2006, a team of EPIX s management and representatives of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. and Chestnut Securities performed due diligence at the offices of Goodwin Procter LLP in Boston, Massachusetts, and on January 9, 2006, a team of EPIX s management and EPIX s advisors performed additional technical due diligence at the offices of Predix in Lexington, Massachusetts.

On January 12, 2006, Mr. Holman and Mr. Frank agreed that EPIX would pay most of the purchase price in stock. They also discussed the process for valuing EPIX and Predix for purposes of determining the consideration to be paid to Predix s equity holders in a potential transaction. Specifically, Mr. Holman and Mr. Frank discussed using the market value of EPIX common stock at the time an agreement was signed for determining the value of consideration to be paid. Mr. Holman and Mr. Frank agreed that the parties needed to agree on a specific value for Predix, but did not discuss such value at that time.

On January 20, 2006, Health Advances presented the EPIX board of directors and consultants a commercial analysis of Predix s lead product candidate, PRX-00023, for the treatment of generalized anxiety disorder. This commercial analysis included an overview of the current market, competitive landscape and revenue projections. In addition, the EPIX board of directors discussed the potential terms of a transaction with Predix and instructed EPIX s management and Chestnut Securities to continue to perform due diligence on Predix. In particular, the EPIX board of directors discussed the valuation of Predix. The EPIX board of directors noted that its valuation of Predix was predicated on Predix s receipt of positive clinical data or the consummation of a substantial business development transaction. The EPIX board of directors discussed the possibility of including a milestone payment relating to significant clinical efficacy or consummation of a substantial business development transaction in the potential transaction.

On January 24, 2006, management of EPIX and Health Advances and Dr. Kauffman and other members of Predix s management and representatives of Chestnut Securities discussed the market size for generalized anxiety disorder and depression. After these discussions, EPIX decided to contact individuals identified by Predix and to engage independent experts to assist the EPIX board of directors to accurately estimate the potential market size for treatments for both generalized anxiety disorder and depression.

After these discussions, EPIX engaged Dr. Maurizio Fava and Dr. Jerrold Rosenbaum to assist it in analyzing the potential safety and efficacy profile of PRX-00023 and Dr. Brad Hyman to assist it in analyzing the potential safety and efficacy profile of Predix s second product candidate, PRX-03140 for the treatment of Alzheimer s disease.

On January 30 and January 31, 2006, representatives of EPIX and Predix discussed outstanding due diligence items, including the status of discussions between Predix and potential out-licensing partners for Predix s product candidates and the status of potential in-licensing opportunities for EPIX.

On February 1, 2006, Dr. Kauffman and members of Predix s management met with representatives of Health Advances at the offices of EPIX in Cambridge, Massachusetts to discuss Health Advances assessment of the generalized anxiety disorder market. Mr. Astrue and other members of EPIX s management and EPIX advisors were also present.

On February 7, 2006, several members of Predix s management conducted due diligence of EPIX at the offices of EPIX in Cambridge, Massachusetts. Messrs. Chase and Holman separately discussed with Dr. Kauffman the possibility of Dr. Kauffman addressing the EPIX board of directors regarding Predix s lead product candidates and the market potential of PRX-00023 in each of generalized anxiety disorder and depression.

Between February 6 and February 9, 2006, representatives of Lehman Brothers had several discussions with representatives of EPIX regarding the proposed terms of the potential transaction. During this time, Messrs. Gabrieli and Frank also discussed the valuation of Predix. Mr. Gabrieli proposed total consideration, including contingent payments, of approximately $120 million to $125 million and Mr. Frank indicated that Predix believed that total consideration, including contingent payments, of approximately $130 million to $135 million was appropriate. Messrs. Gabrieli and Frank agreed to make some portion of the consideration to be paid to Predix equity holders contingent on the receipt of positive clinical data or the consummation of a substantial business development transaction although they continued to discuss what portion of the total consideration should be contingent. Other topics of discussion included the upcoming board of directors meetings of EPIX and Predix, including a discussion of Dr. Kauffman s proposed presentation.

On February 10, 2006, the EPIX board of directors met to discuss the status of due diligence and negotiations. At that meeting, Drs. Fava, Rosenbaum and Hyman presented an analysis of the risks and potential benefits associated with PRX-00023 and PRX-03140. Also at that meeting, Dr. Gilman presented conclusions with respect to the strengths and weaknesses of Predix s technology platform. Each of Drs. Fava, Rosenbaum, Hyman and Gilman also answered questions from members of the EPIX board of directors. Representatives of Health Advances also led a discussion regarding additional commercial analyses performed by them related to PRX-00023 for both the treatment of generalized anxiety disorder and depression. These analyses included an overview of the current market, competitive landscape and revenue projections. Dr. Kauffman also presented Predix s perspective on the analyses performed by Health Advances and provided an overview of the potential product pipeline and management of the combined company. In addition, Mr. Holman discussed a preliminary financial valuation analysis of Predix with the EPIX board of directors, which included various assumptions regarding, among other things, the success of Predix s future clinical trials and the probability of Predix entering into a substantial business development transaction. The EPIX board of directors reiterated the importance of making a significant portion of consideration sought by Predix contingent upon the receipt of positive clinical data or the consummation of a substantial business development transaction.

On February 10, 2006, representatives of Lehman Brothers discussed with representatives of EPIX the consideration to be paid by EPIX in the transaction. EPIX and Predix agreed that, based on EPIX s market capitalization at that time, the consideration to be paid to Predix equity holders in a potential transaction would consist of approximately 49% of the EPIX common stock outstanding after the transaction, on a fully-diluted basis, and a contingent payment based on the receipt of positive clinical data or the consummation of a substantial business development transaction within approximately two years of closing the merger transaction. In determining the value of the contingent payment, the parties discussed a valuation of Predix of up to approximately $128 million, subject to adjustments for any future financing of Predix.

On February 13, 2006, the Predix board of directors convened by teleconference to discuss the proposed merger transaction with EPIX, including the proposed deal structure and terms, and the advantages and disadvantages of the proposed transaction.

After the February 10, 2006 meeting of the EPIX board of directors and the February 13, 2006 meeting of the Predix board of directors, each board of directors authorized management of their respective company to negotiate the terms of a merger agreement consistent with the terms generally discussed at each board of directors meeting.

On February 15, 2006, EPIX engaged Needham & Company, LLC to assist it in evaluating the potential merger and valuing Predix.

On February 15, 2006, Predix circulated via electronic mail to the members of the Predix board of directors an analysis prepared by Lehman Brothers. The analysis compared a potential EPIX transaction with potential scenarios for Predix as a going concern on a stand-alone basis.

On February 16, 2006, EPIX provided Predix with the initial draft of the merger agreement.

Between February 16 and April 3, 2006, EPIX and Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. and Predix and Goodwin Procter LLP exchanged numerous drafts of the merger agreement and its various exhibits, including the form of voting agreement, the form of lock-up agreement and the form of affiliates agreement. Throughout this period, EPIX, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. and Chestnut Securities and Predix, Goodwin Procter LLP and Lehman Brothers engaged in negotiations regarding the merger agreement and related documentation. During this period, the parties also discussed termination fees, closing conditions, possible financing mechanisms for Predix and the terms of thereof, potential board and management structures of the combined company and the structure of the transaction. Throughout this period, representatives of EPIX and Predix continued their diligence investigation of the other party.

On February 22, 2006, Dr. Kauffman and an advisor met with Mr. Astrue and his advisors at EPIX to discuss communication strategies in the event that EPIX and Predix entered into a transaction.

On February 27, 2006, Mr. Astrue met with a member of the board of directors and the chief executive officer of a company he had previous discussions with about a possible transaction with EPIX, but was not involved in EPIX s formal review process to again discuss the possible combination of EPIX and this company.

On March 1, 2006, members of management of EPIX, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. and Chestnut Securities and Predix, Goodwin Procter LLP and Lehman Brothers met at the offices of Goodwin Procter LLP in Boston, Massachusetts to discuss significant issues related to a potential merger between EPIX and Predix and the then-current draft of the merger agreement, including the composition of the management and board of directors of the combined company, the circumstances in which any contingent payment would be made to the Predix equity holders, the circumstances in which either party would have the right to terminate the merger agreement and the circumstances in which any termination fee would be paid by either company in the event that the merger was not consummated.

On March 2, 2006, as a follow up to Mr. Astrue s February 27, 2006 meetings, members of EPIX s management met with members of management of the new merger candidate to discuss this candidate s product portfolio.

On March 3, 2006, Messrs. Gabrieli and Frank discussed possible financing mechanisms for Predix pending the closing of any transaction with EPIX, the possibility of making a minimum stock price for EPIX a closing condition to the merger, composition of the combined company s board of directors and management and other issues related to the structure of the transaction.

On March 6, 2006, the EPIX board of directors met and discussed the status of negotiations with Predix. The EPIX board of directors also discussed the possibility of adding additional members to the EPIX board of directors. The management of the new merger candidate also presented to the EPIX board of directors. The EPIX board of directors instructed EPIX s management to begin due diligence on this company.

Throughout March 2006, members of EPIX s management met several times with representatives of the new merger candidate to perform due diligence.

On March 8, 2006, the Predix board of directors convened by teleconference to discuss the merger transaction. A representative of Lehman Brothers provided a detailed summary of the proposed terms of a merger between Predix and EPIX. Mr. Gabrieli then joined the meeting and presented EPIX s view of the proposed merger. Following the presentations, the Predix board of directors discussed the proposed transaction, after which they authorized Predix to continue negotiations in connection with a potential merger transaction with EPIX.

From March 13 through March 27, 2006, Messrs. Gabrieli and Astrue and Dr. Kauffman, along with representatives of Chestnut Securities and Lehman Brothers, discussed at various times the structure, timing and terms of the proposed transaction as well as possible communication strategies related to the announcement of the potential merger.

On March 16, 2006, the Predix board of directors met to discuss the status of the proposed merger transaction with EPIX, as well as the possibility of a financing of Predix. A representative of Lehman Brothers provided the directors with an update regarding the status of negotiations regarding the structure and terms of the merger transaction with EPIX.

On March 27, 2006, the EPIX board of directors met telephonically to discuss the terms of a potential merger with Predix. In particular, the EPIX board of directors discussed open issues relating to the size, timing and form of a milestone payment.

On March 29, 2006, the Predix board of directors convened by teleconference to discuss the merger transaction as well as a proposed financing of Predix by certain existing Predix investors. The Predix board of directors resolved to authorize Predix to enter into the financing arrangement, along with all other acts necessary to complete the financing, including amendments to the certificate of incorporation and the stockholders agreement.

Between March 29 and April 1, 2006, Messrs. Gabrieli and Frank and representatives of Chestnut Securities and Lehman Brothers discussed the circumstances in which a milestone payment would be paid and the possibility of deferring a portion of the milestone payment.

On March 30, 2006, the EPIX board of directors met to discuss the status of and the terms of the potential merger with Predix. Representatives of Needham & Company, LLC, financial advisor to EPIX, discussed the results of Needham & Company, LLC s analyses of stock trading history, selected recent mergers and acquisitions in the biotechnology industry, selected recent initial public offerings of biotechnology companies and selected companies comparable to Predix. Based on these analyses, a representative of Needham & Company, LLC reported that, in the opinion of Needham & Company, LLC, as of March 30, 2006, the consideration to be paid by EPIX in the proposed acquisition of Predix is fair to EPIX and its stockholders from a financial point of view. The board of directors discussed the status of negotiations, the advisability of entering into the transaction and provided guidance with respect to how to resolve open issues in the negotiations between EPIX and Predix.

On April 1, 2006, Messrs. Gabrieli and Frank and representatives of Chestnut Securities and Lehman Brothers agreed to fix the aggregate contingent milestone payment at $35 million.

On April 2, 2006, the parties completed their diligence reviews and finalized the terms of the merger agreement and related documentation.

On April 2, 2006, the Predix board of directors convened by teleconference to discuss the merger agreement and merger, including the material terms of the transaction and the consideration to be received by the Predix stockholders. Following the discussion, the Predix board of directors approved the merger transaction with EPIX and the merger agreement and authorized all acts necessary to complete the merger.

On April 2, 2006, the EPIX board of directors met telephonically. Mr. Holman led a discussion regarding the resolution to the outstanding issues identified at the meeting of the board of directors held on March 30, 2006. After discussion of these issues and other matters relating to the merger, the EPIX board of directors voted unanimously to approve the merger with Predix and to recommend that stockholders of EPIX approve the merger with Predix.

On April 3, 2006, EPIX and Predix entered into a definitive merger agreement and issued a joint press release announcing the transaction.

EPIX s Reasons for the Merger

In evaluating the merger, the EPIX board of directors consulted with EPIX s management, EPIX s outside legal and financial advisors and external experts in various aspects of its review of Predix s clinical development programs, the potential markets for Predix s drug candidates and various other market analyses. These consultations included, among other things, extensive discussions regarding: (a) strategic alternatives to the merger, including extensive discussions of other potential merger candidates and of continuing to operate the EPIX business without entering into a merger transaction, (b) the business and strategic plans of the combined company and of an independent EPIX, (c) the risks associated with executing the business and strategic plans of the combined company and of an independent EPIX, (d) the financial position of the combined company and of an independent EPIX, (e) the status of the FDA s approval process for Vasovist in particular and imaging products in general, (f) the prospects for executing the EPIX board of directors previously disclosed strategy of obtaining therapeutic products through internal development, in-licensing transactions, or alternative transformative transactions, (g) the historical trading prices of EPIX s common stock and (h) the terms and conditions of the merger agreement.

The EPIX board of directors also considered that it had previously made the determination that EPIX should diversify from the diagnostic imaging business and expand into the development of therapeutic drug products. Since making that determination, the EPIX board of directors has examined several possible means of acquiring therapeutic products, including through internal development, in-licensing and corporate acquisitions. In September 2005, the EPIX board of directors hired Michael J. Astrue as Interim Chief Executive Officer to thoroughly examine the prospects of EPIX entering into a merger transaction. In light of EPIX s prior efforts to in-license technology and to develop therapeutic products internally, EPIX determined that it needed to supplement those means of obtaining therapeutic products by exploring the possibility of entering into a corporate acquisition.

As discussed more fully in the Background of the Merger above, EPIX entered into a process by which it examined a number of potential merger candidates and determined that Predix was the most suitable candidate with which to enter into a merger transaction. In reaching this determination, the EPIX board of directors considered a number of additional positive factors, including the following:

In examining the quality of potential merger candidates, EPIX focused on a number of factors, including the depth of the potential candidate s product pipeline. In particular, EPIX reviewed companies with at least two products in clinical development. The EPIX board of directors noted that Predix has three product candidates in clinical development, and that Predix expects to submit an IND to the FDA for a fourth product candidate in 2006. The EPIX board of directors also considered that some of Predix s product candidates are being or will be investigated for multiple indications. The EPIX board of directors noted that Predix had as many or more product candidates in clinical development than any of the other potential merger candidates considered by the EPIX board of directors.

In examining the quality of potential partners, EPIX also focused on the presence or absence of a technology platform that could provide the basis for development of additional product candidates. The EPIX board of directors noted Predix s drug development history, including the speed and efficiency with which Predix s discovery scientists were able to produce drug candidates with affinity for the intended target receptor and a lack of affinity for other off-target receptors. The EPIX board of directors believes that Predix s efficient and effective drug discovery platform is well-positioned to continue to deliver product candidates for development by the combined company.

The EPIX board of directors noted that there are a large number of therapeutics companies that develop therapeutic product candidates based on technologies that the EPIX board of directors considers speculative, including gene therapy products and RNA interference products. The EPIX board of directors deliberately sought companies whose technology it believed was less speculative and based on established science and drug development methods. Although the EPIX board of directors recognized that substantial risks still remain in the development of therapeutic products, it noted that Predix s technology allows for the discovery and development of drug candidates that interact with clinically and commercially validated target proteins. The EPIX board of directors believes that the acceptance of these proteins as viable therapeutic targets and Predix s ability to develop drug candidates that have affinity for these target receptors and lack affinity for other off-target receptors substantially reduces the risks inherent in drug discovery and development.

Table of Contents

In examining the quality of potential merger candidates, EPIX focused on the presence or absence of a strong permanent management team. The EPIX board of directors noted at the time that Mr. Astrue s agreement with EPIX was scheduled to expire in May 2006. In addition, EPIX has been without a Chief Financial Officer since July 2005. The EPIX board of directors also noted that several other of EPIX s significant management positions are currently filled by consultants or by employees operating in an interim capacity. For the foregoing reasons, the EPIX board of directors considered the capability of the management of each of the potential merger candidates to lead a combined company after the departure of Mr. Astrue and the others filling management positions at EPIX on a short-term basis. The EPIX board of directors believes Dr. Kauffman, in particular, has the leadership skills and track record of success in the clinical development of therapeutic products to lead the combined company. The EPIX board of directors also noted that strengths of the other members of Predix s management were highly complementary to the strengths of the full-time members of EPIX s management team.

The EPIX board of directors also considered the commitment of potential merger candidates to maintain EPIX s core franchise in medical imaging in order to build a diversified specialty pharmaceuticals company.

The EPIX board of directors noted the difficulties inherent in combining any two organizations and also noted the significant incremental difficulty in integrating two organizations that are geographically diverse. The EPIX board of directors, therefore, limited its search to companies in and around Boston, Massachusetts, or to virtual companies whose management expressed a willingness to move to the greater Boston, Massachusetts area. Predix, based in Lexington Massachusetts, clearly met this pre-specified criteria.

The EPIX board of directors also considered the opinion that Needham & Company, LLC rendered that, as of March 30, 2006, the consideration to be paid by EPIX in the merger to the equity holders of Predix (including the holders of options and warrants) was fair, from a financial point of view, to EPIX and the holders of EPIX common stock.

The members of the EPIX board of directors also identified and considered a number of factors, uncertainties and risks, including the following:

the risk that the potential benefits of the merger might not be realized, including the risk that EPIX will not successfully convert its focus from solely developing diagnostics product candidates to developing a combination of diagnostic product candidates and therapeutic product candidates;

the fact that Predix s product candidates are at early stages of development, are subject to significant development risks and target extremely competitive markets, which the EPIX board of directors weighed against the portfolio of other potential transaction candidates that were considered and against the risks inherent in continuing to pursue the approval of Vasovist in the United States;

the price volatility of EPIX s common stock, which may increase the value of the EPIX common stock that Predix stockholders will receive upon the consummation of the merger and, in particular, possibly result in the holders of Predix common stock and preferred stock receiving significantly more consideration in the merger;

the inability of EPIX s stockholders to realize the long-term value of the successful execution of EPIX s current strategy as an independent company;

the possible loss of key management, technical or other personnel of either of the combining companies as a result of the management and other changes that will be implemented in integrating the businesses;

the risk of diverting management s attention from other strategic priorities to implement merger integration efforts;

the risk that the merger may not be completed, and that a more limited range of alternative strategic transactions would be available to EPIX in that event;

the substantial charges expected to be incurred in connection with the merger, including transaction fees and expenses arising from or in connection with the merger; and

various other applicable risks associated with the combined company and the merger, including those described under the section entitled Risk Factors elsewhere in this joint proxy statement/ prospectus.

