UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JULY 31, 1999
OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 0-27756

ALEXION PHARMACEUTICALS, INC.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	13-3648318
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

25 SCIENCE PARK, NEW HAVEN, CONNECTICUT 06511
(Address of Principal Executive Offices) (Zip Code)

203-776-1790
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $0.0001

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant, based upon the last sale price of the Common Stock reported on the National Association of Securities Dealers Automated Quotation (NASDAQ) National Market System on October 18, 1999, was approximately $148,000,000.

The number of shares of Common Stock outstanding as of October 18, 1999 was 11,331,310.

DOCUMENTS INCORPORATED BY REFERENCE

(To the extent indicated herein)

Portions of the registrant's proxy statement to be filed with the Securities and Exchange Commission in connection with solicitations of proxies for the registrant's upcoming 1999 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated by reference in Part III, Item 11 of this Form 10-K.

PART I

THIS ANNUAL REPORT ON FORM 10-K AND THE DOCUMENTS INCORPORATED HEREIN BY REFERENCE CONTAIN FORWARD-LOOKING STATEMENTS THAT HAVE BEEN MADE PURSUANT TO THE PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH FORWARD LOOKING STATEMENTS ARE BASED ON CURRENT EXPECTATIONS, ESTIMATES AND PROJECTIONS ABOUT THE COMPANY'S INDUSTRY, MANAGEMENT'S BELIEFS AND CERTAIN ASSUMPTIONS MADE BY THE COMPANY'S MANAGEMENT. WORDS SUCH AS "ANTICIPATES," "EXPECTS," "INTENDS," "PLANS," "BELIEVES," "SEEKS," "ESTIMATES," VARIATIONS OF SUCH WORDS AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY SUCH FORWARD-LOOKING STATEMENTS. THESE STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND ARE SUBJECT TO CERTAIN RISKS, UNCERTAINTIES AND ASSUMPTIONS THAT ARE DIFFICULT TO PREDICT; THEREFORE, ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE EXPRESSED OR FORECASTED IN ANY SUCH FORWARD-LOOKING STATEMENTS. SUCH RISKS AND UNCERTAINTIES INCLUDE, BUT ARE NOT LIMITED TO, THOSE SET FORTH HEREIN UNDER "IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS," ATTACHED HERETO AS EXHIBIT 99, AS WELL AS THOSE NOTED IN THE DOCUMENTS INCORPORATED HEREIN BY REFERENCE. UNLESS REQUIRED BY LAW, THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE PUBLICLY ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE. HOWEVER, READERS SHOULD CAREFULLY REVIEW THE RISK FACTORS SET FORTH IN OTHER REPORTS OR DOCUMENTS THE COMPANY FILES FROM TIME TO TIME WITH THE SECURITIES AND EXCHANGE COMMISSION.

ITEM 1. BUSINESS.

OVERVIEW

We are engaged in the development of products for the treatment of cardiovascular, autoimmune and neurologic diseases caused by undesired effects of the human immune system. Our product development programs are based on proprietary technologies which are designed to block selected components of the human immune system in order to reduce undesired inflammation while allowing other beneficial aspects of the immune system to remain functional. Our two lead product candidates are:

- 5G1.1-SC, in Phase II trials for the treatment of acute inflammation caused by cardiopulmonary bypass surgery, which is being developed in collaboration with Procter & Gamble; and

- 5G1.1, in Phase II trials for the chronic treatment of rheumatoid arthritis and membranous nephritis, which we are developing ourselves.

In addition, we are developing our Apogen and UniGraft technologies in preclinical studies. We are targeting our first Apogen product candidate, known as MP4, for the treatment of patients with multiple sclerosis. We are also developing our two UniGraft xenotransplantation product candidates, UniGraft-PD and UniGraft-SCI, for the treatment of Parkinson's disease and spinal cord injury.

THE IMMUNE SYSTEM

The human immune system defends the body from attack or invasion by infectious agents or pathogens. This is accomplished through a complex system of proteins and cells, primarily complement proteins, antibodies and white blood cells, each with a specialized function. Under normal circumstances, complement proteins, together with antibodies and white blood cells, act to protect the body by removing:

- harmful microorganisms;

- cells containing foreign proteins known as antigens; and

- disease-causing combinations of antigens and antibodies known as immune complexes.

When activated by stimuli, the immune system triggers a series of enzymatic and biochemical reactions called the complement cascade that results in an inflammatory response. This inflammatory response is one of the immune system's weapons against foreign pathogens or otherwise diseased tissue. However, under certain circumstances, the complement cascade may be activated inappropriately to direct an inflammatory response at healthy tissue, which may result in acute and chronic inflammatory conditions.

Common heart diseases and procedures in which the complement cascade is activated include:

- cardiopulmonary bypass surgery;

- myocardial infarction;

- unstable angina;

- angioplasty; and

- stroke and other peripheral vascular diseases.

Common autoimmune diseases in which the complement cascade is activated include:

- rheumatoid arthritis;

- kidney diseases;

- lupus;

- inflammatory bowel diseases;

- inflammatory skin disorders; and

- multiple sclerosis.

T-cells, a type of white blood cell, play a critical role in the normal immune response by recognizing cells containing antigens and initiating the immune response. This response results in T-cells:

- attacking the antigen-containing tissue; and

- directing the production of antibodies by white blood cells to eliminate the antigen-bearing foreign organism.

In autoimmune diseases, T-cells may mistakenly attack healthy host tissue and may cause an inflammatory response resulting in tissue destruction. In the case of multiple sclerosis, this may cause paralysis due to destruction of nerve fibers in the brain.

PRODUCT DEVELOPMENT PROGRAMS

We have focused our product development programs on anti-inflammatory therapeutics for diseases for which we believe current treatments are either non-existent or inadequate. Currently available drugs for certain autoimmune, cardiovascular and neurologic diseases, in which the immune system attacks the patient's own tissue, broadly suppress the entire immune system, and may also cause potentially severe side effects. Our lead product candidates, known as C5 Complement Inhibitors, are designed to selectively block the production of inflammation-causing proteins in the complement cascade. We believe that selective suppression of this immune response will provide a significant therapeutic advantage relative to existing therapies.

Additionally, we are developing selective T-cell inhibitors known as Apogens and UniGraft xenotransplants for neurologic disorders.

C5 COMPLEMENT INHIBITORS

Complement proteins are a series of inactive proteins circulating in the blood. When activated by stimuli, including those associated with both acute and chronic inflammatory disorders, these inactive complement proteins are split by enzymes known as convertases into activated byproducts through the complement cascade.

Some of these byproducts, notably C3b, are helpful in fighting infections and inhibiting autoimmune disorders. However, the byproducts generated by the cleavage of C5, known as C5a and C5b-9, generally cause harmful inflammation. The inflammatory byproducts of C5 cause:

- activation of white blood cells;

- attraction of white blood cells;

- production of injurious cytokines including tumor necrosis factor-alpha;

- activation of blood vessel-lining cells called endothelial cells, allowing leakage of white blood cells into tissue; and

- activation of blood-clotting cells called platelets.

The following diagram describes the complement cascade:

[LOGO]

Because of the generally beneficial effects of the components of the complement cascade prior to C5 and the greater inflammatory disease-promoting effects of the cleavage products of C5, we have identified C5 as a potentially effective anti-inflammatory drug target. Our first two C5 Inhibitors specifically and tightly bind to C5 blocking its cleavage into harmful byproducts and are designed to inhibit subsequent damage from the inflammatory response.

In laboratory and animal models of human disease, we have shown that the administration of C5 Inhibitor, as compared to placebo, is effective in:

- preventing inflammation during cardiopulmonary bypass;

- reducing heart tissue damage during myocardial infarction;

- reducing brain damage in cerebral ischemia;

- enhancing survival in a model of lupus; and

- preserving kidney function in nephritis.

In addition, in initial human clinical trials, we have shown that C5 Inhibitors can reduce:

- inflammation during cardiopulmonary bypass surgery;

- heart tissue damage during cardiopulmonary bypass surgery;

- new cognitive deficits after cardiopulmonary bypass surgery;

- an objective measure of disease activity in rheumatoid arthritis patients; and

- the incidence of proteinuria in lupus patients.

Our product candidates are as follows:

PRODUCT CANDIDATE	TECHNOLOGY	INDICATION	STATUS
5G1.1-SC	C5 Complement Inhibitor (single chain antibody)	Cardiopulmonary bypass Myocardial infarction (1) Thrombolysis (2) PTCA	Phase IIb ongoing Preparing IND to commence Phase II
5G1.1	C5 Complement Inhibitor (antibody)	Rheumatoid arthritis Membranous nephritis Lupus	Phase II ongoing Phase II ongoing Completed Phase I
MP4	Apogen	Multiple sclerosis	Preclinical
UniGraft-SCI	Cell replacement	Spinal cord injury	Preclinical
UniGraft-PD	Cell replacement	Parkinson's disease	Preclinical

C5 INHIBITOR IMMUNOTHERAPEUTIC PRODUCT CANDIDATES

We are developing one of our two lead C5 Inhibitor product candidates, 5G1.1-SC, for the treatment of inflammation related to acute cardiovascular diseases and procedures. Our initial indications for 5G1.1-SC are cardiopulmonary bypass surgery and myocardial infarction. We are developing our other C5 Inhibitor product candidate, 5G1.1, for the treatment of inflammation related to chronic autoimmune disorders. Our initial indications for 5G1.1 are rheumatoid arthritis and membranous nephritis. We have selected these four initial indications because we believe each represents a clinical condition which is:

- closely tied to the production of activated complement byproducts;

- characterized by clear development pathways;

- inadequately treated by current therapies;

- associated with substantial health care costs; and

- a significant market opportunity.

To date, 5G1.1-SC and 5G1.1 have been observed to be safe and well tolerated in completed and ongoing controlled clinical trials in over 250 individuals treated with either C5 Inhibitor or placebo.

5G1.1-SC

5G1.1-SC is a humanized, single chain antibody that has been shown to block complement activity for up to 20 hours at doses tested and is designed for the treatment of acute inflammatory conditions. In January 1999, we entered into a collaboration with Procter & Gamble to develop and commercialize 5G1.1-SC. Under this collaboration, we will initially pursue the development of 5G1.1-SC for the treatment of inflammation caused by various acute cardiovascular indications and procedures such as cardiopulmonary bypass surgery, myocardial infarction and angioplasty. Procter & Gamble has agreed to fund all clinical development and manufacturing costs relating to 5G1.1-SC for these indications.

CARDIOPULMONARY BYPASS SURGERY

In cardiopulmonary bypass surgery, blood is diverted from a patient's heart and lungs to a cardiopulmonary, heart-lung, bypass machine in the operating room. The machine adds oxygen to the blood and circulates the oxygenated blood to the organs in the patient's body. Significant side effects of cardiopulmonary bypass surgery include tissue damage and excessive bleeding during and after the procedure. We believe these side effects may result from activation of the complement cascade when the patient's blood comes into contact with the plastic lining of the machine, when insufficient blood flows through the heart as a result of the procedure and after blood flow through the heart is reintroduced following completion of the procedure. Activated complement byproducts may be increased by over 1,000% in patients undergoing cardiopulmonary bypass surgery. The inflammation is also characterized by activation of leukocytes, a type of white blood cell, and platelets, cells responsible for clotting. We believe that this leukocyte activation is associated with impaired lung, heart, brain and kidney function. We further believe that platelet activation and subsequent platelet dysfunction during the procedure impair a patient's ability to stop the bleeding that occurs after extensive surgery.

5G1.1-SC is designed to rapidly penetrate the patient's tissues and to inhibit complement activation in patients immediately before, during and after cardiopulmonary bypass in order to reduce the cardiovascular and brain tissue damage and bleeding complications. We believe inhibition of the inflammatory response might reduce:

- incidence of death;

- incidence of heart tissue damage;

- incidence of stroke;

- post-operative complications;

- the time spent by patients in the intensive care unit;

- the scope of required treatments associated with cardiopulmonary bypass; and

- the need for blood transfusions.

The American Heart Association estimates that in 1996, approximately 500,000 cardiopulmonary bypass operations were performed in the United States. Currently, products utilized in patients undergoing cardiopulmonary bypass are designed to enhance the coagulation of blood so as to reduce the need for blood transfusions. However, we believe these products have little beneficial effect on the heart and brain inflammatory complications associated with the surgery.

Our preclinical studies indicated that C5 Inhibitors can prevent activation of platelets and leukocytes and the subsequent inflammatory response that occurs during circulation of human blood in a closed-loop cardiopulmonary bypass machine. These preclinical studies additionally indicated that administration of a C5 Inhibitor reduces cardiac damage associated with reduced heart blood flow.

CLINICAL TRIALS

In March 1996, we filed an investigational new drug application, or IND, with the FDA for 5G1.1-SC, targeting the treatment of patients undergoing cardiopulmonary bypass surgery. To date, we have initiated and completed four human clinical trials of 5G1.1-SC administered intravenously. Although we designed these early clinical studies primarily to assess dosing and safety, we also collected biological and clinical results. These trials are described below.

- In June 1996, we commenced a Phase I clinical trial in 33 healthy volunteers receiving a single bolus administration of 0.5 to 2.0 mg/kg of 5G1.1-SC or placebo. In this trial, 5G1.1-SC:
  - was safe and well tolerated in this study population as compared to placebo; and
  - showed dose-dependent reduction in complement activity in study subjects.
- In October 1998, we commenced a Phase I clinical trial in 49 healthy volunteers receiving a single bolus dose, double bolus dose, and single bolus dose followed by continuous infusion administration of up to 6.8 mg/kg of 5G1.1-SC or placebo. In this trial, 5G1.1-SC:
  - was safe and well tolerated in this study population as compared to placebo; and
  - showed dose-dependent reduction in complement activity in study subjects.
- In October 1996, we commenced a Phase I/II clinical trial in 17 patients undergoing cardiopulmonary bypass surgery receiving a single bolus administration of 0.5 to 2.0 mg/kg of 5G1.1-SC or placebo. In this trial, 5G1.1-SC:
  - was safe and well tolerated in this study population as compared to placebo; and
  - showed a dose-dependent reduction in the more than ten-fold increase in activated complement byproducts experienced by placebo-treated patients.
- In August 1997, we commenced a Phase IIa clinical trial in 18 patients undergoing cardiopulmonary bypass surgery receiving a single bolus administration of 1.0 or 2.0 mg/kg of 5G1.1-SC or placebo. In this trial, 5G1.1-SC:
  - was safe and well tolerated in this study population as compared to placebo; and
  - showed dose-dependent reductions in activated complement byproducts.

In April 1998, we announced the combined results of our Phase I/II and Phase IIa trials in cardiopulmonary bypass surgery patients. The results for patients treated with either a 2.0 mg/kg bolus of 5G1.1-SC or placebo are shown in the table below.

CLINICAL RESULTS OF A SINGLE 2.0 MG/KG DOSE OF 5G1.1-SC
IN PATIENTS UNDERGOING CARDIOPULMONARY BYPASS

BIOLOGICAL AND CLINICAL MEASUREMENTS	5G1.1-SC VS. PLACEBO
C5 complement activation	100% less*
C3 complement activation	No difference
Leukocyte activation	60% to 70% less*+
Heart tissue damage	40% less*
New cognitive deficits	80% less*
Blood loss	400 ml less*

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* P less than or equal to .05 vs. placebo

\+ Includes both patients treated with 1.0 mg/kg 5G1.1-SC and patients treated with 2.0 mg/kg 5G1.1-SC

In January 1999, we announced that we had commenced dosing patients undergoing coronary artery bypass graft surgery with or without accompanying valve surgery during cardiopulmonary bypass in a Phase IIb clinical trial with 5G1.1-SC. This multi-center, double-blinded, randomized, placebo-controlled study is expected to enroll approximately 1,000 patients and is designed to gather clinical data to augment and extend previous findings regarding the safety profile and pharmacokinetics of 5G1.1-SC and its efficacy in reducing the life-threatening inflammatory complications, such as mortality, myocardial infarction, heart failure and stroke, that can be triggered by cardiopulmonary bypass procedures.

ACUTE MYOCARDIAL INFARCTION

Myocardial infarction is an acute cardiovascular disorder in which the coronary arteries, the blood vessels that supply nutrients to the heart muscle, are blocked to such an extent that the flow of blood is insufficient to supply enough oxygen and nutrients to keep the heart muscle alive. With insufficient supply of blood, oxygen, and nutrients, the heart muscle may subsequently infarct or die. Upon the reduction in flow in the coronary artery, a complex cascade of inflammatory events involving complement proteins, platelets and leukocytes and their secreted factors, and endothelial cells commences within the blood vessel. In patients suffering a myocardial infarction, activated complement byproducts are significantly elevated. This severe inflammatory response targeting the area of insufficient blood flow to cardiac muscle is associated with subsequent death of heart muscle. Restoration of blood flow is also associated with an additional inflammatory reaction with concomitant production of activated complement byproducts. In addition to the high incidence of sudden cardiac death at the onset, severe complications associated with the initial survival of an acute myocardial infarction include congestive heart failure, stroke, and death. The American Heart Association estimates that approximately 1.0 million people in the United States will have a heart attack in 1999.

We are developing 5G1.1-SC to inhibit inflammation associated with complement activation in order to reduce the extent of death of heart muscle in patients suffering an acute myocardial infarction. In contrast, most drugs currently being developed or on the market to treat myocardial infarction are designed to improve blood flow through the heart, rather than treating the damaging effects of inflammation caused by myocardial infarction. We and our scientific collaborators have performed preclinical studies in rodents which have demonstrated that administration of a C5 Inhibitor during periods of insufficient supply of blood to the heart muscle and prior to restoration of normal flow to the heart muscle significantly reduced the extent of subsequent death of heart muscle compared to control animal studies.

Additionally, administration of a C5 Inhibitor significantly reduced the extent of cardiac damage associated with reduced heart blood flow without subsequent restoration of blood flow. The results of these preclinical studies are shown in the table below.

PRECLINICAL RESULTS WITH C5 INHIBITOR ADMINISTRATION
IN ANIMAL MODELS OF MYOCARDIAL INFARCTION

BIOLOGICAL AND CLINICAL MEASUREMENTS	C5 INHIBITOR VS. PLACEBO
Complement activity	100% less*
Leukocyte activation	> 90% less*
Heart tissue damage	50% less*

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* P less than or equal to .05 vs. placebo

CLINICAL TRIALS

In October 1998, we commenced dosing subjects in a Phase I clinical trial in healthy individuals that was designed to evaluate dosing regimens for subsequent cardiopulmonary bypass and myocardial infarction clinical trials. We have used the results of this trial to select dosing regimens for subsequent clinical trials in acute myocardial infarction patients. The results of this trial indicated that 5G1.1-SC was well tolerated at doses more than three times as high as had been previously administered. Together with our collaborator Procter & Gamble, we expect to file in 1999 an IND for use of 5G1.1-SC in two Phase II trials with approximately 1,000 patients each for the treatment of acute myocardial infarction.

5G1.1

5G1.1 is a humanized, monoclonal antibody that blocks complement activity for one to two weeks at doses tested and is designed for the chronic treatment of autoimmune diseases such as rheumatoid arthritis and nephritis. 5G1.1 is not included in the collaboration with Procter & Gamble, and we have retained full rights to 5G1.1.

RHEUMATOID ARTHRITIS

Rheumatoid arthritis is an autoimmune disease directed at various organ and tissue linings, including the lining of the joints, causing inflammation and joint destruction. Clinical signs and symptoms of the disease include weight loss, joint pain, morning stiffness and fatigue. Further, the joint destruction can progress to redness, swelling and pain with frequent and severe joint deformity. Diagnostic procedures, which may include obtaining a sample of joint fluid, routinely demonstrate substantial elevations in the levels of activated complement byproducts in the joint fluid of affected rheumatoid arthritis patients. Rheumatoid arthritis is generally believed to be caused by different types of white blood cells, including T-cells, which both directly attack the patient's joints and also activate B-cells to produce antibodies which activate complement proteins in the joint leading to inflammation with subsequent tissue and joint destruction. It is estimated that more than 2.0 million people are currently affected by rheumatoid arthritis in the United States.

We are developing 5G1.1 for the treatment of patients with chronic inflammatory diseases, including rheumatoid arthritis. We have performed preclinical studies in rodent models of rheumatoid arthritis which have shown that C5 Inhibitor administration, as compared to placebo-treated subjects:

- reduced the swelling in joints;

- prevented the onset of erosion of joints;

- reduced the inflammatory white blood cell infiltration into the joints;

- prevented the spread of disease to additional joints;

- blocked the onset of clinical signs of rheumatoid arthritis; and

- ameliorated established disease.