The EPIX board of directors weighed the benefits, advantages and opportunities of a potential transaction against the negative factors described above, including the possible diversion of management attention for an extended period of time. The EPIX board of directors realized that there can be no assurance about future results, including results expected or considered in the factors listed above. However, the EPIX board of directors concluded that the potential benefits outweighed the potential risks of completing the merger.

After consideration of the foregoing factors, among others, the EPIX board of directors has unanimously approved the merger agreement, the merger and the issuance of EPIX common stock as a result thereof and recommends approval of the issuance of the shares of EPIX common stock in the merger, the merger and the approval of the amendment to EPIX s restated certificate of incorporation by the shareholders of EPIX.

In reaching its decision, the EPIX board of directors consulted with EPIX s management with respect to strategic and operational matters and with EPIX s legal counsel with respect to the merger agreement and the transactions contemplated thereby. The EPIX board of directors also consulted with Chestnut Securities and Needham & Company, LLC with respect to the financial aspects of the merger.

The preceding discussion of the reasons for the EPIX board of directors recommendation is not intended to be exhaustive, but does set forth all material factors considered by the EPIX board of directors in reaching its recommendation. The EPIX board of directors did not quantify or otherwise assign relative weights to the specific factors considered while determining its recommendation. In addition, individual members of the EPIX board of directors may have given different weights to different factors.

Recommendation of EPIX s Board of Directors

After careful consideration, the EPIX board of directors unanimously approved the merger agreement and the merger and determined that the merger and the merger agreement are advisable, and in the best interests of, the stockholders of EPIX. Therefore, the EPIX board of directors recommends EPIX stockholders vote **FOR** the issuance of the shares of EPIX common stock in the merger, the approval of the merger, the approval of the amendment to EPIX s restated certificate of incorporation by the shareholders of EPIX and the authorization of the EPIX board of directors to amend in its discretion EPIX s restated certificate of incorporation to effect a reverse stock split.

In considering the recommendation of the EPIX board of directors with respect to the issuance of the shares of EPIX common stock in the merger, the merger and the approval of the amendment to EPIX s restated certificate of incorporation, you should be aware that directors and executive officers of EPIX may have interests in the merger that are different from, or are in addition to, the interests of EPIX stockholders. Please see The Merger Interests of EPIX s Directors and Management.

Opinion of EPIX s Financial Advisor

The board of directors engaged Needham & Company, LLC, or Needham & Company, to render a fairness opinion with respect to the merger. At a meeting of the EPIX board of directors on March 30, 2006, Needham & Company delivered its oral opinion, which opinion was subsequently confirmed in writing, to the effect that, as of March 30, 2006, and based upon and subject to the factors, assumptions and limitations set forth in the written opinion and described below, the consideration to be paid by EPIX in the merger to the equity holders of Predix (including the holders of options and warrants) was fair, from a financial point of view, to EPIX and the holders of EPIX common stock.

The amount and form of consideration to be paid in the merger was determined through arm s-length negotiations between EPIX and Predix and not by Needham & Company. Needham & Company was not asked to consider, and the Needham & Company opinion does not address, the underlying business decision of EPIX to engage in the merger, the relative merits of the merger as compared to other business strategies that might exist for EPIX, or the effect of any other transaction in which EPIX might engage.

The complete text of the written opinion of Needham & Company, dated March 30, 2006, which sets forth the assumptions made, matters considered, limitations on and scope of the review undertaken by Needham & Company, is attached to this joint proxy statement/ prospectus as Annex C and is incorporated herein by reference, all as consented to by Needham & Company. You are encouraged to, and should, read the Needham & Company opinion carefully and this summary of the written opinion of Needham & Company is qualified in its entirety by reference to the full text of such opinion. A materially complete discussion of the fairness opinion is set forth in this joint proxy statement/prospectus. The Needham & Company opinion addresses only the fairness, from a financial point of view, to EPIX and to the holders of EPIX common stock of the consideration to be paid by EPIX in the proposed merger to the equity holders of Predix (including the holders of options and warrants). The Needham & Company opinion does not address any other aspect of the merger and does not express an opinion or recommendation to any director, stockholder or other person as to how to vote or act with respect to the merger. No limitations were imposed by the EPIX board of directors with respect to the investigations made or procedures followed by Needham & Company in rendering its opinion.

In arriving at its opinion, Needham & Company reviewed the following:

(a) a draft of the merger agreement dated March 29, 2006 together with the exhibits and schedules thereto;

(b) certain publicly available information concerning EPIX and Predix, including publicly available filings and the websites of EPIX and Predix, and certain other relevant financial and operating data of EPIX and Predix furnished to us by EPIX and Predix;

(c) materials prepared by EPIX concerning the business, operations and prospects of EPIX and Predix and the combined company;

(d) materials prepared by Predix concerning the business, operations and prospects of Predix;

(e) financial forecasts with respect to EPIX, Predix and the combined company prepared by the management of EPIX;

(f) financial forecasts with respect to Predix prepared by the management of Predix;

(g) certain publicly available financial data of companies whose securities are traded in the public markets and that Needham & Company deemed relevant to similar data for EPIX;

(h) the trading history of EPIX common stock; and

(i) the financial terms of certain other business combinations that Needham & Company deemed generally relevant.

In addition, Needham & Company held discussions with members of management of EPIX and Predix concerning the business, operations and prospects of EPIX, Predix and the combined company, including the potential cost savings and other synergies that may be achieved by the combined company.

Needham & Company also performed and/or considered such other studies, analyses, inquiries, correspondence and investigations as it deemed appropriate.

In connection with its review and arriving at its opinion, Needham & Company, with Predix s and EPIX s consent, assumed and relied upon the accuracy and completeness of all financial and other information discussed with or reviewed by Needham & Company for purposes of its opinion and neither attempted to verify independently nor assumed responsibility for verifying such information. With respect to the financial forecasts for EPIX, Predix and the combined company and the prospects of the combined company provided to Needham & Company by Predix and EPIX s managements, Needham & Company assumed, with Predix and EPIX s consent and based upon discussions with Predix s and EPIX s managements, that such forecasts have been reasonably prepared on bases reflecting the best currently available estimates and judgments of such management, at the time of preparation, of the future operating and financial performance of EPIX, Predix and the combined company. Needham & Company relied upon the estimates of EPIX and Predix s managements of the potential cost savings and other synergies, including the amount and timing thereof, that may be achieved as a result of the merger. Needham & Company expressed no opinion with respect to any of such forecasts or estimates or the assumptions on which they were based.

Needham & Company relied on advice of counsel given to EPIX as to all legal matters and advice of independent accountants given to EPIX as to all financial reporting matters, all with respect to EPIX, the merger and the draft merger agreement. Needham & Company did not assume any responsibility for or make or obtain any independent evaluation, appraisal or physical inspection of the assets or liabilities of EPIX or Predix, nor was Needham & Company furnished with these materials. Needham & Company s services to EPIX in connection with the merger were comprised of rendering an opinion of the fairness, from a financial point of view, of the consideration to be paid by EPIX in connection with the merger to the equity holders of Predix (including the holders of options and warrants). Needham & Company s opinion was necessarily based upon economic, monetary and market conditions and other circumstances as they existed and could be evaluated by Needham & Company on the date of its opinion. It should be understood that, although subsequent circumstances and events may affect its opinion, Needham & Company does not have any obligation to update, revise or reaffirm its opinion and Needham & Company expressly disclaims any responsibility to do so.

In rendering its opinion, Needham & Company assumed that the merger would qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and would be consummated upon the terms and subject to the conditions set forth in the merger agreement without material alteration or variation thereof.

The following is a summary of the principal financial analyses Needham & Company performed to arrive at its opinion. Some of the summaries of financial analyses set forth below include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data set forth in the tables without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses. Additionally, although the financial metrics of the comparable companies were used for comparison purposes, none of them is directly comparable to Predix.

Stock Trading History

To provide contextual data regarding the timing of EPIX s decision to enter into the merger agreement, Needham & Company reviewed the historical market prices of EPIX common stock at various points over the 24 months ended March 28, 2006. This review illustrated the correlation between the historical market prices of EPIX common stock and the business and operations of EPIX, and the status of the regulatory approval process for each of EPIX s product candidates during the same period.

Needham & Company noted that, over the 24 months ended March 28, 2006, the high and low closing prices of EPIX common stock were $25.99 and $3.53, respectively, with the low occurring on March 28, 2006. From March 28, 2006 to June 26, 2006, the high and low closing prices of EPIX common stock were $4.62 and $2.77, respectively.

Comparable Transactions Analysis

Needham & Company reviewed selected data for Predix and compared this data to corresponding data from a group of 20 selected merger and acquisition transactions, which Needham & Company believed to be comparable to the merger based on a number of factors, including but not limited to the timing of the transaction, whether the companies had therapeutic programs in a similar stage of development and the indication targeted to be addressed. Each of the comparable merger and acquisition transactions involved a transaction announced and completed since January 1, 2003 and a target company that had a therapeutic program that was in a similar stage of development as Predix s therapeutic program. The comparable merger and acquisition transactions reviewed by Needham & Company were:

Xcyte Therapies, Inc. s acquisition of Cyclacel Ltd.

Maxim Pharmaceuticals, Inc s merger with EpiCept Corporation

Corgentech, Inc s merger with AlgoRx Pharmaceuticals, Inc.

Vernalis plc s acquisition of Cita Neuropharmaceuticals, Inc.

Clinical Data, Inc s acquisition of Genaissance Pharmaceuticals, Inc.

Celtic Pharmaceutical Holdings LP s acquisition of Xenova Group plc

Epimmune, Inc s merger with IDM Pharma, Inc.

GlaxoSmithKline, Inc. s acquisition of Corixa Corporation

Cephalon, Inc. s acquisition of Salmedix, Inc.

Johnson & Johnson s acquisition of Peninsula Pharmaceuticals, Inc.

Johnson & Johnson s acquisition of TransForm Pharmaceuticals, Inc.

Aphton Corporation s acquisition of Igeneon AG

VI Technologies, Inc. s merger with Panacos Pharmaceuticals, Inc.

MGI Pharma, Inc s acquisition of Zycos, Inc.

MGI Pharma, Inc s acquisition of Aesgen Pharmaceuticals, Inc.

Amgen Corporation s acquisition of Tularik, Inc.

Pfizer, Inc. s acquisition of Esperion Therapeutics, Inc.

Cell Therapeutics, Inc. s merger with Novuspharma Spa

Allergan, Inc. s acquisition of Oculex Pharmaceuticals, Inc.

OSI Pharmaceuticals, Inc. s acquisition of Cell Pathways, Inc.

Of these 20 transactions reviewed, four had contingent payments.

Table of Contents

The financial and valuation data analyzed as part of this analysis included:

	Low	Median	Mean	High	Predix
					(At March 28, 2006)
			(In millions)		
Initial Equity Purchase Price	$ 25.2	$ 112.2	$ 260.2	$ 1,675.2	$ 82.2
Enterprise Value(1)	$ 7.2	$ 91.7	$ 240.9	$ 1,486.3	$ 127.8
Enterprise Value(2)	$ 7.2	$ 87.5	$ 233.3	$ 1,486.3	$ 90.0

(1) Includes contingent payment

(2) Does not include contingent payment

This data illustrates that the Predix initial equity purchase price and enterprise value, both with and without the contingent payment, are below the mean from the identified comparable transactions, consistent with the conclusions presented by Needham & Company in its fairness opinion.

Comparable Public Companies Analysis

Needham & Company reviewed selected data, including cash and indebtedness, sufficient to determine the equity and enterprise value of Predix and compared this data to certain publicly available financial, operating and stock market data, including shares outstanding, last publicly reported sale price of common stock, cash and indebtedness, sufficient to determine the equity and enterprise values of selected publicly traded companies that are in the biotechnology industry and have lead therapeutic programs that Needham & Company believes are similar to those of Predix. Needham & Company then analyzed the relevance and comparability of these companies based on various factors, including but not limited to the sizes of the companies and whether the company had a therapeutic program in a similar stage of development. The comparable public companies reviewed by Needham & Company were:

Myriad Genetics, Inc.

Neurochem, Inc.

Nastech Pharmaceutical Company, Inc.

Acadia Pharmaceuticals, Inc.

NeuroSearch A/ S

Cortex Pharmaceuticals, Inc.

Amarin Corporation

Neurogen Corp.

Cypress Bioscience, Inc.

Cytrx Corporation

Corcept Therapeutics, Inc.

Memory Pharmaceuticals Corp.

76

The financial and valuation data analyzed as part of this analysis included:

Comparable Public Company Values

	(At March 28, 2006)				Predix
	Low	Median	Mean	High	(At March 28, 2006)
			(In millions)		
Equity Value	$104.8	$206.6	$301.5	$997.8	$ 82.2
Enterprise Value	$ 60.4	$158.2	$233.9	$762.7	$127.8(1)

(1) Includes contingent payment.

For each of these comparable companies, Needham & Company calculated equity value and enterprise value, based on closing stock prices on March 28, 2006.

This data illustrates that both the equity and enterprise value of Predix were below the median and the mean of the identified comparable public companies, consistent with the conclusions presented by Needham & Company in its fairness opinion.

Comparable Biotechnology Initial Public Offerings Analysis

Needham & Company reviewed selected data for Predix and compared this data to certain publicly available financial, operating and stock market data for selected initial public offerings of the stock of companies in the biotechnology industry during the period from January 1, 2005 through March 28, 2006. The comparable biotechnology initial public offerings reviewed were:

Alexza Pharmaceuticals, Inc.

Iomai Corp.

SGX Pharmaceuticals, Inc.

Altus Pharmaceuticals, Inc.

Somaxon Pharmaceuticals, Inc.

CombinatoRx Corporation

Accentia Biopharmaceuticals, Inc.

Coley Pharmaceutical Group, Inc.

Advanced Life Sciences Holdings, Inc.

XenoPort, Inc.

Aspreva Pharmaceuticals Corp.

Threshold Pharmaceuticals, Inc.

Icagen, Inc.

Favrille, Inc.

Table of Contents

The financial and valuation data analyzed as part of this analysis included:

	Comparable IPO Values (At March 28, 2006)				Predix (At March 28, 2006)
	Low	Median	Mean	High	
	(In millions)				
Equity Value	$ 85.2	$ 189.7	$ 203.7	$ 396.8	$ 82.2
Enterprise Value	$ 57.4	$ 106.0	$ 132.4	$ 287.9	$ 127.8(1)

(1) Includes contingent payment.

This data illustrates that both the equity and enterprise value of Predix were below the mean of the identified comparable biotechnology initial public offerings, consistent with the conclusions presented by Needham & Company in its fairness opinion.

An analysis of the above-presented comparison results is not purely mathematical, but instead involves complex considerations and judgments concerning differences in historical financial and operating characteristics of the companies involved and other factors that could affect the trading value of such companies.

Although the summary set forth above does not purport to be a complete description of the analyses performed by Needham & Company in connection with the rendering of its opinion, the material analyses performed by Needham & Company in rendering its opinion have been summarized above. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant quantitative and qualitative methods of financial analyses and the application of those methods to the particular circumstances; and, therefore, such an opinion is not readily susceptible to partial analysis or summary description. Needham & Company did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Needham & Company believes, and has advised the EPIX board of directors, that its analyses must be considered as a whole and that selecting portions of its analyses or the factors it considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying its opinion. In its analyses, Needham & Company made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of EPIX and Predix or the combined company. Included in these assumptions were that there would be no material changes in the regulatory and other legal framework in which EPIX and Predix operate, that the market would be accepting of the products being developed by EPIX and Predix, that there would not be a material change in the competitive landscape in which EPIX and Predix operate and that there would be continued general economic stability. These analyses performed by Needham & Company are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable. Additionally, analyses relating to the values of businesses or assets do not purport to be appraisals or necessarily reflect the prices at which businesses or assets may actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty, being based upon numerous factors or events beyond the control of EPIX and Predix or the combined company or their respective advisors. None of EPIX, Predix, the combined company, Needham & Company or any other person assumes responsibility if future results are materially different from those projected. Needham & Company s opinion and its related analyses were only one of many factors considered by the EPIX board of directors in its evaluation of the merger and should not be viewed as determinative of the views of the EPIX board of directors with respect to the fairness of the total consideration payable to the equity holders of Predix (including the holders of options and warrants) in connection with the merger.

Needham & Company and its affiliates in the ordinary course of business have from time to time provided, and in the future may continue to provide, investment banking and financial advisory services to EPIX and have received, and may in the future receive, fees for the rendering of such services. In 2004,

Table of Contents

Needham & Company provided advisory services to EPIX in connection with a convertible debt offering by EPIX and received a fee of $458,380.01 in connection therewith. In August 2005, Needham & Company was paid a $50,000 retainer by EPIX for financial advisory services. A private equity fund, which is an affiliate of Needham & Company, is a stockholder of Predix. In addition, Needham & Company and its affiliates may actively trade the equity securities of EPIX for their own account or for the accounts of their customers and, accordingly, may at any time hold a long or short position in such securities.

Needham & Company received from EPIX a fee of $300,000 in connection with rendering its fairness opinion in this transaction, none of which was contingent upon consummation of the transaction with Predix. In addition to this fee, EPIX will also reimburse Needham & Company for all of its out-of-pocket expenses and EPIX has agreed to indemnify Needham & Company against certain liabilities, including liabilities under federal securities laws, in connection with the delivery of its opinion. The terms of the fee arrangement with Needham & Company, which are customary in transactions of this nature, were negotiated on an arm s-length basis between EPIX and Needham & Company, and the EPIX board of directors was aware of the arrangement, including the fact that a portion of the fee payable to Needham & Company was contingent upon delivery of the fairness opinion.

Needham & Company was selected by the EPIX board of directors to render an opinion to the EPIX board of directors because Needham & Company is a internationally recognized investment banking firm and because, as part of its investment banking business, Needham & Company is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

Predix s Reasons for the Merger

In approving and authorizing the merger agreement and the merger, the Predix board of directors considered a number of factors. Although the following discussion sets forth the material factors considered by the Predix board of directors in reaching its determination, it may not include all of the factors considered by the Predix board of directors. In light of the number and wide variety of factors considered in connection with its evaluation of the merger agreement and the merger, the Predix board of directors did not consider it practicable to, and did not attempt to, quantify or otherwise assign relative weights to the specific factors it considered in reaching its determination. The Predix board of directors viewed its position and determinations as being based on all of the information available and the factors presented to and considered by it. In addition, individual directors may have given different weight to different factors.

In reaching its decision, the Predix board of directors consulted with Predix s management with respect to strategic and operational matters and with Predix s legal counsel with respect to the merger agreement and the transactions contemplated thereby. The Predix board of directors also consulted with Lehman Brothers, Predix s financial advisor, with respect to the financial aspects of the merger and reviewed an analysis prepared by Lehman Brothers comparing the merger with potential scenarios for Predix as a going concern on a stand-alone basis.

Among the factors considered by the Predix board of directors in its decision to approve the merger agreement were the following: (a) the judgment, advice and analysis of Predix s senior management with respect to the potential benefits of the merger, including EPIX s available resources, intellectual property and employees, as well as EPIX s liabilities, based in part on the business, technical, financial, accounting and legal due diligence investigations performed with respect to EPIX; (b) historical and current information concerning Predix s business, including its financial performance and condition, operations, management and competitive position, current industry and economic conditions, and Predix s prospects if it was to remain an independent company, including: (i) the risk of adverse outcomes in its clinical trials; and (ii) and its need to obtain additional financing and the likely terms on which it would be able to

Table of Contents

obtain that financing; (c) the current conditions of the equity markets, as it relates to Predix s ability to raise additional capital from new investors for the continued growth of Predix s business, and as it relates to the potential prospects for the combined company; (d) the current conditions in the pharmaceutical and biotechnology marketplace and the positioning of EPIX within that market after the merger; (e) the status of EPIX s imaging product candidates and of Predix s drug candidates; and (f) the terms of the merger agreement, including the merger consideration and milestone payment, as well as the parties representations, warranties and covenants and the conditions to their respective obligations.

In reaching its determination to approve the merger agreement and the merger, the members of the Predix board of directors identified and considered a number of the potential benefits of the merger, including the following:

the expectation that the merger will be treated as a tax-free reorganization for U.S. federal income tax purposes;

the relative percentage ownership of EPIX stockholders and Predix stockholders in the combined company that is fixed;

the skills and abilities of the anticipated post-merger management team;

given Predix s prospects as a stand-alone entity, it would be difficult for Predix to raise capital at an attractive valuation to fund its current business plan, and any such financing could, therefore, be highly dilutive to Predix s stockholders;

that the merger will provide Predix stockholders with shares of EPIX common stock, a publicly traded company, which would provide Predix stockholders with the possibility of liquidity;

the range of options available to the combined organization to access private and public equity markets to fund future capital needs, which would likely be greater than the options available to Predix alone;

the contribution of EPIX s cash, intellectual property and other assets to a combined company, which could help accelerate Predix s development plans and Predix s ability to generate products while also preserving the accumulated value in Predix s product candidates and research platform;

the status of EPIX s product candidates, and the prospect that they may provide additional sources of revenue sooner than many of Predix s product candidates; and

the conclusion of Predix s board of directors that the $4.5 million termination fee, and the circumstances when such fee may be payable, were reasonable.

The members of the Predix board of directors also identified and considered a number of uncertainties and risks, including the following:

the risk that the potential benefits of the merger might not be realized;

the price volatility of EPIX s common stock, which may reduce the value of the EPIX common stock that Predix stockholders will receive upon the consummation of the merger and, in particular, possibly result in the holders of Predix common stock and preferred stock receiving significantly less consideration in the merger;

the risk that the $35 million milestone payment may not be triggered, thereby significantly decreasing the value of the merger to holders of Predix stock, option and warrants;

the inability of Predix s stockholders to realize the long-term value of the successful execution of Predix s current strategy as an independent company;

80

the possible loss of key management, technical or other personnel of either of the combining companies as a result of the management and other changes that will be implemented in integrating the businesses;

the risk of diverting management s attention from other strategic priorities to implement merger integration efforts;

the risk that the merger may not be completed, and that a more limited range of alternative strategic transactions would be available to Predix in that event;

the substantial charges expected to be incurred in connection with the merger, including the $2.0 million fee to be paid to Lehman Brothers, the entire amount of which is contingent upon the consummation of the merger, and other transaction fees and expenses arising from or in connection with the merger; and

various other applicable risks associated with the combined company and the merger, including those described under the section entitled Risk Factors elsewhere in this joint proxy statement/ prospectus.

The Predix board of directors weighed the benefits, advantages and opportunities of a potential transaction against the negative factors described above, including the possible diversion of management attention for an extended period of time. The Predix board of directors realized that there can be no assurance about future results, including results expected or considered in the factors listed above. However, the Predix board of directors concluded that the potential benefits significantly outweighed the potential risks of completing the merger.

After taking into account these and other factors, the Predix board of directors approved and authorized the merger agreement and the transactions contemplated thereby, including the merger.

Recommendation of Predix s Board of Directors

After careful consideration, the Predix board of directors approved the merger agreement and the merger and determined that the merger and the merger agreement are advisable to, and in the best interests of, the stockholders of Predix. Therefore, the Predix board of directors recommends Predix stockholders vote **FOR** the approval and adoption of the merger agreement and the approval of the merger.

In considering the recommendation of the Predix board of directors with respect to the merger agreement and the merger, you should be aware that directors and executive officers of Predix may have interests in the merger that are different from, or are in addition to, the interests of Predix stockholders. Please see The Merger Interests of Predix s Directors and Management.

EPIX has obtained the agreement from certain Predix stockholders, representing approximately 40% of the outstanding voting power of Predix s capital stock (on an as-converted to Predix common stock basis), to vote the shares of Predix capital stock beneficially owned by them in favor of the approval and adoption of the merger agreement and the approval of the merger.

Accounting Treatment

EPIX intends to account for the merger as a purchase for accounting purposes. The total estimated purchase price is allocated to the net tangible and intangible assets of the acquired entity based on their estimated fair values as of the completion of the transaction. A final determination of these fair values will include management s consideration of a valuation. This valuation will be based on the actual net tangible and intangible assets of Predix that exist as of the closing date of the merger.

Table of Contents

Material United States Federal Income Tax Consequences of the Merger

The following discussion summarizes the material U.S. federal income tax consequences of the merger that are expected to apply generally to Predix stockholders upon an exchange of their Predix common stock and preferred stock for EPIX common stock in the merger. This summary is based upon current provisions of the Internal Revenue Code of 1986, as amended, or the Code, existing Treasury regulations and current administrative rulings and court decisions, all in effect as of the date thereof and all of which are subject to change. Any change, which may or may not be retroactive, could alter the tax consequences to EPIX, Predix or the Predix stockholders as described in this summary. No attempt has been made to comment on all U.S. federal income tax consequences of the merger that may be relevant to particular holders, including holders who do not hold their shares as capital assets; holders such as dealers in securities; banks; insurance companies; other financial institutions; mutual funds; real estate investment trusts; tax-exempt organizations; investors in pass-through entities; stockholders who are subject to the alternative minimum tax provisions of the Code; stockholders who hold Predix shares as part of a hedge, wash sale, synthetic security, conversion transaction, or other integrated transaction; U.S. holders, as defined below, that have a functional currency other than the U.S. dollar; traders in securities who elect to apply a mark-to-market method of accounting; stockholders who acquired shares of Predix stock pursuant to the exercise of options or otherwise as compensation or through a tax-qualified retirement plan; and certain expatriates or former long-term residents of the United States. Stockholders described in this paragraph are urged to consult their own tax advisors regarding the consequences to them of the merger.

In case of a stockholder that is a partnership, the U.S. federal income tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships that are holders of Predix common stock or preferred stock and partners in such partnerships are urged to consult their own tax advisors regarding the consequences to them of the merger.

In addition, the following discussion does not address the tax consequences of the merger under state, local or non-U.S. tax laws. Furthermore, the following discussion does not address (a) the tax consequences of transactions effectuated before, after or at the same time as the merger, whether or not they are in connection with the merger, including, without limitation, transactions in which shares of Predix common stock or preferred stock are acquired or shares of EPIX common stock are disposed of, (b) the tax consequences to holders of options or warrants issued by Predix which are assumed in connection with the merger or (c) the tax consequences of the receipt of shares of EPIX common stock other than in exchange for shares of Predix common stock and preferred stock pursuant to the merger agreement.

Holders of Predix common stock and preferred stock are urged to consult their own tax advisors regarding the U.S. federal income tax consequences of the merger in light of their personal circumstances and the consequences under state, local and non-U.S. tax laws.

For purposes of this discussion:

a U.S. holder is a beneficial owner of Predix common stock or preferred stock, that is (a) an individual citizen or resident of the United States, (b) a corporation or any other entity taxable as a corporation created or organized in or under the laws of the United States or of a state of the United States or the District of Columbia, (c) a trust (i) in respect of which a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) that was in existence on August 20, 1996 and validly elected to continue to be treated as a domestic trust, or (d) an estate that is subject to U.S. federal income tax on its worldwide income from all sources; and

a non-U.S. holder is any individual, corporation, trust or estate which holds common stock or preferred stock of Predix, other than a U.S. holder.

Table of Contents

In the opinion of each of Mintz, Levin, Cohn, Ferris, Glovsky, and Popeo P.C. and Goodwin Procter LLP, counsel for EPIX and Predix, respectively, the merger will constitute a reorganization within the meaning of Section 368(a) of the Code. These tax opinions are subject to certain assumptions and qualifications and will be based in part on the truth and accuracy of certain representations made by EPIX, EPIX Delaware, Inc. and Predix. No ruling from the Internal Revenue Service has been or will be requested in connection with the merger, and Predix stockholders should be aware that the tax opinions discussed in this section are not binding on the Internal Revenue Service, the Internal Revenue Service could adopt a contrary position which could be sustained by a court. The opinions of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo P.C. and Goodwin Procter LLP are conditioned upon, among other things, the receipt by Predix stockholders in the merger, in the aggregate, of EPIX common shares with a value equal to at least 40% of the combined value of the total consideration paid for all Predix shares, taking into account, among other things, the amount of cash paid or deemed paid to Predix stockholders in connection with the merger and cash to be paid to Predix stockholders in lieu of fractional EPIX common shares.

U.S. Holders

If a U.S. holder reports the disposition of its Predix stock in the merger under the installment method, and

- if such U.S. holder s basis in the Predix stock exchanged in the merger does not exceed the fair market value of EPIX common stock such holder receives in the merger, such U.S. holder will recognize gain in the amount of cash received (net of interest imputed under the Code) at the time of the milestone payment under the installment method;

- if such U.S. holder s basis in the Predix stock exchanged by it exceeds the fair market value of EPIX common stock such holder receives in the merger, such U.S. holder will recognize gain in the amount equal to the excess of cash received (net of interest imputed under the Code) over the excess of the basis in Predix stock over the fair market value of EPIX common stock received in the merger, at the time of the milestone payment under the installment method.

A U.S. holder will be required to include the amount of the gain in such stockholder s gross income for federal income tax purposes for the year in which the holder receives the cash milestone payment attributable to the gain. A U.S. holder will not recognize gain upon receipt of any portion of the milestone payment made in EPIX common stock. A portion of any milestone payment will be treated as taxable interest income, calculated using the applicable federal rate pursuant to the Code. Predix stockholders should be aware that the law in this area is not fully established and each stockholder is advised to consult his, her or its own tax advisors about the tax consequences of the merger to such stockholder.

If a U.S. holder elects to have the installment method not apply to its disposition of its Predix shares in the merger, such U.S. holder will recognize gain, but not loss, for federal income tax purposes in an amount equal to the lesser of (a) the fair value of the milestone obligation such stockholder receives in the merger or (b) the amount, if any, by which the sum of (i) the fair market value of any EPIX common shares such stockholder receives in the merger and (ii) the fair value of the milestone obligation such stockholder receives in the merger, exceeds such stockholder s adjusted tax basis in its shares of Predix stock.

The aggregate basis of the shares of EPIX common stock received by a Predix stockholder in the merger (including any fractional share deemed received) will be: (a) if the stockholder does not elect out of the application of the installment method, the same as the aggregate basis of the shares of Predix stock surrendered in the merger, up to the fair market value of the EPIX common stock received and (b) if the stockholder elects out of the application of the installment method, the same as the aggregate basis of the shares of Predix stock surrendered in exchange therefore, reduced by the fair value of the milestone obligation received in exchange for shares of Predix stock in the merger and increased by the amount of gain recognized in the exchange. The holding period of the shares of EPIX common stock received by a

Table of Contents

Predix stockholder in the merger will include the holding period of the shares of Predix common stock or preferred stock surrendered in exchange therefor. U.S. holder who receives cash in lieu of a fractional share will recognize gain or loss equal to the difference, if any, between such stockholder s basis in the fractional share and the amount of cash received. Such gain or loss will be a long-term capital gain or loss, if the U.S. holder s holding period is greater than one year as of the date of the closing of the merger. For U.S. holders who are individuals, any long-term capital gain generally will be taxed at a premium U.S. federal income tax rate of 15%. The deductibility of capital losses is subject to limitations.

For this purpose, gain or loss must be calculated separately for each identifiable block of shares surrendered in the exchange, and a loss realized on one block of shares may not be used to offset a gain realized on another block of shares. Gain recognized upon the exchange generally will be capital gain, unless the receipt of the milestone payment by a Predix stockholder has the effect of a distribution of a dividend, in which case the gain will be treated as dividend income to the extent of the stockholder s ratable share of our earnings and profits as calculated for federal income tax purposes. Any recognized capital gain will be long-term capital gain if the stockholder has held the shares of Predix stock for more than one year.

Certain Requirements for Reorganization under Section 368(a)

One of the requirements that must be satisfied for the merger to qualify as a reorganization under Section 368(a) of the Code is the continuity of interest requirement. This requirement will be satisfied if Predix stockholders exchange a substantial portion of the value of their proprietary interest in Predix for proprietary interests in EPIX. In the opinion of Goodwin Procter LLP, the continuity of interest requirement will be satisfied if the value of EPIX common shares received in connection with the merger by Predix stockholders equals or exceeds 40% of the total consideration paid or deemed paid in exchange for all Predix shares, taking into account, among other things, the amount of cash paid or deemed paid to Predix stockholders in connection with the merger and cash to be paid to Predix stockholders in lieu of fractional EPIX common shares.

In addition, for the merger to qualify as a reorganization, EPIX s wholly-owned subsidiary, EPIX Delaware, Inc., must acquire substantially all of the assets of Predix. Specifically, EPIX Delaware, Inc. must acquire at least 70% of the fair value of Predix s gross assets and at least 90% of the fair value of its net assets. All of Predix s pre-merger assets must be taken into account in the calculation. The merger also must satisfy certain other common law requirements for a reorganization : continuity of business enterprise and business purpose.

If the merger is not treated as a reorganization within the meaning of Section 368(a) of the Code, then each U.S. holder will generally will be treated as exchanging its Predix stock in a fully taxable transaction for EPIX common stock and the milestone payment obligation. Further, if the merger is not treated as a reorganization within the meaning of Section 368(a) of the Code, Predix will be subject to tax on the deemed sale of its assets to EPIX with gain or loss for this purpose measured by the difference between Predix s tax basis in its assets and the fair market value of the consideration deemed to be received therefor, or, in other words, the milestone payment and EPIX common shares. This gain or loss would be reported on Predix s final tax return, subject to the effect of any tax carryovers and the effect of its other income or loss for that period, and EPIX Delaware, Inc. would become liable for any such tax liability by virtue of the merger.

U.S. Holders Backup Withholding and Reporting Requirements

A noncorporate Predix stockholder may be subject to backup withholding at a rate of 28% with respect to a milestone payment received by a Predix stockholder. However, backup withholding will not apply to a stockholder who either (a) furnishes a correct taxpayer identification number and certifies that he or she is not subject to backup withholding by completing the substitute Form W-9 that will be included as part of the letter of transmittal, or (b) otherwise proves to EPIX and its exchange agent that the stockholder is exempt from backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

Each Predix stockholder that receives EPIX common stock in the merger will be required to file a statement with his, her or its federal income tax return setting forth his, her or its basis in the Predix common stock or preferred stock surrendered and the fair market value of the EPIX common stock and milestone payment received in the merger, and to retain permanent records of these facts relating to the merger.

Non-U.S. Holders

A non-U.S. holder of Predix common stock or preferred stock will not be subject to U.S. federal income or withholding tax on gain with respect to the merger as long as:

such gain is not effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States or, if a tax treaty applies, is not attributable to a permanent establishment or fixed place of business maintained by the non-U.S. holder in the United States;

in the case of certain capital gains, the non-U.S. holder either is not considered, for U.S. federal income tax purposes, to be present in the United States for 183 days or more during the taxable year in which the capital gain is recognized or otherwise qualifies for an exemption;

the non-U.S. holder qualifies for an exemption from backup withholding, as discussed below;

Predix is not and has not been a U.S. real property holding corporation at any time within the shorter of the five-year period ending on the date on which the proposed transaction is consummated or such non-U.S. holder s holding period; and

Generally, a corporation is a U.S. real property holding corporation if the fair market value of its U.S. real property interests, as defined in the Code and applicable regulations, equals or exceeds 50% of the aggregate fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. Predix does not believe that it is or has been a U.S. real property holding corporation within the last five years and does not expect to become a U.S. real property holding corporation prior to the date of the closing of the merger.

Non-U.S. Holders Information Reporting and Backup Withholding

The milestone payment to Predix stockholders may be subject to backup withholding at a 28% rate. In order to qualify for an exemption from backup withholding with respect to the milestone payment received in the merger, a non-U.S. holder may be required to provide a taxpayer identification number, certify the non-U.S. holder s foreign status or otherwise establish an applicable exemption. Predix stockholders receiving EPIX common stock may be subject to information reporting.

Appraisal Rights

Under Delaware corporate law, Predix stockholders are entitled to appraisal rights in connection with the merger. Under Delaware corporate law, holders of EPIX common stock are not entitled to appraisal rights in connection with the merger. The text of the relevant provisions of Delaware law are attached to this joint proxy statement/ prospectus as Annex D.

Table of Contents

Federal Securities Laws Consequences

This joint proxy statement/ prospectus does not cover any resales of the EPIX common stock received in the merger, and no person is authorized to make any use of this joint proxy statement/ prospectus in connection with any such resale.

All shares of EPIX common stock received by Predix stockholders in the merger should be freely transferable, except that if a Predix stockholder is deemed to be an affiliate of Predix under the Securities Act of 1933, as amended, at the time of the special meeting, the Predix stockholder may resell those shares only in transactions permitted by Rule 145 under the Securities Act of 1933, as amended, or as otherwise permitted under the Securities Act of 1933, as amended. Persons who may be affiliates of Predix under the Securities Act of 1933, as amended, generally include individuals or entities that control, are controlled by, or are under common control with, Predix, and generally would not include stockholders who are not officers, directors or principal stockholders of Predix. EPIX has agreed to file a registration statement with respect to the shares of EPIX common stock to be issued in the merger to persons who are deemed to be affiliates of Predix. As a result, these shares shall also be freely tradable upon the effectiveness of this registration statement, subject only to certain prospectus delivery requirements and the terms of the lock-up agreements described herein, if applicable.

Interests of EPIX s Directors and Management

EPIX s directors and management have interests in the merger as individuals in addition to, and that may be different from, the interests of EPIX s stockholders. The EPIX board of directors was aware of these interests and considered them, among other matters, in its decision to approve the merger agreement.

Christopher F.O. Gabrieli, Michael Gilman, Ph.D., Mark Leuchtenberger and Gregory D. Phelps, each of whom is a current director of EPIX, is expected to be a member of the EPIX board of directors after the merger.

Although no employment or similar agreements have been entered into as of June 2, 2006, it is anticipated that certain current officers and key employees of EPIX will be executive officers or key employees of EPIX after the merger as specified below:

Name	Position in the Combined Company	Current Position with EPIX
Andrew C.G. Uprichard, M.D.	President	EPIX s President and Chief Operating Officer
Philip Graham, Ph.D.	Vice President of Product Management and Imaging	EPIX s Vice President of Program Management
Brenda Sousa	Vice President of Human Resources	EPIX s Vice President of Human Resources

Upon completion of the merger, Brenda Sousa, Vice President of Human Resources, is entitled to a bonus of $47,500. In addition, Philip Chase, Vice President and General Counsel, is entitled to a bonus of $72,000 upon completion of the merger.