Currently, there are a large number of anti-inflammatory drugs under development or on the market for the treatment of patients with rheumatoid arthritis. These drugs include non-steroidal anti-inflammatory drugs, and their more recent analog the COX-2 inhibitors, which generally treat the symptoms of the disease, but do not alter disease progression. There are also several currently available drugs that are disease-modifying agents, but these are associated with undesirable side effects. More recently, tumor necrosis factor, or TNF, inhibitors have been approved or are under development to reduce the inflammatory response. TNF is one of the many injurious substances that may be generated downstream of the complement cascade. In contrast to these single agent inhibitors like TNF inhibitors, by acting at C5 of the complement cascade, we expect 5G1.1 both to block complement activation and reduce the production of many of these downstream harmful substances. Because of this dual action, we believe that 5G1.1 may provide a more potent anti-inflammatory effect.

CLINICAL TRIALS

In December 1997, we filed an IND with the FDA for 5G1.1 in the treatment of rheumatoid arthritis patients.

- In July 1998, we commenced a Phase I/II multi-center, clinical trial in 42 rheumatoid arthritis patients receiving a single bolus administration of 0.1 to 8.0 mg/kg of 5G1.1. In this trial, 5G1.1:

  -- was safe and well tolerated in this study population as compared to placebo;

  -- showed dose-dependent reduction in complement activity in study subjects; and

  -- at 8.0 mg/kg, showed a reduction in C-reactive protein blood levels in study subjects.

C-reactive protein is considered by many physicians to be the most objective component of the American College of Rheumatology's definition of efficacy criteria for rheumatoid arthritis drug trials. Although this initial clinical trial was designed to primarily assess dosing and safety, biological and clinical results were collected. These results in the patients treated with a 8.0 mg/kg bolus of 5G1.1, announced in April 1999, are shown in the table below.

CLINICAL RESULTS OF A SINGLE 8.0 MG/KG DOSE OF 5G1.1
IN PATIENTS WITH RHEUMATOID ARTHRITIS

BIOLOGICAL AND CLINICAL MEASUREMENTS	AFTER 5G1.1 TREATMENT VS. BEFORE 5G1.1 TREATMENT
Complement activity	100% reduction*
C-reactive protein blood level	30% decrease*

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* P less than or equal to .05 vs. before treatment

In August 1999, we initiated a Phase II multi-center, double-blinded, randomized, placebo-controlled clinical safety and efficacy trial with multiple doses of 5G1.1 at one to four week dosing intervals that is intended to enroll 200 rheumatoid arthritis patients.

MEMBRANOUS NEPHRITIS

The kidneys are responsible for filtering blood to remove toxic metabolites and maintaining the minerals and proteins in the blood that are required for normal metabolism. Each kidney consists of millions of individual filtering units, or glomeruli. When glomeruli are damaged, the kidney can no longer adequately maintain its normal filtering function. This may result in the build-up of toxins in the blood and the loss of valuable minerals and proteins in the urine. Clinically severe nephritis, or kidney inflammation, is found in many patients suffering from lupus and other autoimmune diseases. This condition occurs when more than 90% of the kidney is destroyed by disease. Kidney failure is frequently associated with:

- hypertension;

- strokes;

- infections;

- anemia;

- heart, lung and joint inflammation;

- coma; and

- death.

Many forms of damage to the glomeruli are mediated by the immune system, particularly by antibodies and activated complement proteins. Membranous nephritis is a form of kidney inflammation that is believed to be caused by a chronic autoimmune disorder that targets the kidney. We estimate that there are approximately 100,000 to 300,000 people currently afflicted with membranous nephritis in the United States.

Membranous nephritis is characterized by kidney inflammation and dysfunction that may eventually progress to kidney failure. Diagnostic criteria for membranous nephritis include kidney biopsies that may demonstrate the presence of antibodies and activated complement byproducts in the kidneys of affected patients. The subsequent kidney inflammation leads to the abnormal loss of substantial amounts of protein in the patient's urine; this condition is known as proteinuria and is recognized as an objective measurement of kidney disease. Loss of protein in the urine disturbs the normal control of water in the blood vessels and also is believed to directly further injure the kidney. Moreover, clinical studies by others have shown that the degree of proteinuria is associated with the incidence of subsequent kidney failure. Additional clinical signs associated with proteinuria may include:

- abnormally low levels of protein in the blood;

- a propensity for abnormal clotting;

- abnormal lipid elevations; and

- substantial swelling in the abdomen and under the skin.

Current therapies for membranous nephritis include potentially toxic drugs more frequently used in other indications such as cancer. These drugs generally act to suppress broadly the proliferation of many types of cells, including white blood cells. We believe that the use of such therapies is generally limited due to their unfavorable side effects. Even with current therapies, in such a severe disease population more than 30% of the patients are expected to progress to renal failure, which may require dialysis or transplantation. In contrast, 5G1.1 directly targets the inhibition of deleterious complement activation. We believe 5G1.1 may exert more selective and effective anti-inflammatory activity without the adverse effects associated with current therapies.

We have performed preclinical studies in rodent models of nephritis and observed that C5 Inhibitor administration, as compared to placebo-treated subjects, substantially reduced:

- scarring of the kidney;

- breakdown of kidney tissue into the urine;

- clogging of the kidney filtering units; and

- proteinuria.

CLINICAL TRIALS

We are developing 5G1.1 for a family of kidney and kidney-related chronic autoimmune disorders, which include membranous nephritis, lupus nephritis, and lupus. Our strategy is to develop 5G1.1 in kidney disease by initially obtaining safety data in the more readily available lupus patient population and then to commence efficacy trials in patients with a kidney disorder known as membranous nephritis. We are initially starting efficacy trials with 5G1.1 for the treatment of membranous nephritis patients because of the more uniform clinical presentations of membranous nephritis patients as compared to lupus patients. We then intend to expand our efforts to conduct advanced clinical trials in other kidney diseases and lupus.

The results of our initial clinical trial in lupus patients are described below.

- In July 1998, we commenced a Phase I single-center, clinical study in 24 lupus patients receiving a single bolus administration of 0.1 to 8.0 mg/kg of 5G1.1 or placebo. In this trial, 5G1.1:

  -- was safe and well tolerated in this study population as compared to placebo;

  -- showed dose-dependent reduction in complement activity in study subjects; and

  -- at 8.0 mg/kg, resulted in significantly lower incidence of proteinuria in study subjects as compared to placebo.

Although we designed this initial clinical trial to assess primarily dosing and safety, we also collected biological and clinical results. These results in the patients treated with a 8.0 mg/kg bolus of 5G1.1, announced in June 1999, are shown in the table below.

CLINICAL RESULTS OF A SINGLE 8.0 MG/KG DOSE
OF 5G1.1 IN PATIENTS WITH LUPUS

BIOLOGICAL AND CLINICAL MEASUREMENTS	5G1.1 VS. PLACEBO
Complement activity	100% less*
Incidence of proteinuria	100% less*

* P less than or equal to .05 vs. placebo

In August 1999, we commenced a Phase II multi-center, double-blinded, randomized, placebo-controlled clinical safety and efficacy trial with multiple doses of 5G1.1 at two to four week dosing intervals that is intended to enroll 150 membranous nephritis patients.

LUPUS

Lupus is an autoimmune disorder that damages the brain, lungs, heart, joints and especially the kidneys. In lupus, antibodies deposit within particular organs causing complement activation, inflammation and tissue destruction. For decades, clinical studies by others have demonstrated the presence of complement activation in lupus patients undergoing flares. Studies have further shown an abundant deposition of activated complement proteins with localized inflammation in tissue biopsies from kidney or other tissues in lupus patients. The Lupus Foundation estimates that approximately 1.4 million people in the United States have lupus. Further, an estimated 70% of individuals afflicted with lupus have nephritis. Although lupus may affect people of either sex, women are 10 to 15 times more likely to suffer from the disease than men.

Patients with active lupus may have a broad range of symptoms related to the antibody and activated complement deposition and inflammation. Inflammation of the brain may cause seizures and other neurologic abnormalities. Inflammation of the heart may cause heart failure or sudden death. Lung inflammation causes shortness of breath. Lupus may also cause the swollen joints and arthritis. One of the most common complications associated with lupus, however, is kidney disease, which often leads to kidney failure requiring dialysis or transplantation.

Current therapies generally act to suppress broadly the proliferation of many types of cells, including white blood cells. In contrast, 5G1.1 directly targets the inhibition of deleterious complement activation. We believe 5G1.1 may exert more selective and effective anti-inflammatory activity without the adverse effects associated with current therapies.

We are developing 5G1.1 for the prevention and treatment of inflammation in lupus patients. We have performed preclinical studies in a rodent model of lupus. In this chronic rodent model that spontaneously develops a disease similar to lupus, substantially more animals treated with a C5 Inhibitor survived as compared to untreated control animals.

CLINICAL TRIALS

We filed an IND with the FDA in late December 1997 for 5G1.1 in the treatment of patients suffering from lupus and began a Phase I clinical trial in lupus patients in July 1998. As discussed above, in the Clinical Trials section of Membranous Nephritis, we announced results of a 24 patient, placebo-controlled clinical study in June 1999. This trial showed that a single dose of 5G1.1 was safe and well tolerated, reduced complement activity in a dose-dependent manner, and a single 8.0 mg/kg dose significantly lowered incidence of proteinuria.

APOGEN T-CELL IMMUNOTHERAPEUTIC PRODUCT CANDIDATES

MP4

MP4 is a recombinant protein consisting of two brain-derived proteins. These two proteins are believed to be major targets of disease-causing T-cells in patients with multiple sclerosis. MP4 is designed to bind specifically to, and induce cell suicide in, the small population of T-cells in multiple sclerosis patients which are responsible for attacking the patient's brain cells, while leaving the vast majority of uninvolved T-cells unaffected. In addition, MP4 is designed to induce other white blood cells to suppress other inflammatory cells.

MULTIPLE SCLEROSIS

Multiple sclerosis is an autoimmune disease of the central nervous system which hinders the ability of the brain and spinal cord to control movement, speech and vision. Multiple sclerosis can be severely debilitating; long-term disability is a common outcome. In severe cases, reduced motor strength may confine the patient to a wheelchair. Multiple sclerosis is widely believed to be caused by the attack of a patient's antigen-specific T-cells on the protective myelin sheath surrounding nerve cells in the central nervous system. According to the National Multiple Sclerosis Society, there are approximately 250,000 reported cases of multiple sclerosis in the United States.

Preclinical animal studies which we performed in an experimental rodent model of multiple sclerosis have demonstrated that administration of our proprietary Apogen multiple sclerosis drug candidate, MP4, at the time of disease induction, effectively prevents the development of severe neurologic disease. These studies also demonstrated that administration of MP4 after the onset of disease ameliorates established disease by both eliminating disease-causing T-cells and by inducing other T-cells to further suppress inflammation.

In February 1998, we filed an IND with the FDA for MP4 for the treatment of patients suffering from multiple sclerosis. After completion of additional preclinical studies and amendment of the clinical protocol in line with the preferred route of administration, we may initiate a Phase I/II clinical trial in multiple sclerosis patients.

THE UNIGRAFT XENOTRANSPLANTATION PROGRAM

Most transplant procedures today are whole organ transplants. We believe that there is a far greater number of patients with medical disorders, such as Parkinson's disease and spinal cord injury, that are caused by the functional loss of highly specialized cells. The number of these patients is likely to grow due to both the aging of the population, with subsequent increase in the incidence of degenerative diseases, as well as the increasing incidence of trauma. Therefore, cell transplantation could be an important benefit to a large number of previously untreated, or severely under-treated patients suffering from severe medical disorders. However, since there are no human donors of such specialized cells, there is currently no available supply of such cells for replacement therapy. Further, the immune system prevents the transplantation of cells from other species, known as xenografts, as they are recognized by the immune system as foreign and they are rejected. We are developing a portfolio of UniGraft immunoregulatory technologies designed to permit the therapeutic transplantation of such cells without rejection.

Although approximately 20,000 people received whole organ transplants in the United States in 1998, there are many times that number of patients who have disorders that may be amenable to cell or tissue transplantation. It is estimated that this broader population includes approximately 200,000 patients suffering from spinal cord injury and 1.0 million individuals with Parkinson's disease. In particular, we believe that use of a safe and effective cell transplantation therapy for patients with spinal cord injury or Parkinson's disease would represent major therapeutic advances.

In February 1999, we terminated our collaboration agreement with US Surgical under which we were jointly developing a xenotransplantation program. As part of the termination, we obtained the exclusive rights to that program. We also acquired manufacturing assets that had been developed by US Surgical in connection with the program. We financed the purchase of the manufacturing assets through a $3.9 million term note payable to US Surgical. Interest is 6.0% per year and is payable quarterly. The principal balance under the note is due in May 2005. Security for this term note is the manufacturing assets that we purchased.

NEUROLOGIC CELL TRANSPLANTATION

We have developed methods of blocking the immune system which are designed to permit the replacement of damaged human brain and other neurologic cells with potentially highly therapeutic genetically modified porcine cells.

Rejection of non-human tissue by patients is generally believed to occur in two stages:

- hyperacute phase, which is very rapid, extending from minutes to hours; and

- acute phase, which is somewhat less rapid, extending from days to months.

Hyperacute rejection is generally believed to be mediated by naturally-occurring antibodies in the patient, most of which target a sugar antigen uniquely present on the surface of non-human tissue but not on the patient's own tissue. After binding to the foreign tissue, these antibodies stimulate the activation of the recipient's inactive complement proteins on the surface of the donor tissue with subsequent destruction of the donor tissue. Subsequently, acute rejection of xenografts is generally believed to be mediated by white blood cells.

We are designing UniGraft cell products to resist complement/antibody-mediated hyperacute rejection. We have commenced preclinical studies employing the UniGraft technologies during transplantation of genetically modified and proprietary porcine cells that are resistant to destruction by human complement proteins. We are currently focusing our immunoregulatory and molecular engineering technologies primarily on the development of UniGraft cells to treat Parkinson's disease and injuries to the spinal cord.

SPINAL CORD INJURY

In spinal cord injury patients, conduction of nerve signals between the brain and those nerve cells below the injury site in the spinal cord is blocked. These patients experience impaired or loss of normal bodily functions, including the sense of touch and the ability to move. Since the level of injury differs between patients, the degree and type of impairment also differs. Motor vehicle crashes are the leading cause of spinal cord injury in the U.S. Additionally, patients may develop spinal cord injury following traumatic injuries or, less commonly, following an autoimmune disorder known as transverse myelitis. According to the National Spinal Cord Injury Association, approximately 200,000 individuals in the United States suffer from debilitating spinal cord injury.

Steroids are the most common therapy for patients with spinal cord injury. If administered to a patient within a very short time following the injury, steroids are believed to limit initial swelling in the area of the injury. However, steroid administration is not believed to allow nerve cells to regenerate nor is it believed to reverse existing clinical disability.

Our UniGraft spinal cord injury cell therapy candidate, UniGraft-SCI, consists of genetically modified pig cells. In preclinical rodent models of spinal cord injury, these cells have been shown to:

- engraft at sites of spinal cord injury;

- ensheath damaged nerve cells with a protective myelin sheath; and

- restore conduction following partial cutting of the spinal cord.

We are currently performing additional preclinical studies in this program and optimizing manufacturing methods.

PARKINSON'S DISEASE

Parkinson's disease is a progressive neurological disorder that is characterized by a decrease in spontaneous movements and an increase in tremor. Nerve cells in the brain which produce dopamine degenerate in these patients. Dopamine is an important messenger in the brain without which normal neurological activities are impaired. According to the National Parkinson Foundation, Parkinson's disease is currently believed to affect over 1.0 million Americans.

The current drugs for Parkinson's disease act to non-specifically increase dopamine throughout the body but can cause harmful side effects. We believe that these therapies are unable to adequately restore levels of dopamine specifically in damaged areas of the brain.

Our UniGraft Parkinson's disease cell therapy candidate, UniGraft-PD, consists of genetically modified pig cells that, after transplant into rodents with Parkinson's disease-like lesions:

- engraft into the brain;

- extend and make connections with the damaged areas of the brain;

- locally produce enzymes to restore dopamine levels; and

- restore brain function.

We are currently performing additional preclinical studies in this program and optimizing manufacturing methods.

STRATEGIC ALLIANCE WITH PROCTER & GAMBLE

In January 1999, we entered into an exclusive collaboration with Procter & Gamble to develop and commercialize 5G1.1-SC. Under this collaboration, we will initially pursue the development of 5G1.1-SC for the treatment of inflammation caused by cardiopulmonary bypass surgery, myocardial infarction and

angioplasty. Procter & Gamble has agreed to fund all clinical development and manufacturing costs relating to 5G1.1-SC for these indications. In addition, under this agreement, Procter & Gamble has agreed to pay us up to $95 million in payments, which include a non-refundable upfront license fee, as well as milestone and research and development support payments. In addition, we will receive royalties on worldwide sales of 5G1.1-SC for all indications. We also have a preferred position relative to third-party manufacturers to manufacture 5G1.1-SC worldwide. We share co-promotion rights with Procter & Gamble to sell, market and distribute 5G1.1-SC in the United States, and have granted Procter & Gamble the exclusive rights to sell, market and distribute 5G1.1-SC outside of the United States. Through July 31, 1999, we received $17.8 million from Procter & Gamble, including a non-refundable upfront license fee of $10.0 million and $7.8 million in research and development support payments. Our collaboration with Procter & Gamble does not involve any of our other product candidates.

GRANTS FROM ADVANCED TECHNOLOGY PROGRAM AND NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

In August 1995, we were awarded cost-shared funding from the U.S. Commerce Department's National Institute of Standards and Technology under its Advanced Technology Program. Through the program, we may receive up to approximately $2.0 million over three years to support our UniGraft cell, tissue, and organ transplantation programs. Through July 31, 1999, we have received approximately $1.9 million under this award. In September 1998, the three-year period was amended to extend to September 1999.

In November 1997, both ourselves and US Surgical were awarded a three-year $2.0 million cooperative agreement from NIST under its Advanced Technology Program for funding a joint xenotransplantation project. In February 1999, this funding was amended to a single company award to us with our reacquisition of the rights to all aspects of our xenotransplantation program from US Surgical which had been acquired by Tyco International Ltd. Through July 31, 1999, we had received approximately $322,000 under this award.

In October 1998, we were granted our third award under this program, a three-year grant supporting product development within our neurologic disorder transplantation program. Through the program, we may receive up to approximately $2.0 million over three years to support our UniGraft program to develop a spinal cord injury product within our neurologic disorder xenotransplantation program.

In October 1999, we were granted our fourth award under this program, a three-year grant supporting product development within our UniGraft program. Through the program, we may receive up to approximately $2.0 million over three years to support our production of UniGraft products.

MANUFACTURING

We obtain drug product to meet our requirements for preclinical studies using both internal and third-party contract manufacturing capabilities. At our headquarters in New Haven, Connecticut, we have pilot manufacturing facilities suitable for the fermentation and purification of certain of our recombinant compounds for clinical studies. Our pilot plant has the capacity to manufacture under cGMP regulations. We have also secured the production of clinical supplies of certain other recombinant products through third-party manufacturers. In each case, we have contracted product finishing, vial filling, and packaging through third parties.

To date, we have not invested in the development of commercial manufacturing capabilities. Although we have established a pilot manufacturing facility for the production of material for clinical trials for certain of our potential products, we do not have sufficient capacity to manufacture more than one drug candidate at a time or to manufacture our drug candidates for later stage clinical development or commercialization. In the longer term, we may contract the manufacture of our products for commercial sale or may develop large-scale manufacturing capabilities for the commercialization of some of our products. The key factors which will be given consideration when making the determination of which

products will be manufactured internally and which through contractual arrangements will include the availability and expense of contracting this activity, control issues and the expertise and level of resources required for us to manufacture products. If we are unable to develop or contract for additional manufacturing capabilities on acceptable terms, our ability to conduct human clinical testing will be materially adversely affected, resulting in delays in the submission of products for regulatory approval and in the initiation of new development programs, which could have a material adverse effect on our competitive position and our prospects for achieving profitability. In addition, as our product development efforts progress, we will need to hire additional personnel skilled in product testing and regulatory compliance.

SALES AND MARKETING

We currently have no sales, marketing, or distribution capabilities. We will need to establish or contract these capabilities to commercialize successfully any of our drug candidates. We may promote our products in collaboration with marketing partners or rely on relationships with one or more companies with established distribution systems and direct sales forces. Under our collaboration agreement, Procter & Gamble is obligated to sell, market and distribute worldwide 5G1.1-SC for all approved indications. We share with Procter & Gamble co-promotion rights for 5G1.1-SC in the United States. For other future drug products, as well as for 5G1.1-SC in the United States, we may elect to establish our own specialized sales force and marketing organization to market our products.