As a result of the foregoing, the directors and executive officers of EPIX may be more likely to vote to approve the merger than EPIX stockholders generally.

Interests of Predix s Directors and Management

Predix s directors and management have interests in the merger as individuals in addition to, and that may be different from, the interests of Predix s stockholders. The Predix board of directors was aware of these interests and considered them, among other matters, in its decision to approve the merger agreement.

Patrick J. Fortune, Ph.D., Frederick Frank, Michael G. Kauffman, M.D., Ph.D., and Ian F. Smith, CPA, ACA, each of whom is a current director of Predix, is expected to be a member of the EPIX board of directors after the merger. These relationships may have influenced their decision to vote in favor of the merger and to recommend that Predix stockholders vote in favor of the merger and related transactions. In addition, certain of the current executive officers or key employees of Predix are expected to serve as executive officers or key employees of EPIX at the effective time of the merger.

In addition, options, with exercise prices ranging from $0.81 to $1.80, held by each of Michael G. Kauffman, M.D., Ph.D., Silvia Noiman, Ph.D., Oren Becker, Ph.D., Chen Schor and Kimberlee C. Drapkin to purchase 594,679, 278,096, 261,376, 251,213, and 144,996 shares, respectively, will become immediately exercisable in full if, within 12 months after the merger, the officer is terminated without cause or terminates his or her employment due to a material change in duties, authority or responsibilities.

Moreover, Mr. Frank, the Chairman of the Predix board of directors, is also the Vice Chairman and a director of Lehman Brothers Inc., Predix s financial advisor in connection with the merger. Lehman Brothers is entitled to $2.0 million in fees from Predix, the entire amount of which is contingent upon consummation of the merger. In addition, Lehman Brothers is entitled to up to $50,000 in reimbursement of its expenses in connection with the transaction.

Pursuant to the merger agreement, upon the completion of the merger, the combined company will fulfill and honor the obligations of Predix which existed prior to the merger to indemnify Predix s present and former directors, officers and employees. After the completion of the merger, the combined company will, to the fullest extent permitted under law and under its certificate of incorporation, indemnify and hold harmless, each present and former director, officer or employee of Predix in respect of acts or omissions occurring prior to the completion of the merger, including in connection with the merger agreement and the transactions contemplated thereby, to the same extent as provided in Predix s certificate of incorporation, by-laws or any applicable contract or agreement for a period of six years after the completion of the merger.

Certain of the Predix stockholders who have entered into voting agreements with EPIX, agreeing to vote all shares beneficially owned by them in favor of approval and adoption of the merger agreement and approval of the merger, are affiliated with directors of Predix.

As a result of the foregoing, the directors and executive officers of Predix may be more likely to vote to approve the merger than Predix stockholders generally.

The NASDAQ National Market Listing

EPIX s common stock is currently listed on The NASDAQ National Market under the symbol EPIX. It is a condition to Predix s obligations to effect the merger that the EPIX common stock issued in the merger shall have been approved for listing on The NASDAQ National Market as of consummation of the merger. In addition, pursuant to the terms of the merger agreement, EPIX has agreed to use reasonable efforts to obtain approval for listing on The NASDAQ National Market of the shares of EPIX common stock Predix securityholders will be entitled to receive pursuant to the merger.

Immediately prior to the consummation of the merger, EPIX will be required to meet the initial listing requirements to maintain the listing and continued trading of its shares on The NASDAQ National Market. EPIX has filed an initial listing application with The NASDAQ National Market pursuant to the Reverse Merger rules of The NASDAQ National Market. If such application is accepted, EPIX anticipates that its common stock will continue to be listed on The NASDAQ National Market following the completion of the merger under its current trading symbol EPIX.

Table of Contents

THE MERGER AGREEMENT

The following summary describes the material provisions of the merger agreement. The full text of the merger agreement is attached as Annex A to this joint proxy statement/ prospectus and is incorporated herein by reference. This summary may not contain all of the information that is important to you, and you are encouraged to read carefully the entire merger agreement. The following description is subject to, and is qualified in its entirety by reference to, the merger agreement.

The merger agreement is described herein, and included as Annex A hereto, only to provide you with information regarding its terms and conditions, and not to provide any other factual information regarding EPIX, Predix or their respective businesses. Accordingly, the representations and warranties and other provisions of the merger agreement should not be read alone, and you should read the information provided elsewhere in this document and in the other public filings EPIX makes with the Securities and Exchange Commission, which are available without charge at www.sec.gov, for information regarding EPIX and Predix and their respective businesses. The representations and warranties described below and included in the merger agreement were made by each of EPIX, together with EPIX Delaware, Inc., and Predix to the other. These representations and warranties were made as of specific dates and may be subject to important qualifications, limitations and supplemental information agreed to by EPIX and Predix in connection with negotiating the terms of the merger agreement. In addition, the representations and warranties may have been included in the merger agreement for the purpose of allocating risk between EPIX and Predix rather than to establish matters as facts.

Structure of the Merger

At the effective time of the merger, Predix will merge with and into EPIX s wholly-owned subsidiary, EPIX Delaware, Inc. Upon completion of the merger, EPIX Delaware, Inc. will be the surviving corporation and a wholly-owned subsidiary of EPIX.

Effective Time of the Transaction

The closing of the transaction contemplated by the merger agreement will occur no later than the second business day after the last of the conditions to the transaction have been satisfied or waived, or at another time as EPIX and Predix may agree. Contemporaneously with, or as soon as practicable after the closing, EPIX and Predix will file a certificate of merger with the Secretary of State of the State of Delaware. The transaction will become effective upon the filing of this certificate.

Officers and Directors

At the effective time, the officers of EPIX Delaware, Inc. shall be the officers of the surviving corporation, subject to change thereafter, and the directors of EPIX Delaware, Inc. will be the directors of the surviving corporation.

Conversion of Predix Shares

Each share of Predix common stock and preferred stock (on an as-converted to Predix common stock basis) issued and outstanding immediately prior to the effective time of the merger will be automatically converted into the right to receive a number of shares of common stock of EPIX equal to the exchange ratio and cash in lieu of fractional shares.

The Exchange Ratio and Milestone Payment

On the date of the merger agreement, every share of Predix common stock and preferred stock (on an as-converted to Predix common stock basis) issued and outstanding immediately prior to the effective time would have been converted into the right to receive 1.248509 shares of validly issued, fully paid and nonassessable EPIX common stock. As a result of the cancellation of some previously outstanding Predix options and the grant of additional options by Predix since the date of the merger agreement, the initial

Table of Contents

exchange ratio of 1.248509 has been automatically adjusted under the merger agreement to 1.239411, which is subject to further adjustment to account for the reverse stock split if implemented. If EPIX or Predix issues additional equity securities before the effective time, the exchange ratio shall be further adjusted to reflect fully the effect of the issuance of any such equity securities. In addition, the exchange ratio shall be adjusted to reflect fully the effect of any stock split, reverse split, stock dividend (including any dividend or distribution of securities convertible into EPIX common stock), reorganization, recapitalization or other like change with respect to EPIX common stock occurring after the date of the merger agreement and prior to the effective time of the merger. In approving the merger agreement, the holders of Predix preferred stock will be agreeing to accept the merger consideration as set forth in the merger agreement in lieu of any liquidation preferences that they would be entitled to under the Predix restated certificate of incorporation, as amended, prior to the consummation of the merger.

In addition, EPIX will make a milestone payment to Predix stockholders, option holders and warrant holders in the amount of $35 million upon the occurrence of certain events. EPIX may elect to make the milestone payment in cash or shares of EPIX common stock, or any combination thereof; provided, that the milestone payment made to holders of an option or warrant to purchase Predix common stock or Predix preferred stock shall be made solely in cash. The milestone payment will be allocated and paid to each Predix holder of record of Predix shares, options or warrants that they hold at the effective time of the merger, in each case, pro rata based upon the percentage of the initial merger consideration that such holder would have received at the effective time of the merger and assuming that, for the purpose of the milestone payment only, that each Predix warrant and option to purchase Predix shares (whether or not vested) was exercised in full immediately prior to the effective time of the merger. In no event will the shares of EPIX common stock issuable at the effective time of the merger, including the shares of EPIX common stock issuable upon exercise of Predix options and warrants assumed by EPIX in the merger, exceed 49.99% of the outstanding EPIX common stock immediately after the effective time of the merger.

Predix stockholders, option holders and warrant holders will receive the milestone payment within 90 days following the occurrence, as determined by the non-Predix members of the combined company s board of directors, of any of the following events between the date of this joint proxy statement/prospectus and June 30, 2008:

- receipt of statistically significant final results from a randomized, placebo- or active comparator-controlled, double-blinded Phase II or Phase III clinical trial of:
  - PRX-00023 for the treatment of generalized anxiety disorder, depression, attention-deficit hyperactivity disorder or other neuropsychiatric disorder with at least 100 patients;
  - PRX-03140 for the treatment of Alzheimer s disease or other cognitive disorders with at least 60 patients;
  - PRX-08066 for the treatment of pulmonary artery hypertension, chronic obstructive pulmonary disease or a different indication as selected by Predix or, after the effective time, by the non-Predix members of the combined company s board of directors, with at least 60 patients;
  - PRX-07034 for the treatment of obesity, cognitive disorders or a different indication as selected by Predix or, after the effective time, by the non-Predix members of the combined company s board of directors, with at least 60 patients; or
- entering into a strategic partnership for any Predix drug candidate, which provides milestone and research funding payments of more than $50 million, of which $20 million must be received by June 30, 2008 in unrestricted cash through non-refundable license fees, research funding payments and/or premiums paid in connection with an equity investment by the strategic partner within 60 days following entry into the strategic partnership.

The milestone payment will be paid within 90 days after the achievement of a milestone event, at the option of the non-Predix members of the combined company s board of directors, either:

in cash, shares of EPIX common stock or any combination thereof with the number of such shares to be issued determined based on the five-day average closing price of EPIX common stock on The NASDAQ National Market ending on the trading day that is ten days prior to the payment date; or

$20 million payable in accordance with paragraph (a) above and $15 million payable on the date that is 12 months after the payment of the initial $20 million in shares of EPIX common stock, with the number of such shares to be issued determined based on 75% of the 30-day average closing price of EPIX common stock on The NASDAQ National Market ending on the trading day that is ten days prior to the payment date. If, as a result of the 49.99% limitation described below, the entire $15 million payment cannot be made in shares of EPIX common stock, the balance will be paid in cash plus interest calculated from the milestone payment date at the rate of 10% per year.

In no event may the milestone be paid in shares of EPIX common stock to the extent that such shares would exceed 49.99% of the outstanding shares of EPIX common stock immediately after such milestone payment, when combined with all shares of EPIX common stock issued in the merger and upon exercise of all Predix options and warrants assumed by EPIX in the merger. As a result of this limitation, if the milestone payment is triggered before EPIX issues a significant number of new shares of its capital stock or before consummation of the merger, all or a substantial portion of the milestone payment will be paid in cash. Additionally, the milestone will be paid in cash to holders of Predix options and warrants assumed by EPIX in the merger.

Stock Options and Warrants

At the effective time of the merger, all options to purchase Predix common stock then outstanding under Predix s Amended and Restated 2003 Stock Incentive Plan and the Physiome Sciences, Inc. 1997 Stock Option Plan shall be assumed by EPIX.

At the effective time of the merger, all warrants to purchase Predix common stock or preferred stock then outstanding shall be assumed by EPIX.

Fractional Shares

No fractional shares of EPIX common stock will be issued in the merger. Instead, each holder of Predix common stock and preferred stock otherwise entitled to receive a fraction of a share of EPIX common stock shall receive from EPIX an amount of cash (rounded to the nearest whole cent), without interest, determined by multiplying that fraction by the average of the closing sale prices of EPIX common stock on The NASDAQ National Market on the five trading days ending on the trading day prior to the effective time of the merger.

Surrender of Predix Certificates

Following the effective time of the merger, the exchange agent, selected by EPIX, will mail to each holder of Predix common stock and preferred stock a letter of transmittal and instructions regarding the details of the exchange. The holders will use the letter of transmittal to exchange Predix stock certificates for the shares of EPIX common stock and cash in lieu of fractional shares of EPIX common stock to which the holders of Predix common and preferred stock are entitled to receive in connection with the merger.

After the effective time of the merger and until so surrendered, outstanding Predix certificates will be deemed to be evidence of the right to receive EPIX common stock, the right to receive an amount of cash in lieu of the issuance of any fractional shares and the right to receive the milestone payment to which the record holders of Predix common stock and preferred stock are entitled to receive in connection with the merger. No interest will be payable on cash distributed to Predix stockholders in lieu of any fractional shares of EPIX common stock.

United States Tax Consequences

It is intended by both EPIX and Predix that the merger shall constitute a reorganization within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended, or the Code.

Representations and Warranties

The merger agreement contains customary representations and warranties of EPIX, together with EPIX Delaware, Inc. and Predix made to, and solely for the benefit of, each other. The representations and warranties expire at the effective time of the merger. The assertions embodied in those representations and warranties are qualified by information in confidential disclosure schedules that EPIX and Predix have exchanged in connection with signing the merger agreement. While EPIX and Predix do not believe that these disclosures schedules contain information securities laws require the parties to publicly disclose other than information that has already been so disclosed, the disclosure schedules do contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the attached merger agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since they were only made as of the date of the merger agreement and are modified in important part by the underlying disclosure schedules. These disclosure schedules contain information that has been included in the companies general prior public disclosures, as well as additional non-public information. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement, which subsequent information may or may not be fully reflected in the companies public disclosures.

Conduct of Business Prior to the Completion of the Merger

Under the terms of the merger agreement, EPIX and Predix have agreed that until the earlier of the termination of the merger agreement or the effective time of the merger, subject to certain exceptions, each company will carry on its business in the ordinary course, in substantially the same manner as previously conducted. In addition, except as required by law and subject to certain exceptions, each company has agreed to additional restrictions that prohibit it from:

changing its certificate of incorporation or by-laws, or otherwise altering its corporate structure;

selling, pledging, disposing of or encumbering any assets except for in the ordinary course of business;

issuing, disposing of or encumbering any shares of capital stock of any class, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of capital stock, or any other ownership interest except pursuant to stock options or warrants outstanding on the date of the merger agreement;

accelerating, amending or changing the period of exercisability of options granted under any stock plans or warrants, as the case may be, or authorizing cash payments in exchange for any options or warrants;

declaring, setting aside, or paying any dividend or other distribution in respect of any of its capital stock;

splitting, combining, or reclassifying any of its capital stock or issuing or authorizing or proposing the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock;

amending the terms of, repurchasing, redeeming or otherwise acquiring, any of its securities;

selling, transferring, licensing, sublicensing or otherwise disposing of any intellectual property, or amending or modifying any existing agreements with respect to any intellectual property;

acquiring (by merger, consolidation, or acquisition of stock or assets or otherwise) any corporation, partnership or other business organization or division thereof;

incurring any indebtedness for borrowed money or assuming, guaranteeing or endorsing or becoming responsible for the obligations of any person;

making any loans or advances in excess of $100,000 except in the ordinary course of business consistent with past practice;

entering into or amending any material contract or agreement other than in the ordinary course of business;

authorizing any capital expenditures or purchase of fixed assets which are, in the aggregate, in excess of $100,000, taken as a whole;

increasing the compensation payable or to become payable to its officers, employees or consultants, except for increases in salary or wages of employees who are not officers in accordance with past practices, or granting any severance or termination pay to, or entering into any employment or severance agreement with, any director, officer (except for officers who are terminated on an involuntary basis) or other employee, or establishing, adopting, entering into or amending any employee benefit plan, provided, that each may provide their officers and employees retention bonuses to retain such officer s or employee s services through the effective time of the merger, valued at not more than 20% of such officer s or employee s yearly base salary as of the date of the merger agreement, payable in cash, stock or an option to purchase stock that becomes payable or vests on or after the effective time of the merger, if each party has notified the other party in writing at least five business days prior to granting any such retention bonus and included in such notification is a description of the circumstances giving rise to such retention bonus, provided, further, that the aggregate value of all retention bonuses granted by each shall not exceed $350,000;

taking any action, other than as required by generally accepted accounting principals, to change accounting policies or procedures;

making any material tax election inconsistent with past practices or settling or compromising any material federal, state, local or foreign tax liability or agree to an extension of a statute of limitations for any assessment of any tax;

paying, discharging or satisfying any claims, liabilities or obligations, other than in the ordinary course of business and consistent with past practice;

entering into any material partnership arrangements, joint development agreements, strategic alliances or collaborations;

except as may be required by law, taking any action to terminate or amend any employee plans other than in connection with the merger; or

taking any action which would make any of the representations or warranties of either party contained in the merger agreement to be untrue or incorrect or prevent either party from performing, or cause either party not to perform, its covenants thereunder or result in any of the conditions to the merger not being satisfied.

No Solicitation

Both parties have agreed, subject to limitations described below, that neither Predix and its subsidiaries nor EPIX will directly or indirectly through any officer, director, employee, representative or agent, without the prior written consent of both parties solicit, encourage or have negotiations with respect to (including by way of furnishing information) the initiation or submission of any inquiries, proposals or offers regarding any acquisition, merger, take-over bid, sale of substantial assets, sale of shares of capital stock (including without limitation by way of a tender offer) or similar transactions involving either party, or an Acquisition Proposal; provided, however, that prior to the adoption of the merger agreement and the approval of the merger by the stockholders of Predix or EPIX, as applicable, Predix and EPIX may furnish nonpublic information regarding such party to any third party in response to a superior offer that is submitted to such party by such third party (and not withdrawn) if: (a) such party shall not have breached the no solicitation provisions of the merger agreement; (b) the board of directors of such party concludes in good faith based on the advice of outside legal counsel, that (i) the failure to take such action would be inconsistent with the fiduciary duties of the EPIX board of directors under applicable law, with respect to EPIX and (ii) taking such action would be required in order to comply with the fiduciary duties of the Predix board of directors under applicable law, with respect to Predix and; (c) such party complies with the provisions of the merger agreement; and (d) such party receives from such third party an executed confidentiality agreement containing provisions at least as favorable to such party as those contained in the confidentiality agreement dated October 28, 2005 between EPIX and Predix.

EPIX and Predix have further agreed (a) that both parties shall immediately notify the other party after receipt of any Acquisition Proposal or any request for nonpublic information relating to either party in connection with an Acquisition Proposal or for access to the properties, books or records of either entity by any person or entity that informs the board of directors of that party that it is considering making, or has made, an Acquisition Proposal. Such notice to either party shall be made orally and in writing and shall indicate in reasonable detail the identity of the offeror and the terms and conditions of such proposal, inquiry or contact, (b) both parties shall immediately cease and cause to be terminated any existing discussions or negotiations with any parties (other than each other) conducted with respect to any acquisition, merger, take-over bid, sale of substantial assets, sale of shares of capital stock (including without limitation by way of a tender offer) or similar transactions involving either party. Both parties agree that it will not release any third party from any confidentiality or standstill agreement to which either is a party and (c) both parties shall ensure that the officers, directors and employees of each and any investment banker or other advisor or representative retained by either party are aware of these restrictions, and shall be responsible for any breach of these restrictions by such officers, directors, employees, bankers, advisors and representatives.