PATENTS AND PROPRIETARY RIGHTS

We believe that patents and other proprietary rights are important to our business. Our policy is to file patent applications to protect technology, inventions and improvements to our technologies that are considered important to the development of our business. We also rely upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain our competitive position.

We have filed several U.S. patent applications and international counterparts of certain of these applications. In addition, we have exclusively licensed several additional U.S. patents and patent applications. Of our owned and exclusively licensed patents and patent applications as of July 31, 1999, 13 relate to technologies or products in the C5 Inhibitor program, seven relate to the Apogen program, and 21 relate to the UniGraft program.

Our success will depend in part on our ability to obtain United States and foreign patent protection for our products, to preserve our trade secrets and proprietary rights, and to operate without infringing on the proprietary rights of third parties or having third parties circumvent our rights. Because of the length of time and expense associated with bringing new products through development and regulatory approval to the marketplace, the health care industry has traditionally placed considerable importance on obtaining patent and trade secret protection for significant new technologies, products and processes.

We are aware of broad patents owned by third parties relating to the manufacture, use, and sale of recombinant humanized antibodies, recombinant humanized single-chain antibodies and genetically engineered animals. We have received notice from certain of these parties regarding the existence of certain of these patents which the owners claim may be relevant to the development and commercialization of certain of our proposed products. With respect to certain of these patents which we believe are relevant for the expeditious development and commercialization of certain of our products as currently contemplated, we have acquired licenses. With regard to certain other patents, we have either determined in our judgment that our products do not infringe the patents or have identified and are testing various approaches which we believe should not infringe the patents and which should permit commercialization of our products.

It is our policy to require our employees, consultants, members of our scientific advisory board, and parties to collaborative agreements to execute confidentiality agreements upon the commencement of employment or consulting relationships or collaborations with us. These agreements provide that all confidential information developed or made known during the course of relationship with us is to be kept confidential and not to be disclosed to third parties except in specific circumstances. In the case of employees, the agreements provide that all inventions resulting from work performed for us, utilizing our property or relating to our business and conceived or completed by the individual during employment shall be our exclusive property to the extent permitted by applicable law.

GOVERNMENT REGULATION

The preclinical studies and clinical testing, manufacture, labeling, storage, record keeping, advertising, promotion, export, and marketing, among other things, of our proposed products are subject to extensive regulation by governmental authorities in the United States and other countries. In the United States, pharmaceutical products are regulated by the FDA under the Federal Food, Drug, and Cosmetic Act and other laws, including, in the case of biologics, the Public Health Service Act. At the present time, we believe that our products will be regulated by the FDA as biologics.

The steps required before a novel biologic may be approved for marketing in the United States generally include:

(1) preclinical laboratory tests and IN VIVO preclinical studies;

(2) the submission to the FDA of an IND for human clinical testing, which must become effective before human clinical trials may commence;

(3) adequate and well-controlled human clinical trials to establish the safety and efficacy of the product;

(4) the submission to the FDA of a biologics license application or BLA; and

(5) FDA review and approval of such application.

The testing and approval process requires substantial time, effort and financial resources. We cannot be certain that any approval will be granted on a timely basis, if at all. Prior to and following approval, if granted, the establishment or establishments where the product is manufactured are subject to inspection by the FDA and must comply with cGMP requirements enforced by the FDA through its facilities inspection program. Manufacturers of biological materials also may be subject to state regulation.

Preclinical studies include animal studies to evaluate the mechanism of action of the product, as well as animal studies to assess the potential safety and efficacy of the product. Compounds must be produced according to applicable cGMP requirements and preclinical safety tests must be conducted in compliance with FDA regulations regarding good laboratory practices. The results of the preclinical tests, together with manufacturing information and analytical data, are submitted to the FDA as part of an IND, which must become effective before human clinical trials may be commenced. The IND will automatically become effective 30 days after receipt by the FDA, unless the FDA before that time requests an extension to review or raises concerns about the conduct of the trials as outlined in the application. In such latter case, the sponsor of the application and the FDA must resolve any outstanding concerns before clinical trials can proceed. We cannot assure you that submission of an IND will result in FDA authorization to commence clinical trials.

Clinical trials involve the administration of the investigational product to healthy volunteers or to patients, under the supervision of a qualified principal investigator. Clinical trials are conducted in accordance with protocols that detail many items, including:

- the objectives of the study;

- the parameters to be used to monitor safety; and

- the efficacy criteria to be evaluated.

Each protocol must be submitted to the FDA as part of the IND. Further, each clinical study must be reviewed and approved by an independent institutional review board, prior to the recruitment of subjects.

Clinical trials typically are conducted in three sequential phases, but the phases may overlap. In Phase I, the initial introduction of the drug into human subjects, the drug is tested for safety and, as appropriate, for absorption, metabolism, distribution, excretion, pharmacodynamics and pharmacokinetics. Phase II usually involves studies in a limited patient population to:

- evaluate preliminarily the efficacy of the drug for specific, targeted indications;

- determine dosage tolerance and optimal dosage; and

- identify possible adverse effects and safety risks.

Phase III trials are undertaken to further evaluate clinical efficacy and to test further for safety within an expanded patient population at geographically dispersed clinical study sites. Phase I, Phase II or Phase III testing may not be completed successfully within any specific time period, if at all, with respect to any products being tested by a sponsor. Furthermore, the FDA may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk.

The results of the preclinical studies and clinical trials, together with detailed information on the manufacture and composition of the product, are submitted to the FDA as part of a BLA requesting approval for the marketing of the product. The FDA may deny approval of the application if applicable regulatory criteria are not satisfied, or if additional testing or information is required. Post-marketing testing and surveillance to monitor the safety or efficacy of a product may be required. FDA approval of any application may include many delays or never be granted. Moreover, if regulatory approval of a product is granted, such approval may entail limitations on the indicated uses for which it may be marketed. Finally, product approvals may be withdrawn if compliance with regulatory standards is not maintained or if safety or manufacturing problems occur following initial marketing. Among the conditions for approval is the requirement that the prospective manufacturer's quality control and manufacturing procedures conform to cGMP requirements. These requirements must be followed at all times in the manufacture of the approved product. In complying with these requirements, manufacturers must continue to expend time, monies and effort in the area of production and quality control to ensure full compliance.

Both before and after the FDA approves a product, the manufacturer and the holder or holders of the BLA for the product are subject to comprehensive regulatory oversight. Violations of regulatory requirements at any stage, including the preclinical and clinical testing process, the review process, or at any time afterward, including after approval, may result in various adverse consequences, including the FDA's delay in approving or refusal to approve a product, withdrawal of an approved product from the market, and/or the imposition of criminal penalties against the manufacturer and/or the license holder. In addition, later discovery of previously unknown problems may result in restrictions on a product, its manufacturer, or the license holder, including withdrawal of the product from the market. Also, new government requirements may be established that could delay or prevent regulatory approval of our products under development.

For clinical investigation and marketing outside the United States, we are also subject to foreign regulatory requirements governing human clinical trials and marketing approval for drugs. The foreign regulatory approval process includes all of the risks associated with FDA approval set forth above as well as country-specific regulations.

No xenotransplantation-based therapeutic product has been approved for sale by the FDA. The FDA has not yet established definitive regulatory guidelines for xenotransplantation, but has proposed interim guidelines in an attempt to reduce the risk of contamination of transplanted organ and cellular products with infectious agents. Definitive guidelines in the United States may never be issued, if at all. Current companies involved in this field, including ourselves, may not be able to comply with any federal final definitive guidelines that may be issued.

COMPETITION

Currently, many companies, including major pharmaceutical and chemical companies as well as specialized biotechnology companies, are engaged in activities similar to our activities. Universities, governmental agencies and other public and private research organizations also conduct research and may market commercial products on their own or through joint ventures. Many of these entities may have:

- substantially greater financial and other resources;

- larger research and development staffs;

- in the case of universities, lower labor costs; and/or

- more extensive marketing and manufacturing organizations.

Many of these companies have significant experience in preclinical testing, human clinical trials, product manufacturing, marketing and distribution and other regulatory approval procedures. They may also have a greater number of significant patents and greater legal resources to seek remedies for cases of alleged infringement of their patents by us to block, delay, or co-opt our own drug development process.

We compete with large pharmaceutical companies that produce and market synthetic compounds and with specialized biotechnology firms in the United States, Europe and elsewhere, as well as a growing number of large pharmaceutical companies that are applying biotechnology to their operations. Many biotechnology companies have focused their developmental efforts in the human therapeutics area, and many major pharmaceutical companies have developed or acquired internal biotechnology capabilities or have made commercial arrangements with other biotechnology companies. A number of biotechnology and pharmaceutical companies are developing new products for the treatment of the same diseases being targeted by us; in some instances these products have already entered clinical trials. Other companies are engaged in research and development based on complement proteins, T-cell therapeutics, gene therapy and xenotransplantation.

Each of Avant Immunotherapeutics, Inc., Leukosite Inc., Abbott Laboratories, Gliatech Inc. and Biocryst Pharmaceuticals Inc. has publicly announced intentions to develop complement inhibitors to treat diseases related to trauma, inflammation or certain brain or nervous system disorders. Avant has initiated clinical trials for a proposed complement inhibitor to treat acute respiratory distress syndrome, myocardial infarction, and lung transplantation. We are aware that Pfizer, Inc., SmithKline Beecham Plc, and Merck & Co., Inc. are also attempting to develop complement inhibitor therapies. We believe that our potential C5 Inhibitors differ substantially from those of our competitors due to our compounds' demonstrated ability to specifically intervene in the complement cascade at what we believe to be the optimal point so that the disease-causing actions of complement proteins generally are inhibited while the normal disease-preventing functions of complement proteins generally remain intact as do other aspects of immune function.

We further believe that, under conditions of inflammation, a complement inhibitor compound which only indirectly addresses the harmful activity of complement may be bypassed by pathologic mechanisms present in the inflamed tissue. Each of Bayer AG, Immunex Corp., Pharmacia & Upjohn Inc. and Rhone-Poulenc SA sells a product which is used clinically to reduce surgical bleeding during cardiopulmonary bypass surgery, but has little beneficial effect on other significant inflammatory morbidities associated with

cardiopulmonary bypass surgery. We believe that each of these drugs does not significantly prevent complement activation and subsequent inflammation that lead to organ damage and blood loss during cardiopulmonary bypass surgery, but instead each drug attempts to reduce blood loss by shifting the normal blood thinning/blood clotting balance in the blood towards enhanced blood clotting.

Nextran Inc., a subsidiary of Baxter International Inc., and Imutran Ltd., a wholly-owned subsidiary of Novartis Pharma AG, are seeking to develop pig cell xenograft technology. Novartis Pharma AG is also collaborating with Biotransplant Inc. to commercially develop xenograft organs. We are aware that Diacrin Inc. and Genzyme Tissue Repair, Inc. are working in this field.

EMPLOYEES

As of October 1, 1999, we had 90 full-time employees, of which 81 were engaged in research, development, manufacturing, and clinical development, and nine in administration and finance. Doctorates are held by 28 of our employees. Each of our employees has signed a confidentiality agreement.

ITEM 2. PROPERTIES.

FACILITIES

Our headquarters, research and development facility, and pilot manufacturing facility are located in New Haven, Connecticut, within close proximity to Yale University. At this facility, we lease and occupy a total of approximately 60,000 square feet of space, which includes approximately 30,000 square feet of research laboratories and 10,000 square feet of space dedicated to the pilot manufacturing facility. We lease our facilities under three operating leases which expired in December 1997, June 1998, and March 1999. We are currently continuing the leases on a month-to-month basis while lease extensions are under discussion. Current monthly rental on the facilities is approximately $36,000.

Our pilot manufacturing plant is currently being utilized for producing compounds for our current clinical trials. We believe the laboratory space will be adequate for our current research and development activities. In addition through a wholly-owned subsidiary, we own a transgenic manufacturing facility located in the Northeast.

ITEM 3. LEGAL PROCEEDINGS.

The Company is not a party to any material legal proceeding.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is quoted on The Nasdaq National Market under the symbol "ALXN." The following table sets forth the range of high and low sales prices for our common stock on The Nasdaq National Market for the periods indicated since August 1, 1997.

FISCAL 1998	HIGH	LOW
First Quarter (August 1, 1997 to October 31, 1997)	$16.00	$ 9.25
Second Quarter (November 1, 1997 to January 31, 1998)	$14.88	$ 9.88
Third Quarter (February 1, 1998 to April 30, 1998)	$15.00	$12.13
Fourth Quarter (May 1, 1998 to July 31, 1998)	$13.75	$ 8.00

FISCAL 1999	HIGH	LOW
First Quarter (August 1, 1998 to October 31, 1998)	$10.25	$ 5.50
Second Quarter (November 1, 1998 to January 31, 1999)	$17.75	$ 8.38
Third Quarter (February 1, 1999 to April 30, 1999)	$14.25	$ 8.38
Fourth Quarter (May 1, 1999 to July 31, 1999)	$12.75	$ 8.75

As of October 1, 1999, we had 158 stockholders of record of our common stock and an estimated 2,500 beneficial owners. The closing sale price of our common stock on October 1, 1999 was $15.19 per share.

DIVIDEND POLICY

We have never paid cash dividends. We do not expect to declare or pay any dividends on our common stock in the foreseeable future. We intend to retain all earnings, if any, to invest in our operations. The payment of future dividends is within the discretion of our board of directors and will depend upon our future earnings, if any, our capital requirements, financial condition and other relevant factors.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA.

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	FISCAL YEAR ENDED JULY 31,				
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:	1999	1998	1997	1996	1995
Contract research revenues	$18,754	$ 5,037	$ 3,811	$ 2,640	$ 136
Operating expenses:					
Research and development	23,710	12,323	9,079	6,629	5,637
General and administrative	2,953	2,666	2,827	1,843	1,592
Total operating expenses	26,663	14,989	11,906	8,472	7,229
Operating loss	(7,909)	(9,952)	(8,095)	(5,832)	(7,093)
Other income (expense), net	1,514	2,087	843	397	(29)
Net loss	(6,395)	(7,865)	(7,252)	(5,435)	(7,122)
Preferred stock dividends	--	(900)	--	--	--
Net loss applicable to common shareholders	$(6,395)	$(8,765)	$(7,252)	$(5,435)	$(7,122)
Net loss per common share, basic and diluted	$ (0.57)	$ (0.87)	$ (0.97)	$ (1.02)	$ (2.02)
Shares used in computing net loss per common share	11,265	10,056	7,451	5,351	3,528

	AS OF JULY 31,				
CONSOLIDATED BALANCE SHEET DATA:	1999	1998	1997	1996	1995
Cash, cash equivalents, and marketable securities	$28,328	$37,494	$22,749	$18,598	$5,701
Total current assets	35,662	37,840	22,981	19,064	5,874
Total assets	44,374	42,085	24,260	20,454	7,927
Notes payable, less current portion	4,383	832	--	128	456
Total stockholders' equity	33,301	39,190	21,846	18,285	5,119

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS WHICH INVOLVE RISKS AND UNCERTAINTIES. SUCH STATEMENTS ARE SUBJECT TO CERTAIN FACTORS WHICH MAY CAUSE OUR PLANS AND RESULTS TO DIFFER SIGNIFICANTLY FROM PLANS AND RESULTS DISCUSSED IN FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN "IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS" ATTACHED HERETO AS EXHIBIT 99.

OVERVIEW

Since our inception in January 1992, we have devoted substantially all of our resources to drug discovery, research and product development. In 1998, we began to focus more of our resources to clinical testing and trials. We are conducting clinical trials of our two lead product candidates, 5G1.1-SC for the treatment of inflammation caused by cardiopulmonary bypass surgery and 5G1.1 for the chronic treatment of rheumatoid arthritis and membranous nephritis. To date, we have not received any revenues from the sale of products. We have incurred operating losses since our inception. As of July 31, 1999, we had an accumulated deficit of $47.0 million. We expect to incur substantial and increasing operating losses for the next several years due to expenses associated with:

- product research and development;

- preclinical studies and clinical testing;

- regulatory activities;

- manufacturing development and scale-up; and

- developing a sales and marketing force.

RESULTS OF OPERATIONS

FISCAL YEARS ENDED JULY 31, 1999, 1998 AND 1997

We earned contract research revenues of $18.8 million for the fiscal year ended July 31, 1999, $5.0 million for the fiscal year ended July 31, 1998, and $3.8 million for the fiscal year ended July 31, 1997. The increase in the fiscal year ended July 31, 1999 as compared to the fiscal year ended July 31, 1998 was primarily due to a non-refundable license fee of $10.0 million which we received from Procter & Gamble in February 1999 in exchange for rights to sell, market and distribute 5G1.1-SC. Additionally, during fiscal year ended July 31, 1999, we received $7.8 million in contract revenues from Procter & Gamble under our collaborative research and development agreement. The increase in the fiscal year ended July 31, 1998 as compared to the fiscal year ended July 31, 1997 was primarily due to revenues of $3.5 million which we received from United States Surgical Corporation in exchange for licensing rights and other xenotransplantation manufacturing assets. The revenues in the fiscal year ended July 31, 1997 consisted principally of contract revenues of $1.8 million from US Surgical and $1.1 million from Genetic Therapy, Inc., a subsidiary of Novartis.

During the fiscal year ended July 31, 1999, we incurred expenses of $23.7 million, on research and development activities. In the fiscal year ended July 31, 1998, we incurred expenses of $12.3 million, and in the fiscal year ended July 31, 1997 we incurred expenses of $9.1 million in research and development activities.

Our increase in research and development expenses in the fiscal year ended July 31, 1999 as compared to the fiscal year ended July 31, 1998 was primarily attributable to an expansion of the clinical trials of our lead C5 Inhibitor product candidates and process manufacturing development for our C5 Inhibitor product

candidates. In the fiscal year ended July 31, 1998, research and development expenses increased $3.2 million as compared to the fiscal year ended July 31, 1997 due principally to expanded preclinical development of our research programs and process development for our C5 Inhibitor and Apogen product candidates.

Our general and administrative expenses were $3.0 million for the fiscal year ended July 31, 1999, $2.7 million for the fiscal year ended July 31, 1998, and $2.8 million for the fiscal year ended July 31, 1997. The increase in general and administrative expenses in the fiscal year ended July 31, 1999 was primarily related to higher recruiting expenses, legal expenses related to business development and patent costs in the fiscal year ended July 31, 1999 as compared to the fiscal year ended July 31, 1998. The decrease in general and administrative expenses in the fiscal year ended July 31, 1998 was primarily related to lower legal and patent costs in the fiscal year ended July 31, 1998 as compared to the fiscal year ended July 31, 1997.

Other income (expense), net, representing primarily net investment income, was $1.5 million for the fiscal year ended July 31, 1999, $2.1 million for the fiscal year ended July 31, 1998, and $843,000 for the fiscal year ended July 31, 1997. The decrease in the fiscal year ended July 31, 1999 was due to lower cash balances available for investment as compared to the fiscal year ended July 31, 1998. The increase in the fiscal year ended July 31, 1998 was due to higher cash balances available for investment as compared to the fiscal year ended July 31, 1997.

As a result of the above factors, we had incurred net losses of $6.4 million for the fiscal year ended July 31, 1999, $7.9 million for the fiscal year ended July 31, 1998, and $7.3 million for the fiscal year ended July 31, 1997.

LIQUIDITY AND CAPITAL RESOURCES

Since our inception in January 1992, we have financed our operations and capital expenditures principally through private placements of our common and preferred stock, an initial public offering of our common stock, equipment and leasehold improvements financing, other debt financing and payments under corporate collaborations.

In the fiscal year ended July 31, 1998, we financed the purchase of laboratory and process development equipment and leasehold improvements through a $1.2 million secured term loan from a commercial bank. Principal payments of $92,000 are payable quarterly through August 2001. As of July 31, 1999, the outstanding balance on this term loan was $831,000. Principal is due with interest at a variable rate which is reset quarterly. As of July 31, 1999, the annualized interest rate was 7.1%. The term loan agreement requires us to maintain a restricted cash balance equal to 115.0% of the outstanding loan balance plus accrued interest in an interest earning money market account as security for the note.

In February 1999, we acquired the manufacturing assets, principally land, buildings and laboratory equipment, for the xenotransplantation program developed by US Surgical. We financed the purchase of the manufacturing assets through a $3.9 million term note payable to US Surgical. Interest is 6.0% per annum and is payable quarterly. The principal balance under the note is due in May 2005. Security for this term note is the manufacturing assets that we purchased.

As of July 31, 1999, our cash, cash equivalents, and marketable securities totaled $28.3 million. At July 31, 1999, our cash and cash equivalents consisted of $24.2 million of cash we hold in short-term highly liquid investments with original maturities of less than three months. As of July 31, 1999, we have invested $10.8 million in property and equipment to support our research and development efforts. We anticipate our research and development expense will increase significantly for the foreseeable future to support our clinical and manufacturing development of our product candidates.