Additional Agreements

Under the terms of the merger agreement EPIX and Predix have each agreed:

- to file, as promptly as practicable after execution of the merger agreement, this joint proxy statement/ prospectus with the Securities and Exchange Commission, and that EPIX will prepare and file the registration statement in which the joint proxy statement/ prospectus is included;

- to cooperate with each other in the preparation and filing of the joint proxy statement/ prospectus; and

- to promptly notify one another of any comments from the Securities and Exchange Commission with respect to the joint proxy statement/ prospectus.

In addition, EPIX and Predix have agreed:

- to mail the joint proxy statement/ prospectus to their respective stockholders at the earliest practicable time after the registration statement is declared effective by the Securities and Exchange Commission;

to promptly take all steps necessary to hold and convene their respective stockholders meeting, and use commercially reasonable efforts to solicit from their respective stockholders proxies in favor of the adoption of the merger agreement and the approval of the merger; and

that their respective boards of directors shall recommend the adoption of the merger agreement and the approval of the merger to their respective stockholders, and, except in certain circumstances, neither the board of directors of EPIX or Predix shall withdraw, amend or modify the recommendation.

Continuing Obligation to Convene Stockholders Meeting

Notwithstanding anything to the contrary contained in the merger agreement, both parties will remain obligated to call, give notice of, convene and hold their respective stockholders meeting which shall not be limited or affected by the commencement, disclosure, announcement or submission to either party of any superior offer.

Confidentiality

Upon reasonable notice and subject to restrictions contained in confidentiality agreements to which such party is subject, Predix and EPIX shall each afford to the officers, employees, accountants, counsel and other representatives of the other, reasonable access, during the period prior to the effective time, to all of its and its subsidiaries properties, books, contracts, commitments and records and, during such period, Predix and EPIX each shall furnish promptly to the other all information concerning its and its subsidiaries business, properties and personnel as such other party may reasonably request, and each shall make available to the other the appropriate individuals (including attorneys, accountants and other professionals) for discussion of the other s business, properties and personnel as either party may reasonably request. Each party shall keep such information confidential in accordance with the terms of the confidentiality agreement dated October 28, 2005 between EPIX and Predix.

Regulatory Filings

Predix, EPIX and EPIX Delaware, Inc. shall coordinate and cooperate with one another and shall use all commercially reasonable efforts to comply with all legal requirements and make all filings required by any governmental entity in connection with the merger and related transactions contemplated by the merger. Predix and EPIX shall prepare and file, if any, (a) the notification, report and any forms required to be filed under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or the HSR Act, and (b) as promptly as practicable thereafter respond in compliance with any inquiries or requests received from the Federal Trade Commission, the Department of Justice or from any state attorney general, foreign antitrust or competition authority or other governmental authority in connection with antitrust or competition matters. Predix and EPIX will notify the other promptly upon the receipt of any comments, responses or requests from any governmental entity or official in connection with any filings made pursuant to the merger agreement and the merger.

Notification of Certain Matters

Predix shall give prompt notice to EPIX, and EPIX shall give prompt notice to Predix, of (a) the occurrence, or non-occurrence, of any event the occurrence, or non-occurrence, of which would be likely to cause any representation or warranty contained in the merger agreement to be materially untrue or inaccurate, and (b) any failure of Predix or EPIX, as the case may be, materially to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it thereunder; provided, however, that the delivery of any notice pursuant to the merger agreement shall not limit or otherwise affect the remedies available thereunder to the party receiving such notice; and provided, further, that failure to give such notice shall not be treated as a breach of covenant for the purposes of the merger agreement unless the failure to give such notice results in material prejudice to the other party.

Each of Predix and EPIX shall give prompt notice to the other of (a) any notice or other communication from any person alleging that the consent of such person is or may be required in connection with the merger or other transactions contemplated by the merger agreement; (b) any notice or other communication from any governmental authority in connection with the merger or other transactions contemplated by the merger agreement; (c) any litigation relating to or involving or otherwise affecting Predix, its subsidiaries or EPIX that relates to the merger or other transactions contemplated by the merger agreement; (d) the occurrence of a default or event that, with notice or lapse of time or both, is reasonably likely to become a default under a Predix contract; and (e) any change that would be considered reasonably likely to result in a material adverse effect, or is likely to impair in any material respect the ability of either Predix or EPIX to consummate the transactions contemplated by the merger agreement.

Indemnification

From and after the merger, EPIX Delaware, Inc., as the surviving corporation, will fulfill and honor in all respects the obligations of Predix which exist prior to the date thereof to indemnify Predix s present and former directors, officers, employees and their heirs, executors and assigns. The certificate of incorporation and by-laws of EPIX Delaware, Inc. will contain provisions with respect to indemnification and elimination of liability for monetary damages set forth in Predix s restated certificate of incorporation, as amended, and by-laws on the date of the merger agreement, which provisions will not be amended, repealed or otherwise modified for a period of six years from the merger in any manner that would adversely affect the rights thereunder of individuals who, at the time of the merger, were directors, officers, employees or agents of Predix, unless such modification is required by law and then only to the minimum extent required by such law.

Predix shall use commercially reasonable efforts, after consultation with EPIX, to negotiate and secure a tail on its existing directors, officers and company liability insurance policies for a period of six years, at a total cost not to exceed $25,000 per year of coverage, which cost shall be paid by EPIX.

Listing of EPIX Common Stock

EPIX shall use its reasonable best efforts to cause the shares of EPIX common stock to be issued in the merger to be approved for listing on The NASDAQ National Market prior to the effective time of the merger.

Public Announcements

EPIX and Predix shall consult with each other before issuing any press release or otherwise making any public statements with respect to the merger and shall not issue any such press release or make any such public statement without the prior consent of the other parties, which shall not be unreasonably withheld or delayed; provided, however, that, on the advice of legal counsel, EPIX may comply with any Securities and Exchange Commission requirements under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, which requires any public disclosure, without the consent of Predix.

Taxes

EPIX and Predix shall cooperate in the preparation, execution and filing of all returns, questionnaires, applications or other documents regarding any real property transfer or gains, sales, use, transfer, value added, stock transfer and stamp taxes, any transfer, recording, registration and other fees, and any similar taxes which become payable in connection with the transactions contemplated by the merger agreement that are required or permitted to be filed on or before the effective time of the merger. EPIX shall pay all such taxes and fees.

Severance Payments

If at any time between the effective time of the merger and the 12-month anniversary of the effective time of the merger, EPIX, the surviving corporation or its subsidiaries causes any full-time employee of EPIX, Predix or its subsidiaries as of the date of the merger agreement and the effective time of the merger, other than Philip Chase, Mia Moore and Sheila DeWitt, Ph.D., to be terminated for any reason other than cause or to resign as a result of a substantial diminution of salary, such employee shall be entitled to, among other things, severance payments ranging from three months to 15 months of their base salary from EPIX, EPIX Delaware, Inc. or their subsidiaries, as the case may be, all as set forth in the merger agreement. To the extent such an employee has an individual agreement providing for severance, such employee may choose to receive the benefits under their individual agreement or as set forth in the merger agreement.

EPIX Board of Directors

The EPIX board of directors shall cause the EPIX board of directors, immediately after the effective time, to consist of no more than nine persons, and, with respect to such board of directors: (a) to appoint four Predix nominees, which shall include Frederick Frank, Michael G. Kauffman, M.D., Ph.D., Patrick J. Fortune, Ph.D. and Ian F. Smith, CPA, ACA, (b) to appoint five EPIX nominees, which may include EPIX s directors immediately prior to the effective time of the merger. In addition, EPIX shall cause the Chief Executive Officer of Predix immediately prior to the effective time of the merger to be the Chief Executive Officer of EPIX immediately after the effective time of the merger pursuant to an employment agreement upon mutually agreeable terms and conditions.

Treatment as Reorganization

Predix, EPIX and EPIX Delaware, Inc. will not take any action prior to or after the effective time of the merger that would reasonably be expected to cause the merger to fail to qualify as a reorganization with the meaning of Section 368(a) of the Code.

Conditions to the Completion of the Merger

Conditions to Obligations of Each Party

The obligations of EPIX and Predix to effect the transaction are subject to the satisfaction or waiver of various conditions, which include the following:

- the registration statement relating to the shares of EPIX common stock to be issued in connection with the merger, of which this joint proxy statement/ prospectus is a part, shall have been declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended, and no stop order suspending the effectiveness of the registration statement shall have been issued by the Securities and Exchange Commission nor shall such proceeding have been initiated or, to the knowledge of EPIX and Predix, threatened by the Securities and Exchange Commission;

- all approvals of, declarations or filings, with any governmental authority necessary for the consummation of the merger, if any, shall have been obtained or made, including the expiration or termination of the waiting period (and any extension thereof) under the HSR Act, if required;

the merger agreement shall have been adopted by the requisite vote of the stockholders of EPIX and Predix, respectively, in accordance with General Corporation Law of the State of Delaware and EPIX s and Predix s respective certificates of incorporation and by-laws; and the issuance of shares of EPIX common stock by virtue of the merger shall have been approved by the requisite vote of the stockholders of EPIX under the rules of the Securities and Exchange Commission and the National Association of Securities Dealers, Inc.;

no order (whether temporary, preliminary or permanent) issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the merger shall be in effect, nor shall any proceeding brought by any governmental authority seeking any of the foregoing be pending;

EPIX and Predix shall have received the written opinion of Goodwin Procter LLP and Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., respectively, to the effect that the merger will constitute a reorganization within the meaning of Section 368 of the Code; and

no injunction, or final, non-appealable judgment, decree or order issued by any court of competent jurisdiction shall be in effect which would result in the acceleration of payment of the amounts outstanding under that certain Indenture, dated as of June 7, 2004, between EPIX and U.S. Bank National Association, as trustee, or any notes issued thereunder.

Additional Conditions to the Obligations of EPIX

The obligations of EPIX to effect the merger shall be subject to the satisfaction at or prior to the effective time of the merger of each of the following conditions:

the representations and warranties of Predix contained in the merger agreement shall be true and correct in all respects on and as of the effective time;

Predix shall have performed or complied with all agreements and covenants required by the merger agreement to be performed or complied with by it on or prior to the effective time of the merger;

there shall not have been instituted, pending or threatened any action or proceeding by any governmental authority, nor shall there be in effect any judgment, decree or order of any governmental authority, in either case, seeking to prohibit or limit EPIX from exercising all material rights and privileges pertaining to its ownership of the surviving corporation;

there shall have been no change, occurrence or circumstance in the business, results of operations or financial condition of Predix or any subsidiary of Predix having or reasonably likely to have, individually or in the aggregate, a material adverse effect on Predix;

EPIX shall have received from each affiliate of Predix, the affiliate agreements, described elsewhere in this joint proxy statement/ prospectus, and such agreement shall be in full force and effect;

Predix shall have received all consents and approvals required to consummate the merger under Predix s and its subsidiaries agreements listed in the merger agreement;

stockholders of Predix holding an aggregate of approximately 40% of the voting shares of Predix shall have entered into voting agreements, described elsewhere in this joint proxy statement/ prospectus, and such agreements shall be in full force and effect; and

EPIX shall have received from Goodwin Procter LLP, counsel to Predix, an opinion, addressed to EPIX dated as of the effective date of the merger.

Table of Contents

Additional Conditions to the Obligations of Predix

The obligations of Predix to effect the merger shall be subject to the satisfaction at or prior to the effective time of the merger of each of the following conditions:

- the representations and warranties of EPIX contained in the merger agreement shall be true and correct in all respects on and as of the effective time;
- EPIX shall have performed or complied with all agreements and covenants required by the merger agreement to be performed or complied with by it on or prior to the effective time of the merger;
- there shall not have been instituted, pending or threatened any action or proceeding (or any investigation or other inquiry that might result in such an action or proceeding) by any governmental authority, nor shall there be in effect any judgment, decree or order of any governmental authority, in either case, seeking to prohibit or limit Predix from exercising all material rights and privileges pertaining to its ownership of the surviving corporation;
- there shall have been no change, occurrence or circumstance in the business, results of operations or financial condition of EPIX having or reasonably likely to have, individually or in the aggregate, a material adverse effect on EPIX;
- the EPIX common stock shall be listed on The NASDAQ National Market as of and from the date of the merger agreement through the consummation of the merger and the shares of EPIX common stock issued in the merger shall have been approved for listing on The NASDAQ National Market as of the consummation of the merger;
- Predix shall have received from Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., counsel to EPIX, an opinion, addressed to Predix dated as of the effective date of the merger;
- the sum of EPIX s cash, cash equivalents, restricted cash and securities available for sale at the effective time of the merger less the aggregate amount of any and all liabilities and obligations associated with (a) severance or similar obligations of EPIX as of the effective time; (b) fees payable to any financial advisor to EPIX; (c) fees owed or payable to EPIX s independent public accountants; (d) bonus payments to employees upon consummation of the merger; and (e) legal fees of EPIX in connection with the negotiation and execution of the merger agreement and consummation of the merger shall be no less than the $110 million;
- EPIX shall have caused the board of directors of EPIX to be constituted as set forth the merger agreement; and
- each of the current officers of EPIX who is not named in the merger agreement shall have delivered to EPIX their written resignations as officers of EPIX and each of the individuals named in the merger agreement shall have been appointed officers of EPIX.

Termination of the Merger Agreement

The merger agreement may be terminated at any time before the effective time of the merger, notwithstanding approval thereof by the board of directors and stockholders of Predix and EPIX, under the following circumstances:

- by mutual written consent duly authorized by the board of directors of EPIX and Predix;
- by either EPIX or Predix if the merger shall not have been consummated by July 31, 2006; provided, that the right to terminate the merger agreement for this reason shall not be available to any party whose failure to fulfill any obligation under the merger agreement has been the cause of or resulted in the failure of the merger to occur on or before such date;

by either EPIX or Predix if a court of competent jurisdiction or governmental, regulatory or administrative agency or commission shall have issued a non-appealable final order, decree or ruling or taken any other action prohibiting the merger;

by EPIX, if the board of directors of Predix shall have withheld or withdrawn its recommendation in favor of the merger, or if there shall have occurred any material adverse effect with respect to Predix since the date of the merger agreement;

by Predix, if the board of directors of EPIX shall have withheld or withdrawn its recommendation in favor of the merger, or if there shall have occurred any material adverse effect with respect to EPIX since the date of the merger agreement;

by either EPIX or Predix, if the required approval of the stockholders of EPIX or Predix shall not have been obtained by reason of the failure to obtain the requisite vote, provided, that the right to terminate the merger agreement for this reason shall not be available to any party where the failure to obtain stockholder approval of such party shall have been caused by the action or failure of such party in breach of the merger agreement;

by either EPIX or Predix, upon a breach of any covenant or agreement on the part of Predix or EPIX, respectively, set forth in the merger agreement, in either case, such that certain conditions set forth in the merger agreement, would not be satisfied, or a Terminating Breach, provided, that, if such Terminating Breach is curable through the exercise of commercially reasonable efforts prior to the expiration of five days from its occurrence (but in no event later than July 31, 2006) by EPIX or Predix, neither Predix nor EPIX, respectively, may terminate the merger agreement unless such 5-day period expires without such Terminating Breach having been cured; or

by either EPIX or Predix, if such party is not in material breach of any of its respective obligations under the merger agreement, if any representation or warranty on the part of the other party set forth in the merger agreement proves to have been untrue on the date of thereof, if such failure to be true would reasonably be likely to have a material adverse effect.

Notice/ Effect of Termination

Any termination of the merger agreement will be effective immediately upon the delivery of written notice of the terminating party to the other parties thereto. In the event of the termination of the merger agreement, the merger agreement shall forthwith become void and there shall be no liability on the part of any party thereto or any of its affiliates, directors, officers or stockholders except that nothing therein shall relieve any party from liability for any willful breach thereof. No termination of the merger agreement shall affect the obligations of the parties contained in the confidentiality agreement dated October 28, 2005 between EPIX and Predix.

Fees and Expenses

Except as set forth in the merger agreement, all fees and expenses incurred in connection with the merger agreement and the transactions contemplated thereby shall be paid by the party incurring such expenses, whether or not the merger is consummated. In addition, EPIX shall be solely responsible for all fees and expenses incurred in relation to the preparation, printing and filing of this joint proxy statement/ prospectus (including the preliminary materials related thereto) and the registration statement of which this joint proxy statement/ prospectus forms a part, in each case, including without limitation any amendments or supplements thereto.

Table of Contents

Predix shall pay EPIX a fee of $4.5 million upon the termination of the merger agreement by EPIX if:

- there is an uncured breach of any covenant or agreement;
- the board of directors of Predix shall have withheld or withdrawn its recommendation in favor of the merger;
- there shall have occurred any material adverse effect with respect to Predix since the date of the merger agreement; or
- Predix fails to obtain the requisite stockholder vote to approve the merger.

EPIX shall pay Predix a fee of $4.5 million upon the termination of the merger agreement by Predix if:

- there is an uncured breach of any covenant or agreement;
- the board of directors of EPIX shall have withheld or withdrawn its recommendation in favor of the merger;
- there shall have occurred any material adverse effect with respect to EPIX since the date of the merger agreement; or
- EPIX fails to obtain the requisite stockholder vote to approve the merger.

The fee payable pursuant to a termination under the merger agreement shall be paid within three business days after the first to occur of the events described in such sections.

Amendment and Waiver

The merger agreement may be amended by the parties thereto by action taken by or on behalf of their respective boards of directors at any time prior to the effective time; provided, however, that, after approval of the merger by the boards of directors and stockholders of EPIX and Predix, no amendment may be made which by law requires further approval by such stockholders or boards of directors without such further approval. The merger agreement may not be amended except by an instrument in writing signed by the parties thereto.

At any time prior to the effective time, any party to the merger agreement may, with respect to any other party thereto, (a) extend the time for the performance of any of the obligations or other acts, (b) waive any inaccuracies in the representations and warranties contained therein or in any document delivered pursuant thereto and (c) waive compliance with any of the agreements or conditions contained therein. Any such extension or waiver shall be valid if set forth in an instrument in writing signed by the party or parties to be bound.

Table of Contents

THE VOTING AGREEMENTS

The following description of the voting agreements describes the material terms of the voting agreements. This description of the voting agreements is qualified in its entirety by reference to the form of voting agreement which is attached as Annex B to this joint proxy statement/ prospectus and is incorporated herein by reference. EPIX and Predix encourage you to read the entire form of voting agreement.

The following Predix stockholders entered into each entered into voting agreements with EPIX on April 3, 2006: Caduceus Private Investment, L.P., UBS PW Juniper Crossover Fund, L.L.C., Hare and Company FAO: Finsbury Worldwide Pharma, Yozma II (Israel) L.P., Yozma Venture Capital Ltd, YVC-Yozma Management & Investments Ltd., as trustee for Yozma II (B.V.I.) L.P., PCM Venture Capital L.P., Yamanouchi Venture Capital and PA International Limited. In the voting agreements, each has agreed to vote all shares of Predix common stock and preferred stock beneficially owned by them as of the record date (a) in favor of the approval and adoption of the merger agreement and the approval of the merger, (b) against any action that would preclude fulfillment of a condition under the merger agreement to EPIX s or EPIX Delaware, Inc. s obligation to consummate the merger, (c) against any action or agreement that would result in a breach in any material respect of any covenant, representation or warranty or any other obligation of Predix under the merger agreement and (d) against any acquisition transaction (other than the one contemplated by the merger agreement). In addition, they have each granted EPIX an irrevocable proxy to vote their shares of Predix common stock and preferred stock in the manner set forth above. Further, each has agreed that it will not (a) solicit proxies or participate in a solicitation in opposition to or in competition with the approval of the merger agreement or take any other action that would compete with or interfere with the timely consummation of the merger, (b) directly or indirectly encourage, initiate or cooperate in a stockholders vote or action by written consent of Predix s stockholders in opposition to or in competition with the approval of the merger agreement, or (c) become a member of a group with respect to any voting securities of Predix for the purpose of opposing or competing with the approval of the merger agreement. During the term of the voting agreements, each has also agreed to not transfer, sell, offer, exchange, pledge or otherwise dispose of any shares of Predix common stock and preferred stock, or any options to purchase shares of Predix common stock, owned by them.

Approximately 120,069 shares of Predix common stock and 6,769,289 shares of Predix preferred stock (on an as-converted to Predix common stock basis), which represents approximately 40% of the outstanding shares of Predix voting stock as of May 15, 2006 are subject to voting agreements and irrevocable proxies. The voting agreements will terminate on the earlier of the consummation of the merger or termination of the merger agreement pursuant to its terms.

MANAGEMENT OF EPIX AFTER THE MERGER

Management and Board of Directors of EPIX After the Merger

Upon consummation of the merger, the EPIX board of directors is expected to be comprised of nine members. The following table lists the names, ages and positions of individuals designated by EPIX and Predix to be the management team and key employees of EPIX upon consummation of the merger and the expected members of the EPIX board of directors after the merger. The ages of the individuals are provided as of May 15, 2006.

Name	Age	Position
Management Team:		
Michael G. Kauffman, M.D., Ph.D.*	42	Chief Executive Officer
Andrew C.G. Uprichard, M.D.*	48	President
Kimberlee C. Drapkin, CPA*	38	Chief Financial Officer
Oren Becker, Ph.D.*	45	Chief Scientific Officer
Stephen R. Donahue, M.D.	41	Vice President of Clinical & Regulatory Affairs
Philip Graham, Ph.D.	43	Vice President of Product Management and Imaging
Silvia Noiman, Ph.D.*	50	Senior Vice President of Pipeline Management, General Manager Israel
Chen Schor, CPA*	34	Chief Business Officer
Sharon Shacham, Ph.D.	35	Vice President of Preclinical Development and Product Leadership
Brenda Sousa	41	Vice President of Human Resources
Directors:**		
Christopher F.O. Gabrieli	46	Chairman of the Board
Patrick J. Fortune, Ph.D.	59	Director
Frederick Frank	73	Director
Michael Gilman, Ph.D.	51	Director
Michael G. Kauffman, M.D., Ph.D.	42	Director
Mark Leuchtenberger	49	Director
Gregory D. Phelps	57	Director
Ian F. Smith, CPA, ACA	39	Director

* Executive officer.

** In addition, the board of directors of EPIX after the merger is expected to have an additional member designated by EPIX who has not yet been identified.

Management and Key Employees of EPIX After the Merger

Michael G. Kauffman, M.D., Ph.D. has served as Predix s President and Chief Executive Officer and as a member of Predix s board of directors since August 2003. From September 2002 until August 2003, Dr. Kauffman served as President and Chief Executive Officer of Predix Pharmaceuticals, Inc., the wholly-owned U.S. subsidiary of Predix Pharmaceuticals Ltd., an Israeli corporation that Predix acquired in August 2003. From March 2000 to September 2002, Dr. Kauffman served as Vice President, Medicine, and Proteasome Inhibitor (Velcade) Program Leader at Millennium Pharmaceuticals Inc. Dr. Kauffman held senior positions at Millennium Predictive Medicine, Inc., as cofounder and Vice President of Medicine from September 1997 to February 2000. From September 1995 to September 1997, Dr. Kauffman served as Medical Director at Biogen Corporation (now Biogen Idec). He currently serves on the board of directors of Bioenvision, Inc., a publicly traded biopharmaceutical company, CombinatoRx, Inc., a publicly traded biopharmaceutical company. Dr. Kauffman received his M.D. and Ph.D. (Molecular Biology and Biochemistry) at Johns Hopkins and his postdoctoral training at Harvard

Table of Contents

University. He received his B.A. in Biochemistry *summa cum laude* from Amherst College and is board certified in Internal Medicine.

Andrew C.G. Uprichard, M.D. joined EPIX as President and Chief Operating Officer in July 2004. Dr. Uprichard has an extensive background in discovery research and development in the biopharmaceutical industry. Prior to joining EPIX, Dr. Uprichard served as Chief Operating Officer at ArQule, Inc. from 2002 to 2003 and at Curis, Inc. from 2000 to 2002. For the preceding 11 years, Dr. Uprichard held numerous management positions at Parke-Davis/ Warner-Lambert (now part of Pfizer) in pharmaceutical research, where his experience spanning drug discovery, pre-clinical and clinical development included the oversight of a number of IND filings. From 1997 to 2000, Dr. Uprichard was Vice President, Drug Development; from 1994 to 1997, the Senior Director, Cardiovascular Pharmacology; and from 1989 to 1994, Dr. Uprichard held various oversight positions in Cardiovascular Clinical Development. In the late 1980s, Dr. Uprichard was a Cardiology and Postdoctoral Fellow at the University of Michigan Medical School. Dr. Uprichard holds M.B., Ch.B. and M.D. degrees from the University of Edinburgh, Scotland; is a Fellow of the Royal College of Physicians of Edinburgh; a Fellow of the Faculty of Pharmaceutical Medicine and a Fellow of the American College of Physicians.

Kimberlee C. Drapkin, CPA has served as Predix s Chief Financial Officer since February 2005. From 1995 to February 2005, Ms. Drapkin held senior positions of increasing responsibility within the finance organization at Millennium Pharmaceuticals, Inc. with leadership responsibility for financial reporting, technical accounting, Sarbanes Oxley compliance and internal audit. Ms. Drapkin began her professional career at Price Waterhouse (now PricewaterhouseCoopers LLP) and is a Certified Public Accountant. Ms. Drapkin is a graduate of Babson College, holding a B.S. in Accounting *summa cum laude.*

Oren Becker, Ph.D. has served as Predix s Chief Scientific Officer since August 2003. Dr. Becker founded Predix Pharmaceuticals Ltd. and served as its Chief Technology Officer and on its board of directors from its inception in November 2000 through August 2003. Before founding Predix, Dr. Becker held a position as a visiting professor at Harvard University from 1999 to 2000 and a professor at Tel-Aviv University from 1994 to 2000. Dr. Becker received his B.Sc. in Physics and Chemistry *summa cum laude*, a B.A. in Philosophy *magna cum laude* and a Ph.D. in Theoretical Chemical Physics from the Hebrew University of Jerusalem and his postdoctoral training at Harvard University.

Stephen R. Donahue, M.D. has served as Predix s Vice President, Clinical and Regulatory Affairs since October 2004. From June 2003 to October 2004 he served as the medical director overseeing clinical research in atherosclerosis and metabolism at Merck, where he played a key role in securing regulatory approval of Vytorin (ezetimibe/simvastatin). From 1997 to June 2003, Dr. Donahue held several senior clinical positions at Bristol-Myers Squibb, in clinical pharmacology, metabolism and cardiovascular diseases. Dr. Donahue is a graduate of Georgetown University Medical School and Brown University. He completed his residency in internal medicine at Georgetown University Medical Center and is Board Certified in both Internal Medicine and Clinical Pharmacology.

Philip Graham, Ph.D. joined EPIX in October 1994 as a scientist after more than 5 years at Eli Lilly and Company. During his time at EPIX, Dr. Graham had management responsibility for chemical and analytical development along with pharmacology and toxicology. He played an important role in the research and development of Vasovist as well as leading the thrombus imaging program from lead optimization through the initiation of Phase II proof-of concept trials with EP-2104R. Dr. Graham received his Bachelor of Science (Hons, 1st Class) degree from the University of Otago, New Zealand, and his Ph.D. in Analytical Chemistry from the University of Massachusetts, Amherst.

Silvia Noiman, Ph.D. has served as Senior Vice President of Pipeline Management and General Manager of Predix s subsidiary in Israel since August 2003. Dr. Noiman founded Predix Pharmaceuticals Ltd. and served as its Chief Operating Officer from November 2000 until August 2003. Before founding Predix Pharmaceuticals Ltd., Dr. Noiman performed private entrepreneurship activities in the Biotechnology Industry in Israel from 1998 to 2000. Dr. Noiman held an academic position at the Weizmann Institute of Science from 1993 to 1996. Dr. Noiman received her Ph.D. (Molecular Biology) and MBA at Tel-Aviv University.

Chen Schor, CPA has served as Predix s Chief Business Officer since January 2004. From 1998 to December 2003 Mr. Schor served as Partner, Life Sciences, and Chief Financial Officer, at Yozma Venture Capital Group. Yozma was one of the lead investors in Predix Pharmaceuticals Ltd. when the company was founded in 2000. Mr. Schor served as a member of the board of directors of Predix Pharmaceuticals Ltd. from November 2000 to August 2003 and Predix Pharmaceuticals, Inc. from September 2001 until August 2003. Mr. Schor served as a member of Predix s board of directors from August 2003 until December 2003. Mr. Schor previously held positions at Arthur Andersen from 1995 to 1996 and BDO consultants from 1996 to 1998 and holds an MBA, B.A. in Biology, B.A. in Economics and is a Certified Public Accountant.

Sharon Shacham, Ph.D. has been a member of Predix s scientific management team since Predix was founded in 2000. Dr. Shacham joined Predix with its founders and was the lead scientist in G-Protein Coupled Receptor modeling; her Ph.D. thesis provided the basis for much of Predix s original and current computational technology, including *in silico* screening protocols and early hit identification. As one of the original employees of Predix, Dr. Shacham has played a key role in the discovery and development of Predix s clinical and pre-clinical drug candidates. In January 2006, Dr. Shacham was promoted to Vice President of Preclinical Development and Product Leadership. Prior to joining Predix, she received a B.Sc. in Chemistry *magna cum laude*, a Ph.D. in Biochemistry and Biophysics, and an MBA, from Tel Aviv University.

Brenda Sousa joined EPIX in June 1998. Ms. Sousa joined EPIX from RKS Health Ventures and the Spence Center for Women s Health where she was the Director of Human Resources from June 1995 to May 1998. Prior to 1998, Ms. Sousa spent ten years in the hospitality industry with Hilton, Stouffers and Sonesta hotels in a variety of sales and marketing positions. She is a member of the board of directors for a nonprofit organization, Career Collaborative, and is the Chair of their Employer Advisory Committee. Ms. Sousa holds an Associates Degree in Psychology.

Board of Directors of EPIX After the Merger

Christopher F.O. Gabrieli has been a member of the board of directors of EPIX since 1994, and he is the Chairman of the board of directors. Mr. Gabrieli is the Chairman of Massachusetts 2020, a non-profit public policy organization. He is a member of the general partners of Bessemer Venture Partners III L.P. and Bessemer Venture Partners IV L.P. and related venture capital partnerships, where he worked from 1986 to 2000. Mr. Gabrieli is a candidate for the Governor of the Commonwealth of Massachusetts, the general election for which is scheduled in November 2006.

Patrick J. Fortune, Ph.D. has served as a member of Predix s board of directors since January 2005. Dr. Fortune has been a partner at Boston Millennia Partners since August 2001. He was previously President and Chief Operating Officer of New Era of Networks from 1999 to July 2001; Vice President at Monsanto from 1995 to 1999; Vice President at Bristol-Myers Squibb from 1991 to 1994; Group President at Baxter International from 1984 to 1989 and Vice President of Research and Development at Baxter International from 1982 to 1984. Dr. Fortune currently serves on the board of directors of Parexel International Corp. and several private companies. He has served on the engineering and scientific advisory boards of the University of Wisconsin, the University of Illinois and the University of Chicago. Dr. Fortune holds a B.A. from the University of Wisconsin, an MBA from Northwestern University and a Ph.D. in Physical Chemistry from the University of Wisconsin.

Frederick Frank joined Predix s board of directors as chairman in January 2001. Mr. Frank is Vice Chairman and a Director of Lehman Brothers. Before joining Lehman Brothers as a Partner in September 1969, Mr. Frank was co-director of research, as well as Vice President and Director, of Smith, Barney & Co. Incorporated. He is a Chartered Financial Analyst, member of The New York Society of Security Analysts and a past president of the Chemical Processing Industry Analysts. Mr. Frank is a director of Diagnostic Products Corporation, Landec Corporation and Pharmaceutical Product Development, Inc., all of which are publicly traded companies. He also serves on the boards of directors of Business Engine, Digital Arts & Sciences, Inc. and eSoft, Inc. He is Chairman of the National Genetics Foundation, a director of the Salk Institute, a member of the Pharmaceutical Executive Magazine advisory board, a member of the Board of Governors of the National Center for Genome Resources, Chairman of the Board of The Irvington Institute for Immunological Research, a member of the Advisory Board of The Harvard School of Public Health and also the John Hopkins Bloomberg School of Public Health. Mr. Frank holds a B.A. from Yale University and an MBA from Stanford Business School.

Michael Gilman, Ph.D. has been a director of EPIX since April 2006. Most recently he was Executive Vice President, Research at Biogen Idec. He joined Biogen in 1999 as Director of Molecular Biology and became head of research at Biogen in 2000. Dr. Gilman was Executive Vice President and Chief Scientific Officer of ARIAD Pharmaceuticals from 1995 to 2000. Prior to that, Dr. Gilman spent eight years on the scientific staff of Cold Spring Harbor Laboratory in New York, where his research focused on mechanisms of signal transduction and gene regulation. Dr. Gilman holds a Ph.D. in Biochemistry from University of California, Berkeley, and a S.B. in Life Sciences from Massachusetts Institute of Technology.

Michael G. Kauffman, M.D., Ph.D. See Dr. Kauffman s biography set forth under Management and Key Employees of EPIX After the Merger above.

Mark Leuchtenberger has been a member of the board of directors of EPIX since September 2004. Mr. Leuchtenberger is the President and Chief Executive Officer of Therion Biologics, a privately held biotechnology company developing therapeutic vaccines for cancer. Prior to joining Therion in 2002, Mr. Leuchtenberger spent 11 years at Biogen, Inc., where he led the development and launch of Avonex and ran North American and international commercial operations. Prior to Biogen, he was a consultant at Bain & Company specializing in healthcare. Mr. Leuchtenberger also serves on boards for the Massachusetts Biotechnology Council, Beth Israel Deaconess Medical Center and Wake Forest University.

Gregory D. Phelps has been a Director of EPIX since July 2004. Mr. Phelps is the Chairman of the Board, President and Chief Executive Officer of RenaMed Biologics, Inc., a biotechnology company developing therapeutic products. He has previously held positions of Chief Executive Officer of Ardais Corporation, Viagene, Inc. and ZymoGenetics, Inc. He has also served as Vice Chairman of Dyax Corporation, Executive Vice President of Genzyme Corporation and Vice President of Baxter Travenol Laboratories, Inc. (now Baxter Healthcare).

Ian F. Smith, CPA, ACA has been a member of Predix s board of directors since May 2005. Mr. Smith is currently Senior Vice President and Chief Financial Officer of Vertex Pharmaceuticals Incorporated. He began as Vice President and Chief Financial Officer in October 2001, and was promoted to Senior Vice President and Chief Financial Officer in November 2003. Prior to joining Vertex Mr. Smith was a partner in the Life Science and Technology Practice of Ernst & Young, LLP since 1999. He had various responsibilities in Ernst & Young s accounting, auditing and mergers and acquisitions groups. Mr. Smith initially joined Ernst & Young s U.K. firm in 1987, and then joined its Boston office in 1995. Mr. Smith holds a B.A. in Accounting and Finance from Manchester Metropolitan University, U.K., is a member of the American Institute of Certified Public Accountants and is a Chartered Accountant of England and Wales.

Board Composition of EPIX After the Merger

Upon the closing of the merger, EPIX s board of directors will be divided into three classes, with each director serving a three-year term and one class being elected at each year s annual meeting of stockholders. A majority of the members of the EPIX board of directors after the merger will be independent within the meaning of the director independence standards of The NASDAQ National Market and the applicable rules of the Securities and Exchange Commission. Mr. Gabrieli and Dr. Fortune will be in the class of directors whose initial term expires at the 2007 annual meeting of stockholders. Messrs. Phelps, Frank and Smith will be in the class of directors whose initial term expires at the 2008 annual meeting of the stockholders. Mr. Leuchtenberger and Drs. Gilman and Kauffman will be in the class of directors whose initial term expires at the 2009 annual meeting of stockholders. This classification of the EPIX board of directors will make it more difficult for a third party to acquire control of EPIX after the merger. In addition, the EPIX board of directors after the merger will have an additional member designated by EPIX who has not yet been identified, whose term will expire at the 2007 annual meeting of stockholders.

Committees of the Board of EPIX After the Merger

The EPIX board of directors has established three standing committees: the audit committee, the compensation committee and the corporate nominating and governance committee. In addition, after the merger the composition of the committees will change as a result of the resignation of certain existing EPIX directors and the election of four Predix directors to the board of directors of EPIX.

Audit Committee. EPIX s audit committee after the merger will consist of Ian F. Smith CPA, ACA, Christopher F.O. Gabrieli and Gregory D. Phelps, each of whom will be independent within the meaning of the director independence standards of The NASDAQ National Market and the applicable rules of the Securities and Exchange Commission. Mr. Smith will serve as Chairman of EPIX s audit committee after the merger and also qualify as an audit committee financial expert, as that term is defined under the recently adopted Securities and Exchange Commission rules. Each member of EPIX s audit committee after the merger will meet the then current independence and financial literacy requirements promulgated by the Securities and Exchange Commission and by The NASDAQ National Market. EPIX s audit committee after the merger will be responsible for preparing such reports, statements or charters as may be required by The NASDAQ National Market or federal securities laws, as well as, among other things:

- reviewing the engagement of independent accountants and retaining and terminating the services of independent accountants;
- considering matters relating to accounting policy and internal controls and reviewing the scope of annual audits;
- reviewing annual financial statements;
- preparing the report that Securities and Exchange Commission rules require be included in its annual proxy statement;
- overseeing and monitoring its independent registered public accounting firm s qualifications, independence and performance;
- providing the EPIX board of directors with the results of its monitoring and recommendations; and
- providing to the EPIX board of directors after the merger additional information and materials as it deems necessary to make the EPIX board of directors aware of significant financial matters that require the attention of the EPIX board of directors.