We lease our administrative office and research and development facilities under three operating leases which expired in December 1997, June 1998 and March 1999. We are currently continuing the leases

on a month-to-month basis while participating in ongoing discussions for new leases of our current facilities.

Procter & Gamble has agreed to fund all clinical testing of our C5 Inhibitor, 5G1.1-SC, initially for use in cardiopulmonary bypass surgery, myocardial infarction and angioplasty. The Procter & Gamble collaboration does not involve any of our other product candidates.

We anticipate that our existing available capital resources and interest earned on available cash and marketable securities should be sufficient to fund our operating expenses and capital requirements as currently planned for at least the next 18 months. While we currently have no material commitments for capital expenditures, our future capital requirements will depend on many factors, including:

- progress of our research and development programs;

- progress and results of clinical trials;

- time and costs involved in obtaining regulatory approvals;

- costs involved in obtaining and enforcing patents and any necessary licenses;

- our ability to establish development and commercialization relationships; and

- costs of manufacturing scale-up.

We expect to incur substantial additional costs, for:

- research;

- preclinical studies and clinical testing;

- manufacturing process development;

- additional capital expenditures related to personnel, and facilities expansion; and

- manufacturing requirements.

In addition to funds we may receive from our collaboration with Procter & Gamble, we will need to raise or generate substantial additional funding in order to complete the development and commercialization of our product candidates. In addition, if and when we achieve contractual milestones related to product development and product license applications and approvals, additional payments would be required if we elect to continue and maintain our licenses with our licensors, aggregating up to a maximum of $2.0 million. Our additional financing may include public or private debt or equity offerings, bank loans and/or collaborative research and development arrangements with corporate partners.

For tax reporting purposes, as of July 31, 1999, we had approximately $44.1 million of federal net operating loss carryforwards which expire through 2019 and $2.2 million of tax credit carryforwards which expire commencing in fiscal 2008. Provisions of the Tax Reform Act of 1986 may limit our ability to utilize net operating loss and tax credit carryforwards in any given year if certain events occur, including a provision relating to cumulative changes in ownership interests in excess of 50% over a three-year period. We cannot assure you that our ability to utilize the net operating loss and tax credit carryforwards in future years will not be limited as a result of a change in ownership.

YEAR 2000

The Year 2000 issue, or Y2K, refers to potential problems with computer systems or any equipment with computer chips or software that use dates where the date has been stored as just two digits. On January 1, 2000, any clock or date recording mechanism incorporating date sensitive software which uses only two digits to represent the year may recognize a date using "00" as the Year 1900 rather than the Year 2000. This could result in a system failure or miscalculations causing disruption of operations, including,

among other things, a temporary inability to process transactions, perform laboratory analyses, or engage in similar business activities.

We are a biotechnology company and our proposed product candidates are not software or computer based. Therefore, our proposed products are not directly impacted by the Y2K problem. Our exposure to potential risks from this problem involves computer and information technology systems, and other systems which include embedded technology using date sensitive programs such as for:

- heating, ventilation, air conditioning, or HVAC;

- scientific instrumentation; and

- laboratory facilities.

Our internal information systems consist of off-the-shelf accounting and e-mail systems, off-the-shelf application programs such as spreadsheet, word processing, graphics, database management, and presentation software, and certain instrumentation/data acquisition software. Non-informational technology systems consist of HVAC and telecommunications.

We have taken actions to minimize the impact of the Y2K problem on our systems and operations, excluding a systemic failure outside our control, such as a prolonged loss of electrical or telephone service. We have inventoried and reviewed our systems, scientific instrumentation, and laboratory facilities, including querying third parties that have a material relationship with us, to ascertain Y2K compliance. Our review included examining information from our equipment and software vendors, literature supplied with software, and test evaluations of our systems. Based upon our work and knowledge to date, which included updating various software programs, we believe that the risk is minimal that our internal systems, scientific instrumentation, and laboratory facilities will be materially impacted by Y2K non-compliance disruptions. Most of our existing systems, scientific instrumentation, and laboratory facilities are Y2K compliant or are expected to be Y2K compliant by December 31, 1999.

Vendors for our off-the-shelf applications, including our accounting and e-mail systems, have informed us that their products are Y2K compliant. To date, our review has not disclosed otherwise. We have no reason to believe that these applications are not Y2K compliant. If these applications are not Y2K compliant, we expect, but cannot be certain, that the vendors will make appropriate upgrades available to all of their customers at no cost or at minimal cost. We believe that if it were necessary to replace our off-the-shelf software applications, such software could be replaced at reasonable costs. For example, the approximate replacement cost of our e-mail system would be $10,000.

We have identified a Y2K problem in our HVAC system. We have engaged an outside contractor to correct the Y2K problem. We believe that the cost of correcting this problem will be approximately $20,000 and expect the problem to be corrected in December 1999 during a regularly scheduled maintenance cycle. As a result of our personnel expansion, we upgraded our telecommunication system, whether or not it had a Y2K problem. The cost of this upgrade, which is Y2K compliant, was approximately $35,000 and also provided for future enhancements.

With regard to third-party risks, we continue to assess Y2K risks. Third parties include research suppliers and partners, manufacturers, research organizations and clinical study administrators. Our vendors and suppliers have indicated that they will make every effort to be Y2K compliant before December 31, 1999, but that no guarantees can be given. We have, for example, been informed by our outside payroll processor that their payroll system is Y2K compliant. We expect third parties to honor their contractual obligations.

The majority of our material third-party contracts relate to sites for clinical trials of our product candidates, research and development, and our collaboration with Procter & Gamble. We believe that there is no readily available replacement for our collaboration agreement with Procter & Gamble. We further believe that it would be difficult, time consuming, and costly to find alternative clinical sites and

research arrangements. We will continue to work with third parties to identify and resolve any problems with Y2K compliance.

In a worst case scenario, we could experience delays in receiving research and development and manufacturing supplies as well as managing and accessing data on patients enrolled in clinical studies. These delays could slow clinical development and research and development programs, or impact our ability to effectively manage and monitor these programs. These delays could also have an adverse impact on our stock price. Based on the information and assessments to date, no contingency plans have been developed.

Any Y2K compliance problems which arise could materially and adversely affect our business, results of operations, or cash flow. We will continue to identify all Y2K problems that could materially adversely affect our business operations. However, it is not possible to determine with complete certainty that all Y2K problems affecting us or third parties which have a material relationship with us, have been identified. It is not possible to insure economically against all conceivable risks.

To date, we have incurred less than $5,000 in costs associated with our Y2K program. This excludes the costs of older computer and scientific instrumentation that have been replaced in the ordinary course as such systems are upgraded or expanded. We believe that the costs associated with repairs or upgrades and verification of our internal systems to become Y2K compliant will not be more than $50,000. We believe that all such repairs or upgrades and verification will be complete in December 1999 with the repair and upgrade to our HVAC system discussed above. We expect to fund all these expenses from working capital.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest income on the Company's marketable securities is carried in "Other income (expense)." The Company accounts for its marketable securities in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). All of the cash equivalents and marketable securities are treated as available-for-sale under SFAS 115.

Investments in fixed rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates. Due in part to these factors, the Company's future investment income may fall short of expectations due to changes in interest rates or the Company may suffer losses in principal if forced to sell securities which have seen a decline in market value due to changes in interest rates. The Company's marketable securities are held for purposes other than trading. The marketable securities as of July 31, 1999, had maturities of less than two years. The weighted-average interest rate on marketable securities at July 31, 1999 was 5.7%. The fair value of marketable securities held at July 31, 1999 was $4.1 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements and supplementary data of the Company required in this item are set forth at the pages indicated in Item 14(a)(1).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND KEY EMPLOYEES.

Set forth below is certain information regarding our executive officers, directors and key employees:

NAME	AGE	POSITION WITH ALEXION
John H. Fried, Ph.D.(1)	70	Chairman of the Board of Directors
Leonard Bell, M.D.(1)	41	President, Chief Executive Officer, Secretary, Treasurer, Director
David W. Keiser	48	Executive Vice President, Chief Operating Officer
Louis A. Matis, M.D.	49	Senior Vice President, Chief Scientific Officer
Stephen P. Squinto, Ph.D.	43	Senior Vice President, Chief Technology Officer
Barry P. Luke	41	Vice President of Finance and Administration, Assistant Secretary
Nancy Motola, Ph.D.	47	Vice President of Regulatory Affairs and Quality Assurance
James A. Wilkins, Ph.D.	47	Vice President of Process Sciences and Manufacturing
William Fodor, Ph.D.(2)	41	Senior Director of Xenotransplantation
Christopher F. Mojcik, M.D., Ph.D.(2)	39	Senior Director of Clinical Development
Scott A. Rollins, Ph.D.(2)	36	Senior Director of Project Management and Drug Development
Jerry T. Jackson	58	Director
Max Link, Ph.D.(1)(3)	59	Director
Joseph A. Madri, Ph.D., M.D.	53	Director
Leonard Marks, Jr., Ph.D.(3)	78	Director
Eileen M. More	53	Director
R. Douglas Norby	64	Director
Alvin S. Parven(3)	59	Director

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(1) Member of our nominating committee.

(2) Key employee.

(3) Member of our audit committee and our compensation committee.

Each director will hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified or until his or her earlier resignation or removal. Each officer serves at the discretion of the board of directors. Each of our executive officers is a party to an employment agreement with us.

JOHN H. FRIED, PH.D. has been the Chairman of our board of directors of Alexion since April 1992. Since 1992, Dr. Fried has been President of Fried & Co., Inc., a health technology venture firm. Dr. Fried was a director of Syntex Corp., a life sciences and health care company, from 1982 to 1994 and he served as Vice Chairman of Syntex from 1985 to January 1993 and President of the Syntex Research Division from 1976 to 1992. Dr. Fried has originated more than 200 U.S. Patents and has authored more than 80 scientific publications. Dr. Fried received his B.S. in Chemistry and Ph.D. in Organic Chemistry from Cornell University.

LEONARD BELL, M.D. is the principal founder of Alexion, and has been a director of Alexion since February 1992 and the Company's President and Chief Executive Officer, Secretary and Treasurer since January 1992. From 1991 to 1992, Dr. Bell was an Assistant Professor of Medicine and Pathology and

co-Director of the Program in Vascular Biology at the Yale University School of Medicine. From 1990 to 1992, Dr. Bell was an attending physician at the Yale-New Haven Hospital and an Assistant Professor in the Department of Internal Medicine at the Yale University School of Medicine. Dr. Bell was the recipient of the Physician Scientist Award from the National Institutes of Health and Grant-in-Aid from the American Heart Association as well as various honors and awards from academic and professional organizations. His work has resulted in more than 20 scientific publications and three patent applications. Dr. Bell is a director of the Connecticut Technology Council and Connecticut United for Research Excellence, Inc. He also served as a director of the Biotechnology Research and Development Corporation from 1993 to 1997. Dr. Bell received his A.B. from Brown University and M.D. from Yale University School of Medicine. Dr. Bell is currently an Adjunct Assistant Professor of Medicine and Pathology at Yale University School of Medicine.

DAVID W. KEISER has been Executive Vice President and Chief Operating Officer of Alexion since July 1992. From 1990 to 1992, Mr. Keiser was Senior Director of Asia Pacific Operations for G.D. Searle & Company Limited, a manufacturer of pharmaceutical products. From 1986 to 1990, Mr. Keiser was successively Licensing Manager, Director of Product Licensing and Senior Director of Product Licensing for Searle. From 1984 to 1985, Mr. Keiser was New Business Opportunities Manager for Mundipharma AG, a manufacturer of pharmaceutical products, in Basel, Switzerland where he headed pharmaceutical licensing and business development activities in Europe and the Far East. From 1978 to 1983, he was Area Manager for F. Hoffmann La Roche Ltd., a manufacturer of pharmaceutical products, in Basel, Switzerland. Mr. Keiser received his B.A. from Gettysburg College.

LOUIS A. MATIS, M.D. has been the Senior Vice President and Chief Scientific Officer since March 1998 and Vice President of Research, Immunobiology, of Alexion from August 1994 to March 1998. From January 1993 to July 1994, Dr. Matis served as the Director of our Program in Immunobiology. Prior to joining Alexion, from 1977 to 1992, Dr. Matis held various appointments at the NIH and the FDA. From 1990 to 1992, Dr. Matis was a Senior Investigator in the Laboratory of Immunoregulation at the National Cancer Institute and from 1987 to 1990 he was a Senior Staff Fellow in the Molecular Immunology Laboratory at the Center for Biologics Evaluation and Research associated with the FDA. Dr. Matis is the author of more than 100 scientific papers in the fields of T-cell biology. Dr. Matis has received numerous awards including the NIH Award of Merit. Dr. Matis received his B.A. from Amherst College and M.D. from the University of Pennsylvania Medical School.

STEPHEN P. SQUINTO, PH.D. is a founder of Alexion and has held the positions of Senior Vice President and Chief Technical Officer since March 1998, Vice President of Research, Molecular Sciences, from August 1994 to March 1998, Senior Director of Molecular Sciences from July 1993 to July 1994 and Director of Molecular Development from April 1992 to July 1993. From 1989 to 1992, Dr. Squinto held various positions at Regeneron Pharmaceuticals, Inc., most recently serving as Senior Scientist and Assistant Head of the Discovery Group. From 1986 to 1989, Dr. Squinto was an Assistant Professor of Biochemistry and Molecular Biology at Louisiana State University Medical Center. Dr. Squinto's work has led to over 70 scientific papers in the fields of gene regulation, growth factor biology and gene transfer. Dr. Squinto's work is primarily in the fields of regulation of eukaryotic gene expression, mammalian gene expression systems and growth receptor and signal transduction biology. Dr. Squinto also serves as a Director of the BRDC since 1997. Dr. Squinto received his B.A. in Chemistry and Ph.D. in Biochemistry and Biophysics from Loyola University of Chicago.

BARRY P. LUKE has been Vice President of Finance and Administration since September 1998 and Senior Director of Finance and Administration of Alexion from August 1995 to September 1998 and prior thereto was Director of Finance and Accounting of the Company from May 1993. From 1989 to 1993, Mr. Luke was Chief Financial Officer, Secretary and Vice President--Finance and Administration at Comtex Scientific Corporation, a publicly held distributor of electronic news and business information. From 1985 to 1989, he was Controller and Treasurer of Softstrip, Inc., a manufacturer of computer peripherals and

software. From 1980 to 1985, Mr. Luke was employed by the General Electric Company where he held positions at GE's Corporate Audit Staff after completing GE's Financial Management Program. Mr. Luke received a B.A. in Economics from Yale University and an M.B.A. in management and marketing from the University of Connecticut.

NANCY MOTOLA, PH.D. has been the Vice President of Regulatory Affairs and Quality Assurance since 1998. From 1991 to 1998, Dr. Motola served as Assistant, Associate, and then Deputy Director, Regulatory Affairs for the Bayer Corporation Pharmaceutical Division where she was responsible for regulatory aspects of product development programs for cardiovascular, neuroscience, metabolic and oncology drugs and included drugs targeting arthritis, cardiac disorders, stroke and cognitive dysfunction. Dr. Motola has been responsible for the filing of numerous INDs, other regulatory submissions and has filed New Drug Applications for marketing approval resulting in three currently marketed drugs. Dr. Motola held regulatory affairs positions of increasing responsibility at Abbott Laboratories from 1989 to 1991 and at E.R. Squibb and Sons, Inc. from 1983 to 1989. She has also served as past Chairperson of the Regulatory Affairs Section of the American Association of Pharmaceutical Scientists. Dr. Motola received her B.A. from Central Connecticut State University and M.S. and Ph.D. degrees in medicinal chemistry from the University of Rhode Island.

JAMES A. WILKINS, PH.D. has been Vice President of Process Sciences and Manufacturing of Alexion since September 1998 and has held the positions of Senior Director of Process Sciences from August 1996 to September 1998, Senior Director of Process Development from August 1995 to August 1996, and Director of Process Development from September 1993 to August 1995. From 1989 to 1993, Dr. Wilkins was Group Leader of the Protein Chemistry Department at Otsuka America Pharmaceutical, Inc. From 1987 to 1989, Dr. Wilkins was a Scientist in Recovery Process Development at Genentech, Inc. and from 1982 to 1987, he was an Associate Research Scientist in the Thomas C. Jenkins Department of Biophysics at Johns Hopkins University. He is the author of more than 25 presentations and scientific articles in the fields of protein refolding and protein biochemistry. Dr. Wilkins received a B.A. in Biology from University of Texas and a Ph.D. in Biochemistry from University of Tennessee.

WILLIAM FODOR, PH.D. has been Senior Director of Xenotransplantation since 1997. After joining Alexion in 1992, Dr. Fodor was a Staff Scientist from 1992 to 1994, Principal Scientist from 1994 to 1996, and Director of Xenotransplantation from 1996 to 1997. Dr. Fodor has been responsible for managing the preclinical development and manufacturing of our xenotransplantation product candidates. Prior to 1992, Dr. Fodor was a postdoctoral research fellow in the Section of Immunobiology at Yale University School of Medicine and at Biogen, Inc., a biopharmaceutical firm. Dr. Fodor's work has led to over 30 scientific papers and patents in the fields of immunobiology and molecular biology. Dr. Fodor received his B.S. in Genetics and Ph.D. in Molecular Genetics from the Ohio State University.

CHRISTOPHER F. MOJCIK, M.D., PH.D. has been Senior Director of Clinical Development since joining Alexion in July 1998. From 1996 until July 1998, he was an Associate Director in the Metabolics/ Rheumatics Department at Bayer Corporation's Pharmaceuticals Division. Dr. Mojcik was responsible for Phase II and III development of certain arthritis programs and certain Phase IV programs in cardiopulmonary bypass. From 1993 to 1996, he was a Senior Staff Fellow in the Cellular Immunology Section of the Laboratory of Immunology in the NIAID at the NIH. From 1991 to 1993, he completed his Fellowship in Rheumatology in the National Institute of Arthritis and Musculoskeletal and Skin Diseases at the NIH. He received his B.A. from Washington University in St. Louis, Missouri, and his M.D. and Ph.D. from the University of Connecticut.

SCOTT A. ROLLINS, PH.D. is a co-founder of Alexion and has been Senior Director of Project Management and Drug Development since August 1999, Senior Director of Complement Biology from 1997 to 1999, Director of Complement Biology from 1996 to 1997, Principal Scientist from 1994 to 1996, and Staff Scientist from 1992 to 1994. Since 1994, Dr. Rollins has been responsible for the preclinical development of our anti-inflammatory compound 5G1.1-SC. Since 1999, Dr. Rollins has been additionally responsible

for the project management functions of 5G1.1-SC, currently under joint development with Procter & Gamble Pharmaceuticals. Prior to 1992, Dr. Rollins was a postdoctoral research fellow in the Department of Immunobiology at Yale University School of Medicine. Dr. Rollins' work has led to over 50 scientific papers and patents in the fields of complement biology. He received his B.S. in Cytotechnology and Ph.D. in Microbiology and Immunology from the University of Oklahoma Health Sciences Center.

JERRY T. JACKSON has been a director of Alexion since September 1999. He was employed by Merck & Co. Inc., a major pharmaceutical company, from 1965 until his retirement in 1995. During this time, he had extensive experience in sales, marketing and corporate management, including joint ventures. From 1993 until 1995, Mr. Jackson served as Executive Vice President of Merck with broad responsibilities for numerous operating groups--including Merck's International Human Health, Worldwide Human Vaccines, the AgVet Division, Astra/Merck U.S. Operations, as well as worldwide marketing. During 1993, he was also President of the Worldwide Human Health Division in 1993. He served as Senior Vice President of Merck from 1991 to 1992 responsible for Merck's Specialty Chemicals and previously, he was President of Merck's Sharp & Dohme International. Mr. Jackson serves as a director of Cor Therapeutics, Inc., Molecular Biosystems, Inc., SunPharm Corporation, and Crescendo Pharmaceuticals Corporation. Mr. Jackson received his B.A. from University of New Mexico.

MAX LINK, PH.D. has been a director of Alexion since April 1992. From May 1993 to June 1994, Dr. Link was Chief Executive Officer of Corange (Bermuda), the parent company of Boehringer Mannheim Therapeutics, Boehringer Mannheim Diagnostics and DePuy Orthopedics. From 1992 to 1993, Dr. Link was Chairman of the Board of Sandoz Pharma, Ltd., a manufacturer of pharmaceutical products. From 1987 to 1992, Dr. Link was the Chief Executive Officer of Sandoz Pharma and a member of the Executive Board of Sandoz, Ltd., Basel. Prior to 1987, Dr. Link served in various capacities with the United States operations of Sandoz, including as President and Chief Executive Officer. Dr. Link is also a director of Protein Design Labs, Inc., Cell Therapeutics, Inc., and Procept, Inc., each a publicly held pharmaceutical company, as well as Human Genome Sciences Inc., a genomics company.

JOSEPH A. MADRI, PH.D., M.D. is a founder of Alexion and has been a director of Alexion since February 1992. Since 1980, Dr. Madri has been on the faculty of the Yale University School of Medicine and is currently a Professor of Pathology. Dr. Madri serves on the editorial boards of numerous scientific journals and he is the author of over 175 scientific publications. Dr. Madri works in the areas of regulation of angiogenesis, vascular cell-matrix interactions, cell-cell interactions, lymphocyte-endothelial cell interactions and endothelial and smooth muscle cell biology and has been awarded a Merit award from the National Institutes of Health. Dr. Madri received his B.S. and M.S. in Biology from St. John's University and M.D. and Ph.D. in Biological Chemistry from Indiana University.

LEONARD MARKS, JR., PH.D. has been a director of Alexion since April 1992. Since 1985 Dr. Marks has served as an independent corporate director and management consultant. Dr. Marks serves on the board of directors of Netvision Technologies Inc. Dr. Marks served as a director of Airlease Management Services, an aircraft leasing company (a subsidiary of Bank America Leasing & Capital Corporation), from 1995 to March 1998, and Northern Trust Bank of Arizona, a commercial and trust bank subsidiary of Northern Trust of Chicago, from 1995 to March 1998. Prior to 1985, Dr. Marks held various positions in academia and in the corporate sector including Executive Vice President, Castle & Cooke, Inc. from 1972 to 1985. Dr. Marks received his B.A. in Economics from Drew University and an M.B.A. and Doctorate in Business Administration from Harvard University.

EILEEN M. MORE has been a director of Alexion since December 1993. Ms. More has been associated since 1978 with Oak Investment Partners and has been a General Partner of Oak since 1980. Oak is a venture capital firm and a stockholder of Alexion. Ms. More is currently a director of several private high technology and biotechnology firms including OraPharma, Inc., Halox Technologies, Psychiatric Solutions and Teloquent Communication Corporation. Ms. More studied mathematics at the University of Bridgeport and is a Chartered Financial Analyst.

R. DOUGLAS NORBY has been a director of Alexion since September 1999. Since 1996, Mr. Norby has been the Executive Vice President and Chief Financial Officer of LSI Logic Corporation, a semiconductor company, and he also serves on the Board of LSI. From September 1993 until November 1996, he served as Senior Vice President and Chief Financial Officer of Mentor Graphics Corporation, a software company. Mr. Norby served as President of Pharmetrix Corporation, a drug delivery company, from July 1992 to September 1993, and from 1985 to 1992, he was President and Chief Operating Officer of Lucasfilm, Ltd., an entertainment company. From 1979 to 1985, Mr. Norby was Senior Vice President and Chief Financial Officer of Syntex Corporation, a pharmaceutical company. Mr. Norby received a B.A. in Economics from Harvard University and an M.B.A. from Harvard Business School.

ALVIN S. PARVEN has been a director of Alexion since May 1999. Since 1997, Mr. Parven has been President of ASP Associates, a management and strategic consulting firm. From 1994 to 1997, Mr. Parven was Vice President at Aetna Business Consulting, reporting to the Office of the Chairman of Aetna. From 1987 to 1994, Mr. Parven was Vice President, Operations at Aetna Health Plans. Prior to 1987, he served in various capacities at Aetna including Vice President, Pension Services from 1983 to 1987. Mr. Parven received his B.A. from Northeastern University.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference from the information under the caption "Compensation of Executive Officers and Directors" contained in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of October 1, 1999, except as otherwise noted in the footnotes: (1) each person known by us to own beneficially more than 5.0% percent of our outstanding common stock; (2) each director and each named executive officer; and (3) all directors and executive officers of Alexion as a group.

NAME OF BENEFICIAL OWNER(1)	NUMBER OF SHARES BENEFICIALLY OWNED(2)	PERCENTAGE OF SHARES BENEFICIALLY OWNED
BB Biotech AG Vordergrasse 3 8200 Schaffhausen CH/Switzerland(3)	1,824,113	16.1%
Zesiger Capital 320 Park Avenue, 30th floor New York, NY 10022(4)	845,000	7.5%
The Kaufmann Fund, Inc. 140 E. 45th Street, 43rd floor New York, NY 10017(5)	837,300	7.4%
Scudder Kemper Investments, Inc. 345 Park Avenue New York, NY 10154(6)	828,600	7.3%
T. Rowe Price Associates 100 East Pratt Street Baltimore, MD 21205(7)	828,600	7.3%
OrbiMed Advisers, Inc. 41 Madison Avenue, 40th floor New York, NY 10010(8)	750,500	6.6%
Leonard Bell, M.D.(9)	583,850	5.0%
Stephen P. Squinto, Ph.D.(10)	180,450	1.6%
David W. Keiser(11)	167,300	1.5%
Louis A. Matis, M.D.(12)	147,900	1.3%
Eileen M. More(13)	114,780	1.0 %
John H. Fried, Ph.D.(14)	91,003	*
James A. Wilkins, Ph.D.(15)	60,000	*
Joseph A. Madri, Ph.D., M.D.(16)	57,467	*
Max Link, Ph.D.(17)	25,490	*
Leonard Marks, Jr., Ph.D.(18)	15,967	*
Jerry T. Jackson(19)	--	*
R. Douglas Norby(20)	--	*
Alvin S. Parven(21)	--	*
Directors and Executive Officers as a group (15 persons)(22)	1,501,257	12.2%

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* Less than one percent

(1) Unless otherwise indicated, the address of all persons is 25 Science Park, New Haven, Connecticut 06511.

(2) To our knowledge, except as set forth below, the persons named in the table have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them, subject to community property laws where applicable and the information contained in the footnotes in this table.

(3) This figure is based upon information set forth in Amendment No. 3 to Schedule 13D filed on May 27, 1998, filed jointly by BB Biotech AG and Biotech Target, S.A. Biotech Target, S.A., a Panamanian corporation, is a wholly-owned subsidiary of BB Biotech AG. BB Biotech AG is a holding company incorporated in Switzerland.

(4) This figure is based upon information set forth in Schedule 13G filed on January 21, 1999.

(5) This figure is based upon information set forth in Schedule 13G filed on August 20, 1999.

(6) This figure is based upon information independently obtained by us as of October 14, 1999. The last publicly available disclosure filed with the SEC by the stockholder was a Form 13F dated as of August 14, 1998.

(7) This figure is based upon information set forth in Schedule 13G filed on February 5, 1999.

(8) This figure is based upon information set forth in Schedule 13G filed on March 25, 1999.

(9) Includes 423,750 shares of our common stock that may be acquired upon the exercise of options within 60 days of October 1, 1999 and 300 shares, in aggregate, held in the names of Dr. Bell's three minor children. Excludes 161,250 shares obtainable through the exercise of options granted to Dr. Bell which are not exercisable within 60 days of October 1, 1999 and 90,000 shares held in trust for Dr. Bell's children of which Dr. Bell disclaims beneficial ownership. Dr. Bell disclaims beneficial ownership of the shares held in the name of his minor children.

(10) Includes 123,750 shares of our common stock which may be acquired upon the exercise of options within 60 days of October 1, 1999 and 6,200 shares, in aggregate, held in the names of Dr. Squinto's two minor children of which 6,000 shares are in two trusts managed by his wife. Excludes 58,750 shares obtainable through the exercise of options granted to Dr. Squinto which, are not exercisable within 60 days of October 1, 1999. Dr. Squinto disclaims beneficial ownership of the shares held in the name of his minor children and the foregoing trusts.

(11) Includes 125,000 shares of our common stock which may be acquired upon the exercise of options within 60 days of October 1, 1999 and 300 shares, in aggregate, held in the names of Mr. Keiser's three minor children. Excludes 72,500 shares obtainable through the exercise of options granted to Mr. Keiser, which, are not exercisable within 60 days of October 1, 1999. Mr. Keiser disclaims beneficial ownership of the shares held in the name of his minor children.

(12) Includes 133,750 shares of our common stock which may be acquired upon the exercise of options granted to Dr. Matis within 60 days of October 1, 1999 and 150 shares, in aggregate, held in the names of Dr. Matis' three minor children. Excludes 58,750 shares obtainable through the exercise of options, granted to Dr. Matis, which, are not exercisable within 60 days of October 1, 1999. Dr. Matis disclaims beneficial ownership of the shares held in the name of his minor children.

(13) Includes 27,467 shares of our common stock which may be acquired upon the exercise of options within 60 days of October 1, 1999 granted to Eileen More. Also includes 76,406 shares owned by Oak Investment V Partners and 10,907 shares owned by Oak Investment V Affiliates, two affiliated limited partnerships. Ms. More is a General Partner of these entities. Excludes 3,333 shares obtainable through the exercise of options granted to Ms. More which are not exercisable within 60 days of October 1, 1999.

(14) Includes 14,967 shares of our common stock that may be acquired on the exercise of options that are exercisable within 60 days of October 1, 1999. Excludes 3,333 shares obtainable through the exercise of options granted to Dr. Fried, which are not exercisable within 60 days of October 1, 1999.

(15) Excludes 45,000 shares obtainable through the exercise of options granted to Dr. Wilkins, which are not exercisable within 60 days of October 1, 1999.

(16) Includes 12,467 shares of our common stock that may be acquired upon the exercise of options within 60 days of October 1, 1999. Excludes 3,333 shares obtainable through the exercise of options granted to Dr. Madri, which are not exercisable within 60 days of October 1, 1999.

(17) Includes 167 shares of our common stock which, may be acquired upon the exercise of options within 60 days of October 1, 1999. Excludes 3,333 shares obtainable through the exercise of options, granted to Dr. Link, which are not exercisable within 60 days of October 1, 1999.

(18) Includes 14,967 shares of our common stock which, may be acquired upon the exercise of options within 60 days of October 1, 1999. Excludes 3,333 shares obtainable through the exercise of options granted to Dr. Marks, which are not exercisable within 60 days of October 1, 1999.

(19) Excludes 7,500 shares obtainable through the exercise of options granted to Mr. Jackson, which are not exercisable within 60 days of October 1, 1999.

(20) Excludes 7,500 shares obtainable through the exercise of options granted to Mr. Norby, which are not exercisable within 60 days of October 1, 1999.

(21) Excludes 7,500 shares obtainable through the exercise of options granted to Mr. Parven, which are not exercisable within 60 days of October 1, 1999.

(22) Consists of shares beneficially owned by Drs. Bell, Fried, Link, Madri, Marks, Matis, Motola, Squinto, and Wilkins, Messrs. Jackson, Keiser, Luke, Norby and Parven, and Ms. More. Includes 993,335 shares of our common stock which, may be acquired upon the exercise of options within 60 days of October 1, 1999.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

In March 1998, through its wholly-owned subsidiary Biotech Target, S.A., BB Biotech AG, a single institutional investor, purchased 670,000 shares of our common stock in a private placement at $13.175 per share, aggregating $8.8 million. At October 1, 1999, BB Biotech beneficially owned 1,824,113 shares of common stock, or approximately 16.1% of our outstanding shares of common stock.

In September 1997, BB Biotech, through Biotech Target, purchased 400,000 shares of Series B Preferred Stock at $25.00 per share, convertible automatically in six months, or at the election of the holder at any time after the date of issuance, into 935,782 shares of common stock at $10.69 per share. The net proceeds from this private placement were approximately $9.5 million. The conversion price represented a 3.0% premium to the closing bid of $10.38 on the day of pricing. The Series B Preferred Stock paid a dividend of $2.25 per share of Series B Preferred Stock on March 4, 1998. In March 1998, the Series B Preferred Stock was converted to 935,782 shares of our common stock, and we elected to pay the dividend on the preferred stock in shares of common stock, aggregating 70,831 shares.

In June and October 1992, we entered into patent licensing agreements with Oklahoma Medical Research Foundation and Yale University. The agreements provide that we will pay to these institutions royalties based on sales of products incorporating technology licensed thereunder and also license initiation fees, including annual minimum royalties that increase in amount based on the status of product development and the passage of time. Under policies of OMRF and Yale, the individual inventors of patents are entitled to receive a percentage of the royalties and other license fees received by the licensing institution. Some of our founders and scientific advisors are inventors under patent and patent applications, including Dr. Bell, one of our directors and our President and Chief Executive Officer, Dr. Madri, one of our directors, Dr. Squinto, Senior Vice President and Chief Technology Officer, and Dr. Rollins, Senior Director of Project Management and Drug Development with respect to patent applications licensed from Yale and, therefore, entitled to receive a portion of royalties and other fees payable by us.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(A) (1) FINANCIAL STATEMENTS:

The financial statements required by this item are submitted in a separate section beginning on page F-1 of this report.

(2) FINANCIAL STATEMENT SCHEDULES:

Schedules have been omitted because of the absence of conditions under which they are required or because the required information is included in the financial statements or notes thereto.

(3) EXHIBITS:

3.1	Certificate of Incorporation, as amended.*(1)
3.2	Bylaws.*(1)
4.1	Specimen Common Stock Certificate.*(1)
10.1	Employment Agreement, dated April 1, 1997, between the Company and Dr. Leonard Bell.*(2)
10.2	Employment Agreement, dated October 22, 1997, between the Company and David W. Keiser.*(3)
10.3	Employment Agreement, dated October 22, 1997, between the Company and Dr. Stephen P. Squinto.*(3)
10.4	Employment Agreement, dated October 22, 1997, between the Company and Dr. Louis A. Matis.*(3)
10.5	Employment Agreement, dated July 1993, between the Company and Dr. James A. Wilkins, as amended.*(1)
10.6	Administrative Facility Lease, dated August 23, 1995, between the Company and Science Park Development Corporation.*(1)
10.7	Research and Development Facility Lease, dated August 23, 1995, between the Company and Science Park Development Corporation.*(1)
10.8	Option Agreement, dated April 1, 1992 between the Company and Dr. Leonard Bell.*(1)
10.9	Company's 1992 Stock Option Plan, as amended.*(4)
10.10	Company's 1992 Stock Option Plan for Outside Directors, as amended.*(5)
10.11	Form of Investor Rights Agreement, dated December 23, 1994, between the Company and the purchasers of the Company's Series A Preferred Stock, as amended.*(1)
10.12	Exclusive License Agreement dated as of June 19, 1992 among the Company, Yale University and Oklahoma Medical Research Foundation.*(1)+
10.13	License Agreement dated as of September 30, 1992 between the Company and Yale University, as amended July 2, 1993.*(1)+
10.14	License Agreement dated as of August 1, 1993 between the Company and Biotechnology Research and Development Corporation ("BRDC"), as amended as of July 1, 1995.*(1)+
10.15	License Agreement dated January 25, 1994 between the Company and The Austin Research Institute.*(1)+

10.16	Exclusive Patent License Agreement dated April 21, 1994 between the Company and the National Institutes of Health.*(1)+
10.17	License Agreement dated July 22, 1994 between the Company and The Austin Research Institute.*(1)+
10.18	License Agreement dated as of January 10, 1995 between the Company and Yale University.*(1)+
10.19	Advanced Technology Program ("ATP"), Cooperative Agreement 70NANB5H, National Institute of Standards and Technology, entitled "Universal Donor Organs for Transplantation," dated September 15, 1995.*(1)+
10.20	U.S. Department of Health and Human Services, National Heart, Lung and Book Institute, Small Business Research Program, Phase II Grant Application, entitled "Role of Complement Activation in Cardiopulmonary Bypass," dated December 14, 1994; and Notice of Grant Award dated September 21, 1995.*(3)+
10.21	Agreement to be Bound by Master Agreement dated as of August 1, 1993 between the Company and BRDC.*(1)
10.22	Research and Development Facility Lease, dated April 1, 1996, between the Company and Science Park Development Corporation.*(6)
10.23	License Agreement dated March 27, 1996 between the Company and Medical Research Council.*(6)+
10.24	License Agreement dated May 8, 1996 between the Company and Enzon, Inc.*(6)+
10.25	Stock Purchase Agreement dated September 8, 1997 by and between the Company and Biotech Target S.A. *(7)+
10.26	Stock Purchase Agreement dated March 4, 1998 by and between the Company and Biotech Target S.A. *(7)+
10.27	Asset Purchase Agreement dated as of February 9, 1999 between the Company and United States Surgical Corporation.++
10.28	Collaboration Agreement dated January 25, 1999 between the Company and The Procter & Gamble Company, as amended.++
10.29	Letter agreement dated September 14, 1999 between the Company and Leonard Bell.
23.1	Consent of Arthur Andersen LLP.
27.1	Financial Data Schedule.
99.1	Risk Factors.

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* Previously filed

(1) Incorporated by reference to the Company's Registration Statement on Form S-1 (Reg. No. 333-00202).

(2) Incorporated by reference to the Company's Amendment No. 1 to Registration Statement on Form S-1 (Reg. No. 333-19905) filed on April 4, 1997.

(3) Incorporated by reference to the Company's Annual report on Form 10-K for the fiscal year ended July 31, 1997.

(4) Incorporated by reference to the Company's Registration Statement on Form S-8 (Reg. No. 333-71879) filed on February 5, 1999.

(5) Incorporated by reference to the Company's Registration Statement on Form S-8 (Reg. No. 333-71985) filed on February 8, 1999.

(6) Incorporated by reference to the Company's Annual report on Form 10-K for the fiscal year ended July 31, 1996.

(7) Incorporated by reference to the Company's Annual report on Form 10-K for the fiscal year ended July 31, 1998.

+ Confidential treatment was granted for portions of such document.

++ A request for confidential treatment was filed for portions of such document. Confidential portions have been omitted and filed separately with the Commission as required by Rule 24b-2.

(B) REPORTS ON FORM 8-K:

Current Report on Form 8-K dated May 25, 1999 relating to the election of Alvin S. Parven to the Company's Board of Directors.

Current Report on Form 8-K dated September 24, 1999 relating to the election of Jerry T. Jackson and R. Douglas Norby to the Company's Board of Directors.

(C) EXHIBITS:

See (a) (3) above.

(D) FINANCIAL STATEMENT SCHEDULES:

See (a) (2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALEXION PHARMACEUTICALS, INC.