Compensation Committee. EPIX s compensation committee after the merger will be composed of Patrick J. Fortune, Ph.D., Mark Leuchtenberger and Michael Gilman, Ph.D., each of whom will be independent within the meaning of the director independence standards of The NASDAQ National Market and the applicable rules of the Securities and Exchange Commission. Mr. Leuchtenberger will serve as Chairman of EPIX s compensation committee after the merger. The compensation committee will be responsible for, among other things:

- determining the compensation of EPIX s Chief Executive Officer, (conducting its decision making process with respect to that issue without the Chief Executive Officer present);
- formulating, evaluating and approving the compensation of the EPIX directors, other executive officers and key employees; and
- administering EPIX s equity plans.

Corporate Nominating and Governance Committee. EPIX s corporate nominating and governance committee after the merger will be composed of Frederick Frank, Mark Leuchtenberger and Gregory D.

Phelps, each of whom will be independent within the meaning of the director independence standards of The NASDAQ National Market and the applicable rules of the Securities and Exchange Commission. Mr. Phelps will serve as Chairman of EPIX s corporate nominating and governance committee after the merger. The corporate nominating and governance committee will be responsible for, among other things, making recommendations to the full board of directors of EPIX as to the size and composition of the EPIX board of directors and to make recommendations as to particular nominees. For all potential candidates, the corporate nominating and governance committee will consider all factors it deems relevant, such as a candidate s personal integrity and sound judgment, business and professional skills and experience, independence, knowledge of the industry in which the combined company operates, possible conflicts of interest, diversity, the extent to which the candidate would fill a present need on the EPIX board of directors, and concern for the long-term interests of EPIX s stockholders. In general, persons recommended by stockholders will be considered on the same basis as candidates from other sources. If a stockholder wishes to nominate a candidate to be considered for election as a director of EPIX, it must follow the procedures described in EPIX s by-laws. If a stockholder wishes simply to propose a candidate for consideration as a nominee by the corporate nominating and governance committee, it should submit any pertinent information regarding the candidate to the attention of the Chairman of the corporate nominating and governance committee, EPIX Pharmaceuticals, Inc., 161 First Street, Cambridge, MA 02142.

Compensation Committee Interlocks and Insider Participation with Respect to EPIX

Each member of EPIX s compensation committee after the merger will be an outside director as that term is defined in Section 162(m) of the Internal Revenue Code of 1986, as amended, and a non-employee director within the meaning of Rule 16b-3 of the rules promulgated under the Securities Exchange Act of 1934, as amended. At the effective time of the merger, it is not expected that any of EPIX s executive officers will serve as a member of the board of directors or compensation committee of any entity that has one or more executive officers who serve on the EPIX board of directors or compensation committee after the merger.

Compensation of EPIX s Board of Directors

EPIX expects to compensate the members of its board of directors and the committees thereof in accordance with EPIX s current compensation policies. See Current Management of EPIX and Related Information Board of Directors of EPIX.

CURRENT MANAGEMENT OF EPIX AND RELATED INFORMATION

Board of Directors of EPIX

EPIX s by-laws provide that EPIX s business is to be managed by or under the direction of the EPIX board of directors and that the number of members of the EPIX board of directors be fixed from time to time by the EPIX board of directors. The EPIX board of directors is divided into three classes for purposes of election. One class is elected at each annual meeting of stockholders to serve for a three-year term. The EPIX board of directors currently consists of five members, classified into three classes as follows: (a) Gregory D. Phelps constitutes a class with a term ending at the 2007 annual meeting; (b) Peter Wirth, Mark Leuchtenberger and Michael Gilman, Ph.D. constitute a class with a term ending at the upcoming 2006 annual meeting; and (c) Christopher F.O. Gabrieli constitutes a class with a term ending at the 2008 annual meeting. Mr. Wirth has notified EPIX that he is not standing for reelection at the 2006 EPIX annual stockholders meeting.

The EPIX board of directors voted to nominate each of Mark Leuchtenberger and Michael Gilman, Ph.D. for election at the upcoming annual meeting for a term of three years, to serve until the 2009 annual meeting of stockholders, and until their successors have been elected and qualified.

Table of Contents

Set forth below are the names of the persons nominated as directors and directors whose terms do not expire this year, their ages, their offices in the Company, if any, their principal occupations or employment for the past five years, the length of their tenure as directors and the names of other public companies in which such persons hold directorships.

Name	Age	Position with EPIX
Christopher F.O. Gabrieli	46	Chairman of the Board
Mark Leuchtenberger	49	Director
Gregory D. Phelps	57	Director
Michael Gilman, Ph.D.	51	Director

Christopher F.O. Gabrieli, Chairman of the Board. See Mr. Gabrieli s biography set forth under Management of EPIX After the Merger Board of Directors of EPIX After the Merger.

Mark Leuchtenberger. See Mr. Leuchtenberger s biography set forth under Management of EPIX After the Merger Board of Directors of EPIX After the Merger.

Gregory D. Phelps. See Mr. Phelps s biography set forth under Management of EPIX After the Merger Board of Directors of EPIX After the Merger.

Michael Gilman, Ph.D. See Dr. Gilman s biography set forth under Management of EPIX After the Merger Board of Directors of EPIX After the Merger.

The EPIX board of directors has determined that all of the members of the EPIX board of directors qualify as independent under the definition promulgated by The NASDAQ National Market.

Committees of the EPIX Board of Directors and Meetings

Meeting Attendance. During the fiscal year ended December 31, 2005, there were eight meetings of the EPIX board of directors, and the various committees of the board of directors met a total of eight times. No director attended fewer than 75% of the total number of meetings of the board of directors and the committees of the board of directors on which he served during the year ended December 31, 2005. The EPIX board of directors has adopted a policy under which each member of the EPIX board of directors is encouraged to participate in the annual meeting of stockholders. No members of the EPIX board of directors attended the annual meeting of stockholders held in 2005.

Audit Committee. EPIX s audit committee met six times during the fiscal year ended December 31, 2005. This committee currently has three members: Peter Wirth (Chairman), Christopher F.O. Gabrieli and Mark Leuchtenberger. The audit committee reviews the engagement of EPIX s independent accountants and has the authority to retain and terminate the services of EPIX s independent accountants, reviews annual financial statements, considers matters relating to accounting policy and internal controls and reviews the scope of annual audits. All members of the audit committee satisfy the current independence standards promulgated by the Securities and Exchange Commission and by The NASDAQ National Market; as such standards apply specifically to audit committees. The EPIX board of directors has determined that Mr. Leuchtenberger is an audit committee financial expert, as the Securities and Exchange Commission has defined that term in Item 401 of Regulation S-K. Please also see the report of the audit committee set forth elsewhere in this joint proxy statement/ prospectus.

Compensation Committee. EPIX s compensation committee met two times during the year ended December 31, 2005. This committee currently has three members: Christopher F.O. Gabrieli (Chairman), Mark Leuchtenberger and Gregory D. Phelps. The compensation committee reviews, approves and makes recommendations regarding EPIX s compensation policies, practices and procedures to ensure that the legal and fiduciary responsibilities of the EPIX board of directors are carried out and that such policies, practices and procedures contribute to EPIX s success. The compensation committee is responsible for the determination of the compensation of EPIX s Chief Executive Officer, and conducts its decision making process with respect to that issue without the Chief Executive Officer present. In addition, the

compensation committee is responsible for formulating, evaluating and approving the compensation of EPIX s directors, other executive officers and key employees and is responsible for the administration of EPIX s equity plans. All members of the compensation committee qualify as independent under the definition promulgated by The NASDAQ National Market. Please also see the report of the compensation committee set forth elsewhere in this joint proxy statement/ prospectus.

Compensation Committee Interlocks and Insider Participation. EPIX s compensation committee has three members: Christopher F.O. Gabrieli (Chairman), Mark Leuchtenberger and Gregory D. Phelps. There are no interlocking relationships between members of EPIX s compensation committee and the compensation committees of other companies boards of directors.

Nominating and Governance Committee. EPIX s nominating and governance committee did not meet during the year ended December 31, 2005. The nominating and governance committee has two members: Christopher F.O. Gabrieli (Chairman) and Peter Wirth. This committee s role, following consultation with all other members of the EPIX board of directors, is to make recommendations to the full board of directors as to the size and composition of the board of directors and to make recommendations as to particular nominees. All members of the nominating and governance committee qualify as independent under the definition promulgated by The NASDAQ National Market. The nominating and governance committee may consider candidates recommended by EPIX s stockholders as well as from other sources such as other directors and officers, third party search firms or other appropriate sources. For all potential candidates, the nominating and governance committee may consider all factors it deems relevant, such as a candidate s personal integrity and sound judgment, business and professional skills and experience, independence, knowledge of the industry in which EPIX operates, possible conflicts of interest, diversity, the extent to which the candidate would fill a present need on the EPIX board of directors, and concern for the long-term interests of EPIX s stockholders. In general, persons recommended by stockholders will be considered on the same basis as candidates from other sources. If a stockholder wishes to nominate a candidate to be considered for election as a director at the 2007 annual meeting of EPIX stockholders, it must use the procedures described under Stockholder Nominations of Director in EPIX s by-laws. If a stockholder wishes simply to propose a candidate for consideration as a nominee by the nominating and governance committee, it should submit any pertinent information regarding the candidate to the attention of the Chairman of the nominating and governance committee, EPIX Pharmaceuticals, Inc., 161 First Street, Cambridge, MA 02142.

A copy of the nominating and governance committee s written charter is publicly available on EPIX s website at www.epixpharma.com.

Stockholder Communications to the EPIX Board of Directors

Generally, stockholders who have questions or concerns about EPIX should contact EPIX s Investor Relations Department at (617) 250-6012. However, any stockholders who wish to address questions regarding EPIX s business directly with the board of directors or any individual director should direct his or her questions to the EPIX board of directors or appropriate member of the board of directors through EPIX s third-party service provider, Ethicspoint, Inc., at www.ethicspoint.com.

Compensation of EPIX Directors

EPIX pays each non-employee director who serves on a committee of the EPIX board of directors an annual fee of $25,000 for service as a director of EPIX and as a committee member. EPIX pays each non-employee director who does not also serve on a committee of the EPIX board of directors an annual fee of $15,000 for service as a director of EPIX. During 2005, EPIX paid its outside directors the following fees: Mr. Gabrieli $25,000, Mr. Leuchtenberger $22,500, Mr. Phelps $16,250, and Mr. Wirth $25,000. Stanley T. Crooke, M.D., Ph.D., who resigned from the EPIX board of directors in June 2005, was paid $12,500 in connection with his service on the EPIX board of directors. In addition, non-employee directors are eligible to participate in EPIX s Amended and Restated 1996 Director Stock Option Plan, or the Director Plan. Upon the appointment, election or reelection of a non-employee director, such director is automatically granted an option to purchase 25,000 shares of EPIX common stock. Such options become exercisable in equal installments over a three-year period on each anniversary of the grant, provided that the optionee is still a director of EPIX at the opening of business on such applicable date. Commencing with grants made on or after the annual meeting of stockholders, this initial grant shall be subject to adjustment if a director receives stock options upon appointment to the EPIX board of directors between annual meetings of stockholders to fill a vacancy or newly elected directorship and any such option shall become exercisable in equal monthly installments from the date of grant until the first annual meeting of stockholders at which such director is nominated for election or reelection. In addition, each non-employee director is automatically granted an option to purchase 5,000 shares of EPIX common stock annually during the years in which such director is not up for reelection to the EPIX board of directors. Such options become exercisable in full on the first anniversary date of the grant, provided that the optionee is still a director of EPIX at the opening of business on such date. Each option has a term of ten years and becomes vested in full in the event of a merger (in which EPIX does not survive) or liquidation of EPIX. The exercise price for each option is equal to the fair market value of the EPIX common stock on the date of grant. During fiscal 2005, the following options were granted under the Director Plan: Mr. Gabrieli an option for 25,000 shares of EPIX common stock, Mr. Leuchtenberger an option for 5,000 shares of EPIX common stock, Mr. Phelps an option for 5,000 shares of EPIX common stock and Mr. Wirth an option for 5,000 shares of EPIX common stock. An option for 5,000 shares of EPIX common stock was also granted to Dr. Crooke, which was subsequently cancelled upon his resignation from the EPIX board of directors. Options granted during 2005 to Michael D. Webb are reported under Executive Compensation- Option Grants in EPIX s Last Fiscal Year.

Executive Officers of EPIX

The following table sets forth certain information regarding EPIX s executive officers who are not also directors. Dr. Uprichard and Mr. Pelletier serve at the pleasure of the EPIX board of directors. Mr. Pelletier and EPIX have agreed that Mr. Pelletier will resign as EPIX s Executive Director of Finance in August 2006 and that Mr. Pelletier will serve as a consultant to EPIX to assist in the transition following the closing of the merger between EPIX and Predix.

Name	Age	Position with EPIX
Andrew C.G. Uprichard, M.D.	48	President and Chief Operating Officer
Robert Pelletier, CPA	53	Executive Director of Finance

Andrew C. G. Uprichard, M.D., President and Chief Operating Officer. See Dr. Uprichard s biography set forth under Management of EPIX After the Merger Management and Key Employees of EPIX After the Merger.

Robert Pelletier, CPA, Executive Director of Finance. Mr. Pelletier joined EPIX in March 2003. He came to EPIX from The Medicines Company where he was Senior Director of Finance from July 2000 to March 2003. Prior to July 2000, Mr. Pelletier spent nine years as Controller and subsequently Vice President of Finance at AverStar Inc., a software company that provided engineering and software services, products/tools and integrated system solutions to government and commercial customers, and eleven years at Textron, Inc. in various accounting and finance roles. He holds a BS in Accounting from the University of Rhode Island, an MBA from Bentley College and is a Certified Public Accountant.

Compensation of EPIX Executives

Summary Compensation Table

The following table shows the total compensation paid or accrued during the three years ended December 31, 2003, 2004 and 2005 to (a) EPIX s former Interim Chief Executive Officer, (b) EPIX s

Table of Contents

former Chief Executive Officer and (c) EPIX s three next most highly compensated executive officers who earned more than $100,000 during the year ended December 31, 2005.

		Annual Compensation			Long-Term Compensation Awards Securities	
Name and Principal Position	**Year**	**Salary**	**Bonus(1)**	**Other Annual Compensation**	**Underlying Options (#)**	**All Other Compensation**
Andrew C.G. Uprichard, M.D.	2005	$ 309,872	$ 14,002		52,500	$ 2,803(3)
President and	2004	137,308	54,878(2)		175,000	2,677(3)
Chief Operating Officer	2003					
Robert Pelletier, CPA(4)	2005	175,188	25,835		23,281	4,591(3)
Executive Director of Finance	2004	157,961	34,609		7,288	4,078(3)
and Principal Accounting Officer	2003	124,038	40,050		40,000	3,539(3)
Michael J. Astrue(5)	2005	112,308				
Former Interim Chief Executive Officer	2004					
	2003					
Michael D. Webb	2005	356,517(6)			50,000	6,300(7)
Former Chief Executive Officer	2004	334,286	49,125		62,500	8,620(7)
	2003	313,351	137,722		66,500	6,225(7)
Peyton J. Marshall, Ph.D.(8)	2005	129,635				4,972(3)
Former Senior Vice President	2004	238,933	36,114		35,625	4,883(3)
and Chief Financial Officer	2003	225,000	80,156			3,404(3)

(1) Bonuses were earned in the year indicated and are generally paid in the subsequent year.

(2) Dr. Uprichard joined EPIX in July 2004 and the bonus compensation amount includes a $20,000 signing bonus.

(3) Consists of matching 401(k) contributions.

(4) Mr. Pelletier and EPIX have agreed that Mr. Pelletier will resign as EPIX s Executive Director of Finance in August 2006.

(5) Mr. Astrue resigned as Interim Chief Executive Officer on May 5, 2006.

(6) Effective September 14, 2005, Mr. Webb resigned as Chief Executive Officer and member of the EPIX board of directors. This figure represents $254,435 earned by Mr. Webb as Chief Executive Officer through September 14, 2005, and $102,082 in fees and expense reimbursements, paid to Mr. Webb in connection with consulting services he provided to EPIX from September 14, 2005 through December 31, 2005.

(7) Consists of matching 401(k) contributions of $6,300, $6,000 and $6,000 in 2005, 2004 and 2003, respectively, and life insurance premiums paid by EPIX on behalf of Mr. Webb on a policy for the benefit of Mr. Webb of $2,620 in 2004 and $225 in 2003.

(8) Effective July 1, 2005, Mr. Marshall resigned as Senior Vice President, Finance and Administration and Chief Financial Officer of EPIX.

Table of Contents

Option Grants in EPIX s Last Fiscal Year

The following table shows grants of stock options that EPIX made during the year ended December 31, 2005 to each of the executive officers named in the Summary Compensation Table, above.

	Individual Grants(1)				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(2)	
Name	Number of Securities Underlying Options Granted(1)	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($/Share)	Expiration Date	5%	10%
Andrew C.G. Uprichard, M.D.	52,500	8.83%	$ 7.15	3/17/2015	$ 236,071	$ 598,251
Robert Pelletier, CPA	8,281	1.39%	7.15	3/17/2015	37,236	94,364
	15,000	2.52%	8.69	6/24/2015	81,976	207,744
Michael J. Astrue						
Michael D. Webb(3)	50,000	8.41%	7.15	3/17/2015	224,830	569,763
Peyton J. Marshall, Ph.D.						

(1) These options were granted under EPIX s Amended and Restated 1992 Equity Incentive Plan, or the Equity Plan, at an exercise price equal to the fair market value of EPIX common stock at the date of grant. All of the options granted vest in five equal annual installments and began vesting on March 17, 2006 except for one of the grants to Mr. Pelletier which began vesting on June 24, 2006. With the exception of Mr. Pelletier s option for 8,281, which is an incentive stock option, each of the options cited above consists of a combination of non-qualified stock options and incentive stock options as follows: Dr. Uprichard s option consists of 41,992 non-qualified stock options and 10,508 incentive stock options; Mr. Pelletier s grant of 15,000 options consists of 7,907 non-qualified stock options and 7,093 incentive stock options, and Mr. Webb s option consists of 39,998 non-qualified options and 10,002 incentive stock options. The options are not transferable, except by will or by laws of descent and distribution. The post-termination exercise period for exercisable options is generally three months. If an acquisition event also constitutes a change in control, or, if there is a change in control that does not also constitute an acquisition event, unless provided to the contrary in an agreement between EPIX and the optionee, the options or such assumed or substituted options shall become immediately exercisable in full, if within eighteen months of the change in control, a termination event (as defined below) with respect to the optionee occurs. If the acquiring or succeeding corporation does not agree to assume or issue substitute options for the options issued by EPIX, the options issued by EPIX shall become immediately exercisable in full. If the acquisition event involves a cash payment to EPIX s stockholders, the optionee shall receive a cash payment for each option equal to the amount by which the price to be paid in the acquisition exceeds the option exercise price.

An acquisition event means (a) any merger or consolidation of EPIX with or into another entity as a result of which EPIX s common stock is converted into or exchanged for the right to receive cash, securities or other property; (b) any exchange of EPIX shares for cash, securities or other property pursuant to a statutory share exchange transaction; (c) any sale or exchange of all or substantially all of EPIX s assets in one transaction or in a series of transactions; or (d) a reorganization or liquidation of EPIX.