By: /s/ LEONARD BELL

Leonard Bell, M.D.
PRESIDENT, CHIEF EXECUTIVE OFFICER, SECRETARY AND TREASURER

By: /s/ DAVID W. KEISER

David W. Keiser
EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ LEONARD BELL Leonard Bell, M.D	President, Chief Executive Officer, Secretary, Treasurer and Director (principal executive officer)	October 18, 1999
/s/ DAVID W. KEISER David W. Keiser	Executive Vice President and Chief Operating Officer (principal financial officer)	October 18, 1999
/s/ BARRY P. LUKE Barry P. Luke	Vice President of Finance and Administration (principal accounting officer)	October 18, 1999
/s/ JOHN H. FRIED John H. Fried, Ph.D.	Chairman of the Board of Directors	October 18, 1999
Jerry T. Jackson	Director	
/s/ MAX LINK Max Link, Ph.D.	Director	October 18, 1999

/s/ JOSEPH A. MADRI Joseph A. Madri, Ph.D., M.D.	Director	October 18, 1999
/s/ LEONARD MARKS Leonard Marks, Jr., Ph.D.	Director	October 18, 1999
/s/ EILEEN M. MORE Eileen M. More	Director	October 18, 1999
/s/ R. DOUGLAS NORBY R. Douglas Norby	Director	October 18, 1999
/s/ ALVIN S. PARVEN Alvin S. Parven	Director	October 18, 1999

ALEXION PHARMACEUTICALS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Alexion Pharmaceuticals, Inc.:

We have audited the accompanying consolidated balance sheets of Alexion Pharmaceuticals, Inc. (a Delaware corporation) and subsidiary as of July 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended July 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alexion Pharmaceuticals, Inc. and subsidiary as of July 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended July 31, 1999, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

Hartford, Connecticut
August 27, 1999

ALEXION PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS

(amounts in thousands)

	JULY 31,	
	1999	1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 24,238	$ 31,509
Marketable securities	4,090	5,985
Reimbursable contract costs:		
Billed	4,577	--
Unbilled	2,285	137
Prepaid expenses	472	209
Total current assets	35,662	37,840
PROPERTY, PLANT, AND EQUIPMENT, net	7,413	2,357
SECURITY DEPOSITS AND OTHER ASSETS	1,299	1,888
Total assets	$ 44,374	$ 42,085
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of notes payable	$ 368	$ 368
Accounts payable	3,544	810
Accrued expenses	2,328	818
Deferred revenue	450	67
Total current liabilities	6,690	2,063
NOTES PAYABLE, less current portion included above	4,383	832
COMMITMENTS AND CONTINGENCIES (Notes 1, 7, 9 and 12)		
STOCKHOLDERS' EQUITY:		
Preferred stock, $.0001 par value; 5,000 shares authorized; none issued at July 31, 1999 and 1998	--	--
Common stock $.0001 par value; 25,000 shares authorized; 11,304 and 11,237 shares issued at July 31, 1999 and 1998, respectively	1	1
Additional paid-in capital	80,287	79,781
Accumulated deficit	(46,987)	(40,592)
Treasury stock, at cost, 12 shares	--	--
Total stockholders' equity	33,301	39,190
Total liabilities and stockholders' equity	$ 44,374	$ 42,085

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

ALEXION PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands, except per share amounts)

	FOR THE YEARS ENDED JULY 31,		
	1999	1998	1997
CONTRACT RESEARCH REVENUES	$18,754	$ 5,037	$ 3,811
OPERATING EXPENSES:			
Research and development	23,710	12,323	9,079
General and administrative	2,953	2,666	2,827
Total operating expenses	26,663	14,989	11,906
OPERATING LOSS	(7,909)	(9,952)	(8,095)
OTHER INCOME, net	1,514	2,087	843
Net loss	(6,395)	(7,865)	(7,252)
PREFERRED STOCK DIVIDENDS	--	(900)	--
NET LOSS APPLICABLE TO COMMON SHAREHOLDERS	$(6,395)	$(8,765)	$(7,252)
NET LOSS PER COMMON SHARE--			
BASIC AND DILUTED (NOTE 2)	$ (0.57)	$ (0.87)	$ (0.97)
SHARES USED IN COMPUTING			
NET LOSS PER COMMON SHARE	11,265	10,056	7,451

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

ALEXION PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(amounts in thousands)

	CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TREASURY STOCK, AT COST	
	SHARES	AMOUNT	SHARES	AMOUNT			SHARES	AMOUNT
BALANCE, July 31, 1996	--	$ --	7,335	$ 1	$42,859	$(24,575)	12	$ --
Issuance of common stock, net of issuance costs of $814	--	--	1,450	--	10,424	--	--	--
Issuance of common stock from exercise of warrants	--	--	38	--	286	--	--	--
Issuance of common stock from exercise of stock options	--	--	35	--	83	--	--	--
Net change in unrealized gains on marketable securities	--	--	--	--	20	--	--	--
Net loss	--	--	--	--	--	(7,252)	--	--
BALANCE, July 31, 1997	--	--	8,858	1	53,672	(31,827)	12	--
Issuance of Series B convertible preferred stock, net of issuance costs of $493	400,000	--	--	--	9,507	--	--	--
Issuance of common stock in payment of preferred stock dividend	--	--	71	--	900	(900)	--	--
Conversion of Series B convertible preferred stock into common stock	(400,000)	--	936	--	--	--	--	--
Issuance of common stock, net of issuance costs of $49	--	--	837	--	11,779	--	--	--
Issuance of common stock from exercise of warrants	--	--	513	--	3,858	--	--	--
Issuance of common stock from exercise of stock options	--	--	22	--	67	--	--	--
Net change in unrealized gains on marketable securities	--	--	--	--	(2)	--	--	--
Net loss	--	--	--	--	--	(7,865)	--	--
BALANCE, July 31, 1998	--	--	11,237	1	79,781	(40,592)	12	--
Issuance of common stock from exercise of stock options	--	--	67	--	383	--	--	--
Compensation expense, related to grant of stock options	--	--	--	--	132	--	--	--
Net change in unrealized gains on marketable securities	--	--	--	--	(9)	--	--	--
Net loss	--	--	--	--	--	(6,395)	--	--
BALANCE, July 31, 1999	--	$ --	11,304	$ 1	$80,287	$(46,987)	12	$ --

	TOTAL STOCKHOLDERS' EQUITY
BALANCE, July 31, 1996	$18,285
Issuance of common stock, net of issuance costs of $814	10,424
Issuance of common stock from exercise of warrants	286
Issuance of common stock from exercise of stock options	83
Net change in unrealized gains on marketable securities	20
Net loss	(7,252)
BALANCE, July 31, 1997	21,846
Issuance of Series B convertible preferred stock, net of issuance costs of $493	9,507
Issuance of common stock in payment of preferred stock dividend	--
Conversion of Series B convertible preferred stock into common stock	--
Issuance of common stock, net of issuance costs of $49	11,779
Issuance of common stock from exercise of warrants	3,858
Issuance of common stock from exercise of stock options	67
Net change in unrealized gains on	

marketable securities.....	(2)
Net loss.....	(7,865)
BALANCE, July 31, 1998.....	39,190
Issuance of common stock from exercise of stock options.....	383
Compensation expense, related to grant of stock options.....	132
Net change in unrealized gains on marketable securities.....	(9)
Net loss.....	(6,395)
BALANCE, July 31, 1999.....	$33,301

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

ALEXION PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

	FOR THE YEARS ENDED JULY 31,		
	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (6,395)	$ (7,865)	$ (7,252)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	889	598	698
Compensation expense related to grant of stock options	132	--	--
Change in assets and liabilities--			
Reimbursable contract costs	(6,725)	(137)	--
Prepaid expenses	(263)	23	235
Accounts payable	2,734	82	447
Accrued expenses	1,510	(384)	801
Deferred revenue	383	(279)	(653)
Net cash used in operating activities	(7,735)	(7,962)	(5,724)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from marketable securities, net	1,895	20	3,119
Purchases of property, plant, and equipment	(1,912)	(2,057)	(749)
Net cash (used in) provided by investing activities	(17)	(2,037)	2,370
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance of preferred and common stock	383	25,211	10,793
Repayments of capital lease obligations	--	(8)	(29)
Borrowings under notes payable	--	1,200	--
Repayments of notes payable	(369)	(130)	(321)
Security deposits and other	467	(1,508)	163
Net cash provided by financing activities	481	24,765	10,606
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,271)	14,766	7,252
CASH AND CASH EQUIVALENTS, beginning of period	31,509	16,743	9,491
CASH AND CASH EQUIVALENTS, end of period	$ 24,238	$ 31,509	$ 16,743
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest expense	$ 188	$ 42	$ 47
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:			
Fixed assets acquired pursuant to seller financing	$ 3,920	$ --	$ --
Preferred stock dividends	$ --	$ 900	$ --

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

1. ORGANIZATION AND OPERATIONS:

Alexion Pharmaceuticals, Inc. ("Alexion" or the "Company") was organized in 1992 and is a company engaged in the development of proprietary products for the treatment of cardiovascular, autoimmune and neurologic diseases and disorders. The Company is currently conducting Phase II clinical trials for its two lead C5 Inhibitor product candidates, 5G1.1-SC and 5G1.1. The Company is also developing Apogen immunotherapeutic products affecting disease-causing T-cells. In addition, the Company is developing therapies to permit transplantation of cells from other species into humans known as xenotransplantation.

The Company has incurred consolidated losses since inception and has made no product sales to date.

The Company will continue to need additional financing to obtain regulatory approvals for its product candidates, fund operating losses, and, if deemed appropriate, establish manufacturing, sales, marketing and distribution capabilities. In addition, the Company operates in an environment of rapid changes in technology, FDA guidelines and regulations, healthcare regulations and competition from pharmaceutical and biotechnology companies and is dependent upon the services of its employees and other third parties.

The Company expects to incur substantial expenditures in the foreseeable future for the research and development and commercialization of its products. The Company will seek to raise necessary funds through public or private equity or debt financings, bank loans, collaborative or other arrangements with corporate sources, or through other sources of financing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION--

The accompanying consolidated financial statements include Alexion Pharmaceuticals, Inc. and its wholly-owned subsidiary Columbus Farming Corporation ("Columbus"). Columbus was formed on February 9, 1999 to acquire certain manufacturing assets from United States Surgical Corporation ("US Surgical") (See Notes 3 and 6). All significant inter-company balances and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS--

Cash and cash equivalents are stated at cost, which approximates market, and include short-term highly liquid investments with original maturities of less than three months.

MARKETABLE SECURITIES--

The Company invests in marketable securities of highly rated financial institutions and investment-grade debt instruments and limits the amount of credit exposure with any one entity.

The Company has classified its marketable securities as "available for sale" and, accordingly, carries such securities at aggregate fair value. Unrealized gains or losses are included in stockholders' equity as a component of additional paid-in capital. At July 31, 1999, the Company's marketable securities had a

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)
maximum maturity of less than two years with an average of approximately six months. The following is a summary of marketable securities at July 31, 1999 and 1998 (dollars in thousands):

	AMORTIZED COST	UNREALIZED GAINS (LOSSES)	FAIR VALUE
Federal agency obligations	$2,088	$(9)	$2,079
Corporate bonds	2,006	5	2,011
Total marketable securities at July 31, 1999	$4,094	$(4)	$4,090
U.S. government obligations	$ 500	$--	$ 500
Federal agency obligations	2,000	--	2,000
Corporate bonds	3,480	5	3,485
Total marketable securities at July 31, 1998	$5,980	$ 5	$5,985

PROPERTY, PLANT, AND EQUIPMENT--

Property, plant, and equipment is recorded at cost and is depreciated over the estimated useful lives of the assets involved. Depreciation commences at the time the assets are placed in service and is computed using the straight-line method over the estimated useful lives of the assets (see Note 3). Maintenance and repairs are charged to expense when incurred.

ASSET	ESTIMATED USEFUL LIFE
Building and building improvements	15 years
Laboratory equipment	5 years
Office equipment	3 years
Furniture	3 years

LONG-LIVED ASSETS--

The Company accounts for its investments in long-lived assets in accordance with Statement of Financial Accounting Standard No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of" (SFAS 121). SFAS 121 requires a company to review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company has reviewed its long-lived assets and determined that no impairments exist.

REVENUE RECOGNITION--

Contract research revenues recorded by the Company consist of research and development support payments, license fees, and milestone payments under collaborations with third parties and amounts received under various government grants.

Research and development support revenues are recognized as the related work and expenses are incurred under the terms of the contracts for development activities. Revenues derived from the achievement of milestones are recognized when the milestone is achieved. Non-refundable license fees received in

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)
exchange for specific rights to the Company's technologies, research, potential products and markets are recognized as revenues as earned in accordance with the terms of the contracts.

Unbilled reimbursable contract costs as shown on the accompanying consolidated balance sheets represent reimbursable costs incurred in connection with research contracts which have not yet been billed. The Company bills these costs and recognizes the costs and related revenues in accordance with the terms of the contracts.

Deferred revenue results from cash received in advance of revenue recognition under research and development contracts (see Note 8).

RESEARCH AND DEVELOPMENT EXPENSES--

Research and development costs are expensed in the period incurred.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS--

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COMPREHENSIVE INCOME--

In July 1997, the Financial Accounting Standards Board issued SFAS No. 130 "Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income (loss) and its components in a full set of general purpose financial statements. The objective of the statement is to report a measure of all changes in equity of an enterprise that result from transactions and other economic events of the period other than transactions with owners ("comprehensive income (loss)").

The impact of adoption of this statement did not have a significant effect on the Company's financial position and results of operations, as there was no significant difference in comprehensive income (loss) and net loss represented a gain (loss) on marketable securities of $(9,000), $(2,000), and $20,000 for the years ended July 31, 1999, 1998 and 1997, respectively.

NET LOSS PER COMMON SHARE--

The Company computes and presents net loss per common share in accordance with SFAS No. 128, "Earnings Per Share." There is no difference in basic and diluted net loss per common share as the effect of stock options and warrants is anti-dilutive for all periods presented. These outstanding stock options and warrants entitled holders to purchase 2,568,587, 1,947,986, and 2,410,953 shares of common stock at July 31, 1999, 1998 and 1997, respectively.

3. PROPERTY, PLANT, AND EQUIPMENT:

A summary of equipment is as follows (dollars in thousand):

	JULY 31,	
	1999	1998
Land	$ 364	$ --
Building and building improvements	3,080	--
Laboratory equipment	6,013	4,523
Office equipment	648	352
Furniture	695	104
Equipment under capital leases	--	378
	10,800	5,357
Less--Accumulated depreciation and amortization	(3,387)	(3,000)
	$ 7,413	$ 2,357

During 1999, the Company acquired land, building, and additional laboratory equipment at a total cost of approximately $3.9 million financed with a note payable to US Surgical (see Note 6).

4. SECURITY DEPOSITS AND OTHER:

A summary of security deposits and other assets is as follows (dollars in thousands):

	JULY 31,	
	1999	1998
Restricted cash held as collateral for note payable (see Note 6)	$ 955	$1,500
Other	344	388
	$1,299	$1,888

5. ACCRUED EXPENSES:

A summary of accrued expenses is as follows (dollars in thousands):

	JULY 31,	
	1999	1998
Research and development expenses	$1,333	$ 159
Payroll and employee benefits	617	477
Professional fees	91	77
Other	287	105
	$2,328	$ 818

6. NOTES PAYABLE:

A summary of notes payable is as follows (dollars in thousands):

	1999	1998
Term loan payable to a bank requiring quarterly principal payments of $92 payable through August 2001 bearing interest at a variable rate which is repriced quarterly. The rate as of July 31, 1999 was 7.1%. The term loan agreement requires the Company to maintain a restricted cash balance equal to 115% of the outstanding loan balance plus accrued interest in an interest bearing account as collateral for the note	$ 831	$1,200
Term note payable to US Surgical bearing interest at 6% per annum, payable quarterly. The principal balance under the note matures in May 2005. The note payable is secured by certain manufacturing assets of Columbus	3,920	--
	4,751	1,200
Less--Current portion	368	368
Total long--term	$4,383	$ 832

Future repayments of the notes payable are scheduled as follows (dollars in thousands):

YEAR ENDING JULY 31,	
2000	$ 368
2001	463
2005	3,920
	$4,751

7. LICENSE AND RESEARCH & DEVELOPMENT AGREEMENTS:

The Company has entered into a number of license and research & development agreements since its inception. These agreements have been made with various research institutions, universities, and government agencies in order to advance and obtain technologies management believes important to the Company's overall business strategy.

License agreements generally provide for an initial fee followed by annual minimum royalty payments. Additionally, certain agreements call for future payments upon the attainment of agreed to milestones, such as, but not limited to, Investigational New Drug (IND) application or Product License Approval (PLA). These agreements require minimum royalty payments based upon sales developed from the applicable technologies, if any. The Company's policy is to amortize capitalized licensed technology over a seven year period or over the license term, whichever is shorter, using the straight-line method.

Research & development agreements generally provide for the Company to fund future project research for one to four years. Based upon these agreements, the Company may obtain exclusive and non-exclusive rights and options to the applicable technologies developed as a result of the applicable research. The Company's policy is to expense research and development payments as incurred.

7. LICENSE AND RESEARCH & DEVELOPMENT AGREEMENTS: (CONTINUED)

The minimum payments (assuming non-termination of the above agreements) as of July 31, 1999, for each of the next five years are as follows (dollars in thousands):

YEAR ENDING JULY 31,	LICENSE AGREEMENTS	RESEARCH DEVELOPMENT AGREEMENTS
2000	$296	$50
2001	296	50
2002	389	50
2003	389	50
2004	274	--

Should the Company achieve certain milestones related to product development and product license applications and approvals, additional payments would be required if the Company elects to continue and maintain its licenses. The agreements also require the Company to fund certain costs associated with the filing of patent applications.

8. CONTRACT RESEARCH REVENUES:

During the three years ended July 31, 1999, the Company recorded contract research revenues from the Commerce Department's National Institute of Standards and Technology (NIST) and National Institutes of Health (NIH).

In July 1995, the Company entered into a collaborative research and development agreement in connection with its xenotransplantation program with US Surgical. In September 1997, the Company modified its research and development agreement with US Surgical. As part of the modification agreement, US Surgical purchased 166,945 shares of common stock for $3.0 million. In February 1999, as part of the termination of this agreement, the Company purchased certain manufacturing assets and effected the return of all technology rights of its xenotransplantation program from US Surgical. The Company financed the asset purchase with a $3.9 million note payable (see Note 6).

In December 1996, the Company entered into a license and collaborative research agreement with Genetic Therapy Inc. ("GTI/Novartis"), a subsidiary of Novartis, Inc., relating to the Company's gene transfer technology. In October 1998, in view of Alexion's increased focus on the advanced clinical development of its anti-inflammatory drug candidates and GTI/Novartis' announced restructuring and reorganization, the Company and GTI/Novartis agreed to discontinue the collaborative gene therapy program.

In August 1995, the Company was awarded a three-year agreement, for approximately $2 million, from NIST to fund a xenotransplantation project. In November 1997, the Company and US Surgical were awarded a three-year, $2 million cooperative agreement from NIST to fund a joint xenotransplantation project. This agreement was modified into a single entity agreement in February 1999. In October 1998, the Company was awarded another three-year $2 million agreement from NIST to fund a xenotransplantation project.

In January 1999, the Company and Procter & Gamble Pharmaceuticals Inc. ("P&G") entered into an exclusive collaboration to develop and commercialize 5G1.1-SC, one of the Company's lead product candidates. Under this collaboration, the Company will initially pursue the development of 5G1.1-SC for

8. CONTRACT RESEARCH REVENUES: (CONTINUED)
the treatment of inflammation caused by cardiopulmonary bypass surgery, heart attack, and angioplasty. P&G has agreed to fund all clinical development and manufacturing costs relating to 5G1.1-SC for these indications. Additionally, P&G has agreed to pay the Company up to $95 million in payments, which include a non-refundable upfront license fee, milestone payments, and research and development support payments. The Company will also receive royalties on worldwide sales of 5G1.1-SC, if any, for all indications. The Company also has a preferred position relative to third-party manufacturers to manufacture 5G1.1-SC worldwide. The Company shares co-promotion rights with P&G to sell, market and distribute 5G1.1-SC in the United States, and has granted P&G the exclusive rights to sell, market and distribute 5G1.1-SC outside of the United States. Through July 31, 1999, the Company recorded revenues of $17.8 million from P&G, including receiving a non-refundable upfront license fee of $10 million and $7.8 million for research and development support expenses.

A summary of revenues generated from contract research collaboration and grant awards is as follows for the years ended July 31, (dollars in thousands):

COLLABORATION/GRANT AWARDS	1999	1998	1997
P&G	$17,753	$ --	$ --
NIST and NIH	834	857	924
US Surgical	--	3,780	1,804
GTI/Novartis	167	400	1,083
	$18,754	$5,037	$3,811

9. COMMITMENTS:

The Company has entered into three-year and five-year employment agreements with its executives. These agreements provide that these individuals will receive aggregate annual base salaries of approximately $827,000 as of July 31, 1999. These individuals may also receive discretionary bonus awards, as determined by the Board of Directors.

As of July 31, 1999, the Company leases its administrative and research & development facilities under three operating leases which expired in December 1997, June 1998, and March 1999. The Company is currently continuing the leases on a month-to-month basis while discussions for new lease arrangements continue. The Company believes it will reach an agreement regarding such facilities on commercially adequate terms.

Lease expense for the Company's facilities was $420,000, $415,000 and $216,000 for the years ended July 31, 1999, 1998, and 1997, respectively.

Future minimum annual rental payments as of July 31, 1999, under other noncancellable operating leases (primarily for equipment) are approximately $36,000, $34,000, $30,000, $30,000, and $30,000 for the five years ended July 31, 2004, respectively.

10. COMMON STOCK AND PREFERRED STOCK:

FISCAL 1997 PRIVATE PLACEMENT--

In July 1997, the Company completed a private placement offering for 1,450,000 shares of common stock, resulting in net proceeds of approximately $10.4 million.

FISCAL 1998 PRIVATE PLACEMENTS--

In September 1997, the Company completed the private placement of 400,000 shares of Series B convertible preferred stock for aggregate consideration of $10 million to a single institutional investor, Biotech Target, S.A., a wholly-owned subsidiary of BB Biotech AG. The net proceeds to the Company were approximately $9.5 million. The investor was entitled to a dividend of $2.25 per share of Series B convertible preferred stock if this stock was held through March 4, 1998. In March 1998 the investor converted the preferred stock into 935,782 shares of common stock and dividends of $900,000 were paid by the delivery of an additional 70,831 shares of the Company's common stock. Also, in March 1998, Biotech Target S.A. purchased an additional 670,000 shares of common stock for aggregate consideration of approximately $8.8 million.

In September 1997, the Company sold 166,945 shares of its common stock to US Surgical for aggregate consideration of $3.0 million. The sale of common stock was made in connection with the modification of the joint development agreement between the Company and US Surgical.

11. STOCK OPTIONS AND WARRANTS:

STOCK OPTIONS--

Under the Company's 1992 Stock Option Plan, as amended, incentive and nonqualified stock options may be granted for up to a maximum of 3.1 million shares of common stock to directors, officers, key employees and consultants of the Company. Under the Company's 1992 Stock Option Plan for Outside Directors, as amended, the Company has registered an additional 200,000 shares of common stock for issuance upon exercise of options granted under the plan. Options generally become exercisable in equal proportions over three to four years and remain exercisable for up to ten years after the grant date, subject to certain conditions.

Statement of Financial Accounting Standard No. 123, Accounting for Stock-Based Compensation (SFAS 123) requires the measurement of the fair value of stock options or warrants to be included in the statement of income or disclosed in the notes to financial statements. The Company has determined that it will continue to account for stock-based compensation for employees under Accounting Principles Board Opinion No. 25 and elect the disclosure-only alternative under SFAS 123. The Company has computed the pro forma disclosure required under SFAS 123 for options granted using the Black-Scholes option pricing model prescribed by SFAS 123. The weighted average assumptions used are as follows:

	1999	1998	1997
Risk free interest rate	5.00%	5.25%	6.25%
Expected dividend yield	0%	0%	0%
Expected lives	5 years	5 years	5 years
Expected volatility	65%	61%	53%

11. STOCK OPTIONS AND WARRANTS: (CONTINUED)

Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant dates of awards under these plans consistent with the method of SFAS 123, the Company's net loss and pro forma net loss per common share would have been increased to the pro forma amounts indicated below (dollars in thousands, except per share amounts):

	1999	1998	1997
Net loss:			
As reported	$(6,395)	$(8,765)	$(7,252)
Pro forma	(8,419)	(9,958)	(7,815)
Net loss per common share:			
As reported	$ (0.57)	$ (0.87)	$ (0.97)
Pro forma	(0.74)	(0.99)	(1.05)

A summary of the status of the Company's stock option plans at July 31, 1999, 1998 and 1997 and changes during the years then ended is presented in the table and narrative below:

	1999		1998		1997	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at August 1	1,727,986	$7.40	1,484,284	$ 6.63	1,207,334	$ 5.46
Granted	780,750	9.64	279,750	$11.31	337,250	$10.37
Exercised	(66,587)	5.75	(21,864)	$ 3.16	(34,937)	$ 2.38
Cancelled	(93,562)	9.73	(14,184)	$11.29	(25,363)	$ 6.19
Outstanding at July 31	2,348,587	$8.10	1,727,986	$ 7.40	1,484,284	$ 6.63
Options exercisable at July 31	1,238,398	$6.46	883,063	$ 5.73	574,690	$ 4.98
Weighted-average fair value of options granted during the year		$6.52		$ 6.42		$ 5.40

During fiscal 1999, options to purchase 513,500 shares of common stock were granted at an exercise price equal to the fair value of the stock at the date of grant. The weighted average exercise price of these options was $9.98 per share. The weighted average fair value of these options at the date of grant was $5.89 per option. In addition, options to purchase 267,250 shares of common stock were granted subject to shareholders' approving an increase in total shares available to be granted under the plan. These options were granted at an exercise price of $9.00 per share which was equal to the fair value of the common stock at the date of grant. The exercise price of these options was less than the fair value of the stock at the date of shareholder approval. Accordingly, the Company is recording compensation expense based upon this difference over the vesting period associated with these options. Compensation expense associated with these options was $132,000 for the year ended July 31, 1999. Aggregate compensation expense of approximately $600,000 associated with these option grants is expected to be recognized over the next three years. The weighted average fair value of these options at the date of shareholder approval was $7.73 per option.

11. STOCK OPTIONS AND WARRANTS: (CONTINUED)

The following table presents weighted average price and life information about significant option groups outstanding at July 31, 1999:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YRS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$2.37-$2.50	555,448	5.4	$ 2.38	536,698	$ 2.38
$2.51-$8.24	166,000	3.5	7.47	152,250	7.54
$8.25-$10.50	1,359,839	8.4	9.69	512,552	9.95
$10.51-$13.25	267,300	8.7	12.25	36,898	12.87
	2,348,587	7.4	$ 8.10	1,238,398	$ 6.46

WARRANTS--

In connection with the Company's initial public offering, the Company sold to its underwriter, for nominal consideration, warrants to purchase 220,000 shares of common stock. These warrants are exercisable at a price of $9.90 per share for a period of forty-two (42) months commencing on August 27, 1997. None of these warrants have been exercised as of July 31, 1999.

12. RIGHTS TO PURCHASE PREFERRED STOCK:

In February 1997, the Board of Directors of the Company declared a dividend of one preferred stock purchase right for each outstanding share of common stock. Under certain conditions, each right may be exercised to purchase one one-hundredth of a share of a new series of preferred stock at an exercise price of $75.00, subject to adjustment. The rights may be exercised only after a public announcement that a party acquired 20% or more of the Company's common stock or after commencement or public announcement to make a tender offer for 20% or more of the Company's common stock. The rights, which do not have voting rights, expire on March 6, 2002, and may be redeemed by the Company at a price of $0.01 per right at any time prior to their expiration or the acquisition of 20% or more of the Company's stock. The preferred stock purchasable upon exercise of the rights will have a minimum preferential dividend of $10.00 per year, but will be entitled to receive, in the aggregate, a dividend of 100 times the dividend declared on a share of common stock. In the event of a liquidation, the holders of the shares of preferred stock will be entitled to receive a minimum liquidation payment of $100 per share, but will be entitled to receive an aggregate liquidation payment equal to 100 times the payment to be made per share of common stock.

In the event that the Company is acquired in a merger, other business combination transaction, or 50% or more of its assets, cashflow, or earning power are sold, proper provision shall be made so that each holder of a right shall have the right to receive, upon exercise thereof at the then current exercise price, that number of shares of common stock of the surviving company which at the time of such transaction would have a market value of two times the exercise price of the right.

13. 401(K) PLAN:

The Company has a 401(k) plan. Under the plan, employees may contribute up to 15 percent of their compensation with a maximum of $10,000 per employee in calendar year 1999. Effective January 1998, Company matching contributions of $0.50 for each dollar deferred (up to the first 6% deferred) have been authorized by the Board of Directors. The Company had matching contributions of approximately $85,000, $48,000 and $31,000 for the years ended July 31, 1999, 1998 and 1997, respectively.

14. INCOME TAXES:

At July 31, 1999, the Company has available for federal tax reporting purposes, net operating loss carryforwards of approximately $44.1 million which expire through 2019. The Company also has research and development credit carryovers of approximately $2.2 million which begin to expire commencing in fiscal 2008. The Tax Reform Act of 1986 contains certain provisions that may limit the Company's ability to utilize net operating loss and tax credit carryforwards in any given year if certain events occur, including cumulative changes in ownership interests in excess of 50% over a three-year period. Accordingly there can be no assurance that the Company's ability to utilize its existing net operating loss and tax credit carryforwards in future periods will not be limited as a result of the effect of changes in ownership in excess of 50% over a three-year period.

The Company follows SFAS No. 109, "Accounting for Income Taxes." This statement requires that deferred income tax assets and liabilities reflect the impact of "temporary differences" between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations.

The components of deferred income taxes as of July 31, 1999 are as follows (dollars in thousands):

Deferred tax assets:	
Net operating loss carryforwards	$16,801
Tax credit carryforwards	2,218
Other	144
Total deferred tax assets	19,163
Less: Valuation allowance for deferred tax assets	19,163
Net deferred tax assets	$ --

The Company has not yet achieved profitable operations. Accordingly, management believes the tax benefits as of July 31, 1999 do not satisfy the realization criteria set forth in SFAS No. 109 and has recorded a valuation allowance for the entire deferred tax asset.

Exhibit 10.27

ASSET PURCHASE AGREEMENT

by and between

UNITED STATES SURGICAL CORPORATION, and
CFC ASSETS CORPORATION

as Sellers, and

COLUMBUS FARMING CORPORATION, and
ALEXION PHARMACEUTICALS, INC.

as Purchasers

Dated as of February 9, 1999

ASSET PURCHASE AND REVERSION AGREEMENT

This Asset Purchase and Reversion Agreement (the "Agreement"), dated as of February 9, 1999, is by and between United States Surgical Corporation (hereinafter "USSC"), a corporation organized and existing under the laws of the State of Delaware and having principal offices at 150 Glover Avenue, Norwalk, Connecticut, CFC Asset Corporation (hereinafter "CAC"), a corporation organized and existing under the laws of the State of Delaware and having principal offices at 150 Glover Avenue, Norwalk, Connecticut (USSC and CAC hereinafter collectively referred to as the "Sellers"), and Alexion Pharmaceuticals, Inc., a corporation organized and existing under the laws of the State of Delaware and having its principal office at 25 Science Park, Suite 360, New Haven, CT 06511 (hereinafter referred to as "Alexion"), and Columbus Farming Corporation (hereinafter "CFC"), a corporation organized and existing under the laws of the State of New York and having principal offices (*******) (Alexion and CFC hereinafter collectively referred to as the "Purchasers") (Sellers and Purchasers collectively hereinafter referred to as the "Parties"). Capitalized terms used in this Agreement shall have the meanings given to them upon their first use or in Section 16 hereof.

WITNESSETH

WHEREAS, USSC has been engaged in the business of the design, manufacture, distribution and/or sale of medical devices, and has invested in technologies in the field of xenotransplantation; and

WHEREAS, USSC holds licenses to certain intellectual property used by Sellers in the said field; and

WHEREAS, USSC and Alexion have worked cooperatively in the development of such xenotransplantation technologies, but USSC has decided to concentrate on certain core businesses and therefore Sellers desire to divest themselves of their business, properties and assets heretofore or currently used in connection with their xenotransplantation business (the "Business"); and

WHEREAS, Sellers desire to sell and the CFC desires to buy, on the terms and conditions set forth in this Agreement, the assets of the Business; and USSC and Alexion have agreed that the licenses to certain intellectual property granted by Alexion to USSC shall terminate and the technology and rights revert to Alexion or shall otherwise be transferred to Alexion, all as set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements hereinafter contained, the parties hereto agree as follows:

Section 1. Purchase and Sale of Purchased Assets.

(a) Subject to and upon the terms and conditions of this Agreement, the Sellers covenant and agree to sell, assign, transfer and convey to the Purchasers and the CFC agree to purchase from the Sellers, on the Closing Date (as hereinafter defined), the assets of the Business which are listed below:

(i) The land (with the buildings and improvements thereon) described in Schedule l(a)(i) hereto which the Parties agree shall be conveyed to CFC as of the Closing Date;

(ii) All machinery and equipment, fixtures, furniture, furnishings, tooting and instruments, which are used exclusively in the Business, including without limitation, assets that are listed on Schedule l(a)(ii) hereto and any other assets used exclusively in the Business acquired by the Sellers from the date hereof to the Closing Date which the Parties agree shall be transferred to CFC as of the Closing Date;

(iii) All of the Sellers' inventories and supplies including, without limitation, raw materials, work-in-process and finished goods related to the Business, (the "Inventory" except that "Inventory," shall be deemed not to include livestock and biological materials which is part of the "Licensed Technology" (hereinafter defined)), and the Parties agree that the Inventory shall be transferred to CFC as of the Closing Date;

(iv) All Sellers' interest in the corporate name "Columbus Farming Corporation", as well as CAC's post office box and telephone and facsimile numbers shall be transferred to CFC as of the Closing Date;

(v) All rights and privileges of the Sellers under and pursuant to any contracts, leases, licenses, and agreements to the extent incident to and relating exclusively to the Business, all of which in an amount greater than $5,000 are listed in Schedule l(a)(v) hereto, and any such contracts, leases, licenses and agreements which are entered into in the ordinary course of the Business from the date hereof to the Closing Date, to the extent that such contracts are uncompleted and outstanding because, in the case of purchase contracts, services have not been rendered to the Sellers or products or supplies have not been received by the Sellers prior to the Closing Date, and, in the case of the sales contracts, products have not been shipped by the Sellers prior to the Closing Date shall be transferred to CFC as of the Closing Date;

(vi) All supplier lists, books, records and papers (1) of the Sellers relaxing exclusively to the Business; and (2) of CAC; shall be transferred to CFC as of the Closing Date except to the extent they are part of the "Licensed Technology".

The items of property referred to in Sections l(a)(i) through l(a)(vi) above, excluding the items described in Section 1(b) below, are hereinafter collectively referred to as the "Purchased Assets".

(b) Excluded Assets. "Licensed Technology" (hereinafter defined) is excluded from the definition of "Purchased Assets". Excluded from this sale and from the definition of "Purchased Assets" is (i) the Adpro microwave transmitter and related equipment located at CAC's (*******) facility, and ii) all know-how specific to Sellers bioabsorbable compositions including, but not limited to, the chemistry, formulation or composition of polymers developed, acquired or licensed by USSC, specifically including those containing (*******) (referred to as the "Bioabsorbable Know-how").

Section 2. Assumption of Liabilities: Termination of Prior Agreement.

I. Assumption of Liabilities.

(a) Except as set forth in Section 2 (b) below, CFC shall assume any and all liabilities of the Sellers related exclusively to the Business set forth in clauses (i), (ii), (iii) and (iv) below (collectively, the "Assumed Liabilities"):

(i) The obligations of the Sellers under the contracts described in Schedule l(a)(v) and the contracts which are entered into in the ordinary course of the Business and consistent with past practices from the date hereof to the Closing Date to the extent that such contacts are uncompleted and outstanding because, in the ease of purchase contracts, services have not been rendered to the Sellers or products or supplies have not been received by the Sellers, as the case may be, prior to the Closing Date and, in the case of sales contracts, products have nor been shipped by the Sellers prior to the Closing Date;

(ii) The obligations of USSC under National Institute of Standards and Technology Cooperative Agreement No. 70NANB7H3065 (referred to as the "NIST Agreement").

(iii) The obligations and liabilities, including product liabilities, relating to products manufactured or sold by Purchasers after the date of Closing and relating to the Business.

(iv) All other liabilities and obligations arising out of or resulting from the conduct of the Business after the date of the Closing.

(b) Accounts and other payables arising out of the conduct of the Business are specifically not assumed by the Purchasers and will be paid by Sellers when due.

(c) (i) To the extent that the assignment of any contract or any license, permit, approval or qualification issued or to be issued by any government or agency or instrumentality thereof relating to the Business or the Purchased Assets including, without limitation, the Permits (defined below) to be assigned to the CFC or Alexion pursuant to this Agreement shall require the consent of any other party, this Agreement shall not constitute a contract to assign the same if an attempted assignment would constitute a breach thereof. The Sellers shall use its reasonable commercial efforts, and the CFC or Alexion shall cooperate where appropriate, to obtain any consent necessary to any such assignment. If any such consent is not obtained, then the Sellers shall cooperate with the CFC and Alexion in any reasonable arrangement requested by CFC or Alexion designed to provide to the Purchasers the benefits under any such contract license, permit, approval or qualification and the Permits, including enforcement of any and all rights of the Sellers against the other party thereto arising out of breach or cancellation thereof by such other party or otherwise.

(ii) Seller agrees to cooperate to the extent reasonably necessary to obtain approval of an Assignment of Seller's interest in the NIST Agreement to Alexion. This includes, without limitation, executing of any letters requested by Alexion directed to persons or entities designated by Alexion indicating that Sellers will no longer involved in the performance of the NIST Agreement and that the performance of its obligations will be undertaken by Alexion. Sellers shall also execute any other letters Alexion reasonably requires to obtain approval of the assignment of the NIST Agreement to Alexion.

(d) Obligations of the Sellers relating to the Business but not assumed by Purchasers herein shall constitute the "Excluded Liabilities", which shall remain the responsibility of the Sellers after the Closing and shall not be obligations of the Purchasers.

II. Termination of Prior Agreement.

(a) "Licensed Technology" shall mean:

(i) To the extent that any transferable rights currently obtain, all U.S. and foreign letters patent and patent applications of the Sellers (including all licenses with respect thereto), and Sellers' right, title and interest in all reissues, divisions, continuations-in-part, extensions thereof, and any other U.S. or foreign letters patent or patent applications

claiming priority therefrom, and all licenses, technology, know-how, technical information, inventions, research records and other documentation, formulae, processes, techniques, technical information, manufacturing and engineering drawings and information and trade secrets; as set forth in any of subsections A and B, as follows:

(A) all that are being used exclusively in or relate exclusively to the Business; and

(B) all that are listed on Schedule 2 II (a)(i) hereto;

(ii) All rights and privileges of the Sellers under and pursuant to the NIST Agreement, and all notebooks, data, knowledge and records (in whatever media) relating to the research conducted under said NIST Agreement and all results of the research conducted under said NIST Agreement (excluding Bioabsorbable Know-how);

(iii) livestock and biological materials; and

(iv) all rights, privileges, licenses, and assets granted or conveyed to USSC, including without limitation all licenses granted pursuant to the Joint Development Agreement, all assets and rights transferred to USSC pursuant to the Amendment to the Joint Development Agreement dated September 30, 1997, USSC Pigs referred to therein, and the Germline Constituents referred to therein.

(b) Alexion and USSC hereby terminate their Joint Development Agreement dated as of July 31, 1995, as amended in the Amendment to Joint Development Agreement dated September 30, 1997 and Amendment No. 2 to Joint Development Agreement dated January 8, 1998 (as so amended, the "Joint Development Agreement"), and shall at Closing execute mutual general releases releasing each of them from any obligations whatsoever under or arising from said Joint Development Agreement, as amended, except for the obligations set forth in Article 5 thereof. It is the intention of the parties by this Agreement that the Licensed Technology shall revert and are hereby transferred to and shall become the sole and exclusive property of Alexion, and USSC shall have no further rights or obligations with respect thereto other than the obligations set forth in Article 5 of the Joint Development Agreement.

(c) To the extent that Sellers have any interest in any of the Licensed Technology which does not revert to Alexion as a result the termination of the Joint Development Agreement, the same shall nevertheless be deemed transferred and assigned to Alexion as of the Closing Date.

Section 3. Purchase Price.

Subject to and upon the terms and conditions of this Agreement, and as full and complete consideration for the sale of the assets set forth herein, Purchasers hereby agrees to pay to USSC $3,920,307.96 (*******) (the "Purchase Price"). Notwithstanding anything in this Agreement to the contrary, no portion of the Purchase Price shall be deemed payable by Alexion, and no portion of the Purchase Price shall be deemed allocable to any property reverting, transferred, or to be transferred to Alexion pursuant to this Agreement.

Section 4. Closing and Payment of Purchase Price.

(a) A closing (the "Closing") shall take place at 10:00 a.m. on February 9, 1999 at the offices of the Sellers at 150 Glover Avenue, Norwalk, CT 06851 (the "Closing Date").

(b) (i) On the Closing Date, the Sellers shall transfer to CFC by all necessary and appropriate bills of sale, deeds, assignments and other instruments, all right, title and interest of the Sellers in and to the Purchased Assets (and the Licensed Technology shall revert to and be transferred and assigned to Alexion) free and clear of all Liens, claims and encumbrances whatsoever (other than the "Irwin Lien", as hereinafter defined), and CFC shall deliver to USSC a promissory note (the "Note") in the amount of $3,920,307.96 (the form of which is attached hereto as Exhibit B), a mortgage on the real estate portion of the Purchased Assets (the form of which is attached hereto as Exhibit C), and a security agreement and appropriate UCC financing statements on the tangible personal property portion of the Purchased Assets (the forms of which are attached hereto as Exhibits D and E).

(ii) UCC # (*******) in which the secured party is the United States of America c/o Farm Service Agency is referred to as the "Irwin Lien." Sellers covenant that Sellers, at Sellers' sole cost and expense, will cause the Irwin Lien to be removed from the Purchased Assets on or before the sixtieth day after the Closing Date unless CFC, in its sole discretion, agrees that the Irwin Lien may remain in connection with an agreement reached between CFC and the debtors described in the Irwin Lien.

(iii) If a certificate of occupancy has not yet been issued for any building or improvement on the real property described on Schedule l(a)(i), Sellers shall, at Sellers' sole cost and expense, cause it to be issued on or before the sixtieth day after the date of this Agreement.

(c) On or before the date of the Closing, the Sellers shall:

(i) deliver to the Purchasers at the Sellers' (*******) facility physical possession of all tangible Purchased Assets of the Business and Licensed Technology located therein;

(ii) make available for pick-up by the Buyers such of the Purchased Assets as are located at USSC's facility in North Haven, Connecticut;

(iii) if CFC has so requested, deliver letters to third parties from whom CAC has contracted for goods and services indicating that the contracts have been assigned to CFC and indicating that rights and warranties of CAC have been assigned to CFC;

(iv) deliver share of stock of (*******) properly transferred to CFC free and clear of all Liens;

(v) deliver titles to any vehicles, machinery or equipment for which titles have been issued which are part of the Purchased Assets properly transferred to CFC; and

(vi) deliver any additional documents and make any payments as are required to transfer title from Sellers to Purchasers of any Purchased Assets and Licensed Technology as required pursuant to this Agreement fully paid and free and clear of any liens and encumbrances (except with respect to the Irwin Lien).