A change in control means either (a) (i) a merger or consolidation of EPIX, whether or not approved by the EPIX board of directors, other than a merger or consolidation in which EPIX s voting securities continue to represent at least 50% of the total voting power represented by EPIX s voting securities of the surviving entity outstanding immediately after the merger or consolidation, or (ii) the approval by EPIX s stockholders of an agreement for the sale or disposition by EPIX of all or substantially all of EPIX s assets; or (b) any person becoming the beneficial owner of EPIX s securities representing 50% or more of EPIX s total outstanding voting power (excluding EPIX or EPIX s affiliates or any EPIX employee benefit plan) pursuant to a transaction or a series of related transactions which the EPIX board of directors does not approve.

A termination event means the termination of the optionee s employment (a) by EPIX or the acquiring or succeeding corporation without cause; or (b) by the optionee upon written notice given promptly after EPIX s or the acquiring or succeeding corporation s taking any of the following actions, which actions shall not have been cured within a 30-day period following such notice: (i) the principal place of the performance of the optionee s responsibilities, or the Principal Location, is changed to a location outside of a 30 mile radius from the Principal Location immediately prior to the change in control; (ii) there is a material reduction in the optionee s salary; or (iii) there is a material diminution in the scope of the optionee s responsibilities without the optionee s agreement or without cause.

(2) In accordance with the rules of the Securities and Exchange Commission, EPIX shows in these columns the potential realizable value over the term of the option (the period from the grant date to the expiration date). EPIX calculates this assuming that the fair market value of EPIX s common stock on the date of grant appreciates at the indicated annual rate, 5% and 10% compounded annually, for the entire term of the option and that the option is exercised and sold on the last day of its term for the appreciated stock price. These amounts are based on assumed rates of appreciation and do not represent an estimate of EPIX s future stock price. Actual gains, if any, on stock option exercises will depend on the future performance of EPIX s common stock, the optionholder s continued employment with EPIX through the option exercise period, and the date on which the option is exercised.

(3) Effective September 14, 2005, Mr. Webb resigned as Chief Executive Officer and member of the EPIX board of directors, but continued to provide consulting services to EPIX through December 31, 2005. In connection with his departure from EPIX these options have now been cancelled.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table shows information regarding exercises of options to purchase EPIX common stock by each executive officer named in the Summary Compensation Table during the year ended December 31, 2005. The table also shows the aggregate value of options held by each executive officer named in the Summary Compensation Table as of December 31, 2005. The value of the unexercised in-the-money options at fiscal year end is based on a value of $4.04 per share, the closing price of EPIX s common stock on The NASDAQ National Market on December 31, 2005 (the last trading day prior to the fiscal year end), less the per share exercise price.

			Number of Securities Underlying Unexercised Options at Fiscal Year-End		**Value of the Unexercised In-The-Money Options at Fiscal Year-End**	
Name	**Shares Acquired on Exercise**	**Value Realized(1)**	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Andrew C.G. Uprichard, M.D.		$	35,000	192,500	$	$
Robert Pelletier, CPA			9,457	53,112		
Michael J. Astrue						
Michael D. Webb	30,000	66,600	467,794			
Peyton J. Marshall, Ph.D.	20,500	52,682				

(1) Amounts shown in this column do not necessarily represent actual value realized from the sale of the shares acquired upon exercise of the option because in many cases the shares are not sold on exercise but continue to be held by the executive officer exercising the option. The amounts shown represent the difference between the option exercise price and the market price on the date of exercise, which is the amount that would have been realized if the shares had been sold immediately upon exercise.

Table of Contents

Equity Compensation Plan Information

The following table provides certain aggregate information with respect to all of EPIX s equity compensation plans in effect as of December 31, 2005.

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options		Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity Compensation Plans Approved by Securityholders(1)	3,271,909	$	11.39	1,519,165(2)(3)(4)(5)
Equity Compensation Plans not Approved by Securityholders	N/A		N/A	N/A
Total	3,271,909	$	11.39	1,519,165

(1) These plans consist of EPIX s Amended and Restated 1992 Equity Incentive Plan, or the Equity Plan, the Amended and Restated 1996 Director Stock Option Plan, or the Director Plan, and the Amended and Restated 1996 Employee Stock Purchase Plan, or the Employee Plan.

(2) Includes options to purchase 1,032,521 shares of EPIX common stock issued under the Equity Plan that were cancelled after December 31, 2005.

(3) Does not include options to purchase 300,562 shares of EPIX common stock issued under the Equity Plan that were granted to employees after December 31, 2005.

(4) Includes options to purchase 53,334 shares of EPIX common stock issued under the Director Plan that were cancelled after December 31, 2005.

(5) Does not include 149,916 shares of EPIX common stock issued to date under the Employee Plan. Shares of EPIX common stock that are set aside within the Employee Plan immediately become outstanding EPIX common stock when purchased by employees.

Employment and Severance Agreements

On September 21, 2005, EPIX entered into an employment agreement, or the Employment Agreement, with Michael J. Astrue, as amended on March 7, 2006, pursuant to which he served as EPIX s Interim Chief Executive Officer until his resignation, effective May 5, 2006. Under the terms of the Employment Agreement, Mr. Astrue received a salary at the annual rate of $400,000, paid in accordance with EPIX s usual payroll practices. Mr. Astrue was also entitled to participate in employee benefits offered by EPIX to its other senior management employees and reimbursement of reasonable expenses incurred in promoting EPIX s business. The Employment Agreement allowed

Mr. Astrue to devote reasonable time to certain outside activities, as set forth in the Employment Agreement, provided such activities did not conflict in any material way with EPIX s business. By the terms of the Employment Agreement and contemporaneous with its execution, EPIX and Mr. Astrue entered into EPIX s standard indemnification agreement. EPIX also agreed to maintain, at a reasonable cost, directors and officers liability insurance that covers Mr. Astrue to the same extent as other senior management employees of EPIX. The Employment Agreement also contained confidentiality and assignment of inventions provisions.

In connection with Mr. Astrue s resignation as Interim Chief Executive Officer on May 5, 2006, Mr. Astrue entered into a consulting agreement with EPIX, or the Consulting Agreement, pursuant to which he will provide consulting services to EPIX through July 31, 2006 on an independent contractor basis. Mr. Astrue will consult with EPIX on matters relating to, among other things, the completion of the merger. Mr. Astrue will provide consulting services to EPIX upon EPIX s request and at times mutually agreeable to the parties. Mr. Astrue will receive $300 per hour for his consulting services payable within 30 days following receipt of an invoice by EPIX. EPIX may terminate the Consulting Agreement by providing 30 days prior written notice to Mr. Astrue. The Consulting Agreement also contains confidentiality and assignment of inventions provisions.

On September 14, 2005, EPIX entered into a severance and incentive agreement, or the Severance Agreement, with Andrew C.G. Uprichard, M.D. Pursuant to the Severance Agreement, if Dr. Uprichard is terminated without cause or resigns under certain circumstances involving a change in title, a diminution of duties, or a material reduction in salary, then, in exchange for a complete release of all claims against EPIX, EPIX will pay Dr. Uprichard severance of one year s salary, paid in accordance with EPIX s usual payroll practices, and will pay the costs to continue his medical and dental insurance pursuant to COBRA for one year following the termination date. The Severance Agreement will not apply in the event of a termination following a change in control, in which case, Dr. Uprichard may be eligible for severance pay in accordance with the severance arrangements with executive officers and certain other senior managers authorized by the EPIX board of directors in 2003 and further described below. On May 19, 2006, the Severance Agreement was amended to delay the date on which Dr. Uprichard would be required to voluntarily terminate his employment in order to trigger certain severance rights under the Severance Agreement if the merger is completed. The Severance Agreement, as amended, requires that, if the merger is completed, Dr. Uprichard voluntarily terminates his employment within one calendar year following certain events involving a change in title, a diminution of duties or a material reduction in salary in order to be entitled to the severance benefits. If the merger is not completed, Dr. Uprichard is required to voluntarily terminate his employment within 90 days following the above referenced events to trigger the severance benefits.

In connection with Michael D. Webb s resignation as Chief Executive Officer and member of the board of directors of EPIX, effective September 14, 2005, EPIX entered into a separation agreement, or the Separation Agreement, with Mr. Webb, pursuant to which Mr. Webb continued to serve as a consultant to EPIX until December 31, 2005 on an independent contractor basis. Pursuant to the Separation Agreement, beginning in January 2006, Mr. Webb is entitled to receive severance pay in the amount of $175,150.50, payable in six approximately equal monthly payments. EPIX has also agreed to cover the cost of the COBRA payments to continue Mr. Webb s participation in its medical and dental insurance plans during the period in which these severance payments are made. Under the terms of the Separation Agreement, Mr. Webb s options vested until September 14, 2005 and he had the right to exercise any vested incentive stock options in accordance with the terms of the stock option awards and the plan pursuant to which they were granted and to exercise any vested nonqualified stock options up through and including the 90th day following the conclusion of his consulting work for EPIX.

EPIX s board of directors has authorized a severance arrangement for its executive officers and selected other senior managers, under which each such officer or manager who is subject to a termination event following a change in control of EPIX (as defined in footnote 1 to the table under Option Grants in EPIX s Last Fiscal Year) will receive a cash payment of six months base salary, plus one additional month of base salary for each year of employment with EPIX, up to a maximum potential payment of twelve months base salary. In addition, as set forth in footnote 1 to the table under Option Grants in EPIX s Last Fiscal Year , options held by EPIX s executive officers contain provisions for acceleration of vesting under certain circumstances in the event of a change in control of EPIX.

Table of Contents

Performance Graph

The following graph compares the annual percentage change in EPIX s cumulative total stockholder return on EPIX common stock during a period commencing on December 31, 2000 and ending on December 31, 2005 (as measured by dividing (a) the sum of the cumulative amount of dividends for the measurement period, assuming dividend reinvestment, and the difference between the EPIX share price at the end and the beginning of the measurement period; by (b) the EPIX share price at the beginning of the measurement period) with the cumulative total return of The NASDAQ Stock Market Index (U.S.) and The NASDAQ Pharmaceutical Stock Index during such period. EPIX has not paid any dividends on its common stock, and EPIX does not include dividends in the representation of its performance. The stock price performance on the graph below does not necessarily indicate future price performance. Information used on the graph was obtained from Hemscott, Inc., a source believed to be reliable, but EPIX is not responsible for any errors or omissions in such information.

COMPARISON OF CUMULATIVE TOTAL RETURN OF ONE OR MORE COMPANIES, PEER GROUPS, INDUSTRY INDEXES AND/ OR BROAD MARKETS

	Fiscal Year Ending					
Company/Index/Market	**12/29/2000**	**12/31/2001**	**12/31/2002**	**12/31/2003**	**12/31/2004**	**12/30/2005**
EPIX Pharmaceuticals, Inc.	$ 100.00	$ 170.63	$ 86.33	$ 194.39	$ 213.85	$ 48.24
NASDAQ Pharmaceuticals	100.00	84.95	52.36	75.53	81.63	90.02
NASDAQ US Only	100.00	77.19	54.01	82.10	89.52	92.74

Table of Contents

Report of the Compensation Committee of the EPIX Board of Directors on Executive Compensation

This report is submitted by the compensation committee of the EPIX board of directors, which is responsible for establishing and administering EPIX s executive compensation policies and stock option plans. The compensation committee s role and responsibilities are set forth in the compensation committee s charter adopted by the EPIX board of directors. At December 31, 2005, the compensation committee was composed of Christopher F.O. Gabrieli (Chairman), Mark Leuchtenberger and Gregory D. Phelps, who are each independent, non-employee directors. This report addresses the compensation policies for the year ended December 31, 2005 as they affected Michael D. Webb, in his capacity as Chief Executive Officer through September 14, 2005, Michael J. Astrue, in his capacity as Interim Chief Executive Officer beginning on September 14, 2005 through December 31, 2005, and EPIX s other executive officers included in the Summary Compensation Table. EPIX s compensation programs are designed to provide a competitive level of total compensation, which, at EPIX s present stage of development, is heavily weighted toward equity incentive compensation linked to EPIX s performance. This program includes base salary and both annual and long-term incentive compensation.

Compensation Philosophy

The design and implementation of EPIX s executive compensation programs are based on a series of guiding principles derived from EPIX s values, business strategy and management requirements. These principles may be summarized as follows:

- attract, motivate and retain high caliber individuals who are responsible for leading EPIX in achieving or exceeding business and corporate goals and to increase total return to stockholders;
- provide a total compensation program where a significant portion of compensation is linked to both short-term and long-term corporate performance and the achievement of individual performance objectives;
- align the financial interests of the management team with EPIX s financial interests and those of its stockholders; and
- emphasize reward for performance at the individual, team and corporate levels.

Base Salary

Each fiscal year, the compensation committee establishes base salaries for individual executive officers based upon (a) industry and peer group surveys prepared by independent consultants, (b) the responsibilities, scope and complexity of each position, (c) the individual s tenure in the position and (d) performance judgments as to each individual s past and expected future contributions. The performance of the companies surveyed is not considered by the compensation committee. The Chief Executive Officer recommends the base salary amount for each officer other than himself. The compensation committee then reviews with the Chief Executive Officer and approves, with appropriate modifications, an annual base salary plan for EPIX s executive officers other than the Chief Executive Officer.

In general, the compensation committee reviews and fixes the base salary of the Chief Executive Officer based on comparable competitive compensation data as well as the compensation committee s assessment of such officer s past performance and its expectations as to such officer s future contributions to EPIX s leadership. For 2005, the base salary of Mr. Webb, EPIX s Chief Executive Officer through September 14, 2005, was increased to $350,301 from $336,828. In connection with Mr. Webb s departure, Mr. Astrue was appointed Interim Chief Executive Officer, effective September 14, 2005, pursuant to an employment agreement providing for a base annual salary of $400,000. Mr. Astrue resigned as Interim Chief Executive Officer effective May 5, 2006.

Annual Bonus

Beginning in 1998, EPIX started a formal short-term incentive plan. EPIX s executive officers are eligible for an annual cash bonus, which is based primarily on corporate achievements and individual performance objectives that are established at the beginning of each year. The targeted bonus level for the

Table of Contents

Chief Executive Officer is 35% of annual salary. After the completion of the year, the compensation committee reviews the attainment of corporate and individual objectives and awards bonuses in the first quarter of the subsequent year, based on the extent to which corporate objectives were met or exceeded and individual contributions to the EPIX s overall performance.

Equity-Based Long-Term Incentive Compensation

Long-term incentives for EPIX s employees are provided through stock option grants under EPIX s Amended and Restated 1992 Equity Incentive Plan, or the Equity Plan, which are generally provided through initial stock option grants at the date of hire, and periodic additional grants. The option grants are intended to motivate the executive officers to improve EPIX s long-term performance and to align the financial interests of the management team with EPIX s financial interests and those of EPIX s stockholders. Awards take into account each officer s scope of responsibility and specific assignments, strategic and operational goals applicable to the officer, anticipated performance and contributions of the officer and competitive market data for similar positions. Options are granted with an exercise price equal to the fair market value of EPIX s common stock on the date of grant. The standard vesting schedule provides that a portion of the shares subject to each option vest and become exercisable annually over a five-year period. In 2005, Mr. Webb received an option to purchase 50,000 shares of EPIX s common stock, which in connection with his departure from EPIX, have been cancelled. Mr. Astrue did not receive any options to purchase EPIX common stock.

Compliance with Internal Revenue Code Section 162(m)

Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, disallows a tax deduction to public companies for certain compensation in excess of $1.0 million paid to each of EPIX s Chief Executive Officer and its other most highly compensated executive officers. EPIX does not believe that Section 162(m) will generally have an effect on it because of the current and anticipated compensation levels of its executive officers and Chief Executive Officer. However, the compensation committee intends to periodically review the potential consequences of Section 162(m) and may structure the annual cash incentive awards under EPIX s annual incentive plan to comply with certain exemptions provided in Section 162(m) for certain performance-based compensation. EPIX s Equity Plan is currently structured to comply with such exemptions so that stock options and other awards under such plan to its executive officers will be tax deductible under Section 162(m).

The compensation committee reserves the authority to award non-deductible compensation in other circumstances as it deems appropriate. Further, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) and the regulations issued thereunder, notwithstanding EPIX s efforts, compensation intended by EPIX to satisfy the requirements for deductibility under Section 162(m) may not, in fact, do so.

Members of the EPIX Compensation Committee:

CHRISTOPHER F.O. GABRIELI (CHAIRMAN)
MARK LEUCHTENBERGER
GREGORY D. PHELPS

Report of the Audit Committee of the EPIX Board of Directors

The audit committee of the EPIX board of directors, which consists entirely of directors who meet the independence and experience requirements of The NASDAQ National Market, has furnished the following report:

The audit committee assists the EPIX board of directors in overseeing and monitoring the integrity of EPIX s financial reporting process, compliance with legal and regulatory requirements and the quality of internal and external audit processes. The audit committee s role and responsibilities are set forth in the audit committee s charter adopted by the EPIX board of directors, which was included in EPIX s proxy statement for the 2004 Annual Meeting as Appendix A. The audit committee reviews and reassesses its charter annually and recommends any changes to the EPIX board of directors for approval. The audit committee is responsible for overseeing EPIX s overall financial reporting process. In fulfilling its responsibilities for the financial statements for the fiscal year ended December 31, 2005, the audit committee took the following actions:

Reviewed and discussed the audited financial statements and the effectiveness of internal controls on financial reporting for the year ended December 31, 2005 with management and Ernst & Young LLP, EPIX s independent auditors;

Discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit; and

Received written disclosures and the letter from Ernst & Young LLP regarding its independence as required by Independence Standards Board Standard No. 1. The audit committee further discussed with Ernst & Young LLP their independence. The audit committee also considered the status of pending litigation, taxation matters and other areas of oversight relating to the financial reporting and audit process that the committee determined appropriate.

Based on the audit committee s review of the audited financial statements and discussions with management and Ernst & Young LLP, the audit committee recommended to the EPIX board of directors that the audited financial statements be included in EPIX s Annual Report on Form 10-K for the year ended December 31, 2005 for filing with the Securities and Exchange Commission.

Members of the EPIX Audit Committee:

PETER WIRTH (CHAIRMAN)
CHRISTOPHER F.O. GABRIELI
MARK LEUCHTENBERGER

Table of Contents

Section 16(a) Beneficial Ownership Reporting Compliance

EPIX s records reflect that all reports which were required to be filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, as amended, in 2005 were filed on a timely basis.

Certain Relationships and Related Transactions

EPIX had an employment agreement with Michael J. Astrue and currently has a consulting agreement with Mr. Astrue which are described under Current Management of EPIX and Related Information Employment and Severance Agreements.

EPIX has a severance and incentive agreement with Andrew C.G. Uprichard, M.D., which is described under Current Management of EPIX and Related Information Employment and Severance Agreements.

In 2005, EPIX engaged Michael Gilman, Ph.D., a member of the EPIX board of directors, to serve as a consultant in connection with the evaluation of the merger. Pursuant to the terms of Dr. Gilman s consulting agreement, EPIX paid Dr. Gilman approximately $22,950 in 2005 for his services and