(vii) deliver the "Estimated Payables Amount" reflected on Schedule 4(e)(vii) to the trust account of Purchasers' attorneys', Golenbock, Eiseman, Assor & Bell via wire transfer. Purchasers attorneys shall be deemed authorized to disburse the "Estimated Payables Amount" to CFC on the date of the Closing and thereafter shall be free of any and all responsibilities with respect to such amount.

(d) (i) Schedule 4(c)(vii) sets forth all of the payables which Sellers have estimated as arising from the purchase of assets by Sellers in connection with the Business on or before the date of the Closing and the operation of the Business on or before the date of the Closing. CFC shall apply the Estimated Payables Amount to the payment of the payables of CAC and/or USSC arising from the purchase of assets by one or both of them in connection with the Business on or before the date of the Closing and the operation of the Business on or before the date of the Closing. CFC may also elect to pay such payables out of its own funds, but CFC is not obligated to do so. To the extent such payables are paid by CFC out of its own funds, the payment shall be reimbursed by Sellers. Notwithstanding anything herein to the contrary, Purchasers do not

assume responsibility for the payment of any of the payables of Sellers except to the extent CFC has agreed to apply the Estimated Payables Amount received by it to the payables. If the Estimated Payables Amount is insufficient to pay such payables, Sellers agree to pay the balance of the payables and to reimburse CFC for any portion of the balance paid by CFC except for the payables to (*******).

(ii) On or before the sixtieth day after the date of the Closing (the "Reconciliation Date") CFC shall submit to Sellers a schedule of the payments made from the Estimated Payables Amount and the bills as CFC shall have received supporting the payments made. If the aggregate of the amounts paid by CFC on account of the payables is less than the Estimated Payables Amount, CFC shall pay USSC the difference on or before the tenth day after the Reconciliation Date. If the aggregate of the amounts paid by CFC on account of the payables is more than the Estimated Payables Amount, USSC shall pay CFC the difference on or before the tenth day after the Reconciliation Date. If USSC fails to pay CFC any amounts owed CFC in accordance with this subsection (d), the same shall be a credit to CFC which CFC may apply against payments due USSC pursuant to the Note until the credit has been exhausted.

(e) As of the date of the Closing, all warranties inuring to the benefit of CAC from any contractors, manufacturers, and/or suppliers shall be deemed assigned to CFC. At any time after the date of the Closing, if CFC so requests, Sellers shall deliver letters to third parties from whom CAC has contracted for goods and services in connection with the Business indicating that the contracts have been assigned to CFC and indicating that rights and warranties of CAC have been assigned to CFC.

Section 5. Representations and Warranties of the Sellers.

The Sellers hereby represent and warrant to the Purchasers as follows:

(a) Due Organization: The Sellers are corporations duly organized, validly existing and in good standing under the laws of the state of Delaware, with all requisite power and authority to own, lease and operate their properties, to carry on their businesses as presently conducted by them, to enter into this Agreement and the other instruments and agreements of the Sellers provided for herein, and to consummate the transactions contemplated hereby and thereby.

(b) Authorization. The execution and delivery by the Sellers of this Agreement and the other instruments and agreements of the Sellers provided for herein, and the performance of their obligations hereunder and thereunder, have been duly and validly authorized by all necessary action on their parts, and this Agreement and all other such instruments and agreements delivered or to be delivered by the Sellers in connection wit the transactions

contemplated hereby are, or (when executed and delivered in accordance herewith) will be, the legal, valid and binding obligations of the Sellers, enforceable against them in accordance with their respective terms.

(c) Non-Contravention. Neither the execution and delivery by the Sellers of this Agreement, nor the performance by them of their obligations hereunder and thereunder will, or with the giving of notice or the lapse of time, or both, would:

(i) conflict with, result in a breach of, or constitute a default under, any provision of the organizational documents of the Sellers or of any contract, indenture, lease, sublease, loan agreement, restriction, Lien or other obligation or liability to which the Sellers are parties or by which either of them are bound, or result in or create in any party the right to accelerate, terminate, modify or cancel any contract, license, indenture, lease, sublease or loan agreement to which the Sellers are parties or by which they, or any of their properties or assets, is affected or bound;

(ii) violate any order, writ, injunction, decree, law, statute, rule or regulation applicable to the Sellers; or

(iii) result in the creation or imposition of any Lien upon any of the Purchased Assets or Licensed Technology.

(d) Asset Listing. The Sellers have delivered to the Purchasers a true and complete listing of the purchase price of the machinery and equipment related to the Business dated December 31, 1998 (the "Asset Listing"), which is attached hereto as Exhibit A. The Asset Listing has been prepared from the books and records of the Sellers and fairly presents such assets at the specified date, and there have been no material changes in such Asset Listing since said date.

(e) Title to Purchased Assets; Condition of Purchased Assets. The Sellers have good and marketable title to and possession of all the Purchased Assets and the Licensed Technology, free and clear of all Liens; and, to the best of Sellers' knowledge and belief, no interest in or right to any such Purchased Assets or the Licensed Technology is held, legally or beneficially by any person or entity other than the Sellers. Purchased Assets have been properly maintained and are in good operating condition, reasonable wear and tear excepted, and there exists no outstanding notice of any violation of any statute relating to them or to the Licensed Technology.

(g) Intellectual Property. Schedule 2 II (a)(i) sets forth a complete and accurate list of all of the United States and foreign patents, and/or applications therefor that are owned, possessed or held by the Sellers and used in the conduct of the Business (the "Intellectual

Property"). Unless otherwise indicated in such Schedule 2 II (a)(i), to the best of Sellers' knowledge and belief, the Sellers exclusively owns the entire right, title and interest in and to each item of Intellectual Property free and clear of the rights of any other persons or entities (other than Purchasers).

(h) Contracts. Schedule 1(a)(v) lists all material contracts, leases, agreements, letters of intent and commitments, whether written or oral, of an amount equal to or greater than $5,000, to which the Sellers are a party or by which the Sellers or any of the Purchased Assets or the Licensed Technology are bound and which relate to the conduct of the Business (collectively, the "Contracts"). Except as set forth in such Schedule 1(a)(v), (i) all of the Contracts were entered into in the ordinary course of the Business, (ii) all of the Contracts are currently in full force and effect, binding upon the parties thereto, and enforceable against them in accordance with their terms, (iii) to the best of Sellers' knowledge, the Sellers are complying in full with the terms and provisions thereof, (iv) to the best knowledge of the Sellers, the other parties to all of the Contracts are complying in full with the terms and provisions thereof, (v) there are no progress payments, advances, or arrearages in connection with any of the Contacts except as set forth on Schedule 1 (a)(v), and (vi) the consummation of the transactions contemplated hereby will not impair any right or privilege enjoyed by the Sellers or the Purchasers under any Contract, or give rise to any right of termination or cancellation thereunder or diminution of rights.

(i) Consents of Third Parties. No consent, approval or agreement of any Person, party, court, government or entity is required to be obtained by the Sellers in connection with the execution and delivery of this Agreement or the other instruments or agreements provided herein or therein, or the consummation of the transactions contemplated hereby or thereby.

(j) Litigation. There is no litigation, arbitration, claim, governmental or other investigation or proceeding (formal or informal) pending or, to the best knowledge of the Sellers, threatened with respect to the Business, or the Purchased Assets, or the Licensed Technology, or the transactions contemplated hereby and to the best knowledge of the Sellers there exists no basis or grounds for any of the foregoing. To the best knowledge of the Sellers, the Sellers are not in violation of, or in default with respect to, any order, judgment or decree applicable to the Business or the Purchased Assets or the Licensed Technology, and are not required to take any remedial action in order to avoid such violation or default.

(k) Legal Matters. The Sellers are in compliance with all applicable laws, including, without limitation, all environmental laws and other laws and regulations of governmental agencies in connection with the Business and the real property described in Schedule 1 (a)(i) and the buildings and improvements thereon, except for any failure to comply which individually or in the aggregate would not have a material adverse effect on the business, properties, assets or condition (financial or otherwise) of CAC or CFC.

(l) No Broker. No agent, broker, person or firm acting on behalf of the Sellers, or under its authority, is or will be entitled to a financial advisory fee, brokerage commission, finder's fee or like payment in connection with this Agreement or any of the transactions contemplated hereby.

(m) New York Lien Law. Seller shall comply wit its obligations pursuant to Section 13 of the New York Lien Law.

(n) NIST Agreement. Sellers have received no notice of default with respect to the NIST Agreement, and to the best of Seller's knowledge, Sellers are not in default of any of their obligations pursuant to the NIST Agreement.

(o) Franchise Taxes. All franchise taxes due to date for USSC and CAC have been paid to date. If they have not, Sellers promise to pay them.

(p) Certificates of Occupancy. All work performed in connection with any construction on the real property described on Schedule l(a)(i), including without limitation, work performed by (******) and its subcontractors and materials supplied by its materialmen have as been fully completed and paid for.

(q) Liens. The Licensed Technology and the Purchased Assets are not subject to any lien or security interest (excluding the Irwin Lien).

(r) Residents. No person resides or has the right to reside on the real property described on Schedule 1(a)(i) except (*******), an employee of CAC, has been required to live on the real property as a part of his employment through the date of this Closing. (*******) has no tenancy in or continuing right to reside on the real property after the termination of his employment by CAC as of the Closing Date.

Section 6. Representations and Warranties of the Purchasers. The Purchasers represents and warrants to the Sellers as follows:

(a) Due Organization. Alexion is a corporation duly organized, validly existing and in good standing under the laws of Delaware with all requisite corporate power and authority to enter into this Agreement and the other instruments and agreements to be delivered by it hereunder, and to consummate the transactions contemplated hereby and thereby. CFC is a corporation duly organized, validly existing and in good standing under the laws of New York

with all requisite corporate power and authority to enter into this Agreement and the other instruments and agreements to be delivered by it hereunder, and to consummate the transactions contemplated hereby and thereby.

(b) Authorization. The execution and delivery by the Purchasers of this Agreement and the other instruments and agreements of the Purchasers provided for herein, and the performance of their obligations hereunder and thereunder, have been duly and validly authorized by all necessary action on their parts, and this Agreement and all other such instruments and agreements delivered or to be delivered by the Purchasers in connection with the transactions contemplated hereby are, or (when executed and delivered in accordance herewith) will be, the legal, valid and binding obligations of the Purchasers, enforceable against them in accordance with their respective terms.

(c) Non-Contravention. Neither the execution and delivery of this Agreement by the Purchasers nor the performance by the Purchasers of their obligations hereunder and thereunder will, or with the giving of notice or the lapse of time, or both, would:

(i) conflict with, result in a breach of, or constitute a default under, any provision of the Purchasers' charters or by-laws, or of any contract, indenture, lease, sublease, loan agreement, Lien or other obligation or liability to which the Purchasers are parties or by which they are bound; or

(ii) violate any order, writ, injunction, decree, law, statute, rule or regulation applicable to or by which they or their properties are bound.

(d) Litigation. There is no litigation, arbitration, claim, governmental or other investigation or proceeding (formal or informal) involving the transactions contemplated hereby pending or, to the best knowledge of the Purchasers, threatened, against the Purchasers and to the best knowledge of the Purchasers there exists no bases or grounds for any of the foregoing.

(e) No Broker. No agent broker, person or firm acting on behalf of the Purchasers or under their authority, is or will be entitled to a financial advisory fee, brokerage commission, finder's fee or like payment in connection with this Agreement or any of the transactions contemplated hereby.

(f) Consents of Third Parties. No consent, approval or agreement of any Person, party, court, government or entity is required to be obtained by the Purchasers in connection with the execution and delivery of this Agreement, or the other instruments and agreements provided herein or the consummation of the transactions contemplated hereby.

Section 7. Covenants of the Sellers Pending the Closing.

The Sellers covenant and agree that between the date of this Agreement and the Closing or termination of this Agreement prior to Closing:

(a) The Sellers will not take any action, or omit to take any action, which action or omission would make any of the representations and warranties of the Sellers untrue or incorrect in any material respect at the Closing Date, and will not undertake any course of action inconsistent with this Agreement, or which would render any of the conditions to Closing by the Purchasers unable to be satisfied at or prior to the Closing Date.

(b) The Purchasers and their officers, employees, and other agents, including accountants and counsel, shall have reasonable access to all of the books of account, records, permits, franchises, plans and other business records of the Sellers, at reasonable times during business hours, for the purpose of examining and inspecting the same and making copies of and extracts from such records and documents.

(c) The Sellers will carry on the Business in the ordinary course, consistent with past practice. The Sellers will make no material change in the Purchased Assets or Licensed Technology, its business, contracts, accounting practices, methods of operation or management of its business and properties relating to the Business without the Purchasers' prior written consent.

(d) The Sellers will use all reasonable efforts to (i) promptly make all filings and seek to obtain all authorizations required under the Sellers' Contracts and applicable laws with respect to the transactions contemplated hereby and will cooperate with the Purchasers with respect thereto, (ii) promptly take or cause to be taken all other actions necessary, proper or appropriate to satisfy the conditions set forth in Section 9 and to consummate and make effective the transactions contemplated by this Agreement on the terms and conditions set forth herein and therein as soon as practicable, and (iii) not take any action that would reasonably be expected to impair the ability of the Sellers to consummate the transactions contemplated by this Agreement at the earliest practicable time, including without limitation any action that would impair efforts to secure any required authorizations for such transactions. The reasonable efforts of the Sellers shall include, without limitation, good faith response, in cooperation with the Purchasers, to all requests for information, documentary or otherwise, by any governmental agency.

Section 8. Covenants of the Purchasers Pending the Closing.

The Purchasers hereby covenant and agree that between the date of this Agreement and the Closing or termination of this Agreement prior to the Closing:

(a) The Purchasers will not take any action, or omit to take any action, which action or omission would make any of their representations and warranties untrue or incorrect in any material respect at the Closing Date, and will not undertake any course of action inconsistent with this Agreement, or which would render any of the conditions to Closing by the Sellers unable to be satisfied at or prior to the Closing Date.

(b) The Purchasers will use all reasonable efforts to (i) promptly make all filings and seek to obtain all authorizations required to be made by the Purchasers under applicable laws with respect to the transactions contemplated hereby and will cooperate with the Sellers with respect thereto, (ii) promptly take or cause to be taken all other actions necessary, proper or appropriate to satisfy the conditions set forth in Section 10 and to consummate and make effective the transactions contemplated by this Agreement on the terms and conditions set forth herein and therein as soon as practicable, and (iii) not take any action that would reasonably be expected to impair their ability to consummate the transactions contemplated by this Agreement at the earliest practicable time, including without limitation any action that would impair efforts to secure any required authorizations for such transactions. The reasonable efforts of the Purchasers shall include, without limitation, good faith response, in cooperation with the Sellers, to all requests for information, documentary or otherwise, by any governmental agency.

Section 9. Conditions Precedent to Closing by the Sellers.

The obligations of the Sellers to sell the Purchased Assets and to consummate the transactions contemplated hereby are subject, at their sole option, to the fulfillment prior to or at the Closing of each of the following conditions:

(a) All of the representations and warranties made by the Purchasers in this Agreement shall be true and correct in all respects both on and as of the date of this Agreement and on and as of the Closing Date.

(b) The Purchasers shall have delivered the consideration set forth in Section 4(b)(i) to the Sellers.

(c) All consents, approvals, authorizations and registrations, qualifications or filings, required to have been made or obtained by the Purchasers to permit the consummation by the purchasers of the transactions contemplated hereby shall have been made or obtained, and all required authorizations, consents and approvals of third parties to permit the consummation of the transactions contemplated hereby shall have been obtained.

(d) No action or proceeding before a court or other governmental body shall have been instituted or threatened by any government or agency thereof, or by any other third party, to restrain or prohibit the consummation of any of the transactions contemplated hereby.

Section 10. Conditions Precedent to Closing by the Purchasers.

The obligations of the Purchasers to purchase the Purchased Assets and to consummate the transactions contemplated hereby are subject, at its sole option, to the fulfillment prior to or at the Closing of each of the following conditions:

(a) All of the representations and warranties made by the Sellers in this Agreement shall be true and correct in all respects both on and as of the date of this Agreement and on and as of the Closing Date.

(b) All consents, approvals and authorizations and registrations, qualifications or filings, required to have been made or obtained by the Sellers to permit the consummation by the Sellers of the transactions contemplated hereby shall have been made or obtained, and all required authorizations, consents and approvals of third parties to permit the consummation by the Sellers of the transactions contemplated hereby shall have been obtained, except as otherwise specified herein. All required consents, approvals and authorizations of third parties to permit the consummation by the Purchasers of the transactions contemplated by this Agreement shall have been obtained, except as otherwise specified herein.

(c) No action or proceeding before a court or other governmental body shall have been instituted or threatened by any government or agency thereof, or by any other third party, to restrain or prohibit the consummation of any of the transactions contemplated hereby.

(d) The Purchasers shall have received from the Sellers appropriate documentation, reasonably satisfactory to the Purchasers, to transfer the Purchased Assets to the Purchasers.

Section II. Indemnification.

(a) The parties shall be entitled to rely upon the representations and warranties of the other parties set forth in this Agreement, and except as otherwise specifically provided herein, such representations and warranties shall survive the Closing and remain in full force and effect for a period of three years after the Closing and shall thereafter expire, except with respect to matters as to which notice has been given to the indemnifying party within three years of the Closing. Notwithstanding the foregoing, warranties and representations relating to title and authority matters shall survive indefinitely.

(b) The Sellers hereby agree to indemnify and hold the Purchasers and their officers, directors, employees, stockholders, agents and representatives, harmless from and against and to pay for any loss, liability, claim, damage or expense (including costs of litigation and reasonable legal fees and expenses) (a "Loss") suffered or incurred by any such indemnified party based upon, arising out of or resulting from any of the following:

(i) Any breach of any representation or warranty of the Sellers contained in this Agreement or any other agreement or document delivered by them pursuant hereto;

(ii) Any breach of any covenant of the Sellers contained in this Agreement or any other agreement or document delivered by it pursuant hereto requiring performance after the Closing Date;

(iii) Noncompliance with any so-called bulk sales law of any state applicable to the transactions contemplated hereby; and

(iv) Excluded Liabilities.

(c) The Purchasers hereby agrees to indemnify the Sellers, and their respective officers, directors, employees, stockholders, agents and representatives, against and hold the Sellers harmless from and against and to pay for any Loss suffered or incurred by the Sellers based upon, arising out of or resulting from any of the following:

(i) Any breach of any representation or warranty of the Purchasers contained in this Agreement or any other agreement, certificate or document delivered by the Purchasers pursuant hereto;

(ii) Any breach of any covenant of the Purchasers contained in this Agreement or any other agreement or document delivered by the Purchasers pursuant hereto; and

(iii) Assumed Liabilities.

(d) Promptly after any person entitled to indemnification under this Section 11 (the "Indemnified Party") has received notice of or has knowledge of any claim against the Indemnified Party by a person not a party to this Agreement (a "Third Person") or the commencement of any action or proceeding by a Third Person, it shall give the other party (the "Indemnifying Party") written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the Loss. The Indemnifying Party shall have right to defend, at its own expense and by its own counsel, any such matter so long as the indemnifying Party pursues the same in good

faith and diligently. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof provided the settlement consists solely of payment of money by the Indemnifying Party. Such cooperation shall include, but shall not be limited to, furnishing the indemnifying Party with any personnel, books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. Notwithstanding the foregoing, the Indemnified Party shall have the right to participate in any matter trough counsel of its own choosing at its own expense (unless there is a conflict of interest that prevents counsel for the Indemnifying Party from representing the Indemnified Party, in which case the Indemnifying Party will reimburse the Indemnified Party for the expenses of its counsel); provided however, that the Indemnifying Party's counsel shall always be lead counsel and shall determine all litigation and settlement steps, strategy and the like, provided, that the Indemnifying Party shall not be entitled to pursue or effect any settlement that involves anything other than the payment of money by the Indemnifying Party. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim involving solely the payment of money by the Indemnifying Party, such settlement shall require as an unconditional term thereof that the Third Person deliver to the Indemnified Party a release from all liability in respect of such claim. After Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person's claim shall be limited to the amount so offered in settlement by said Third Person and the Indemnified Party shall reimburse the Indemnifying Party for any additional costs of defense which it subsequently incurs with respect to such claim. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails to diligently pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall reimburse the Indemnified Party for the amount paid in such settlement and any other liabilities or expenses incurred by the Indemnified Party in connection therewith.

(e) Anything to the contrary contained herein notwithstanding, neither party shall be entitled to recovery from the other party with respect to any inaccuracy or breach of any representation or warranty in Sections 5 or 6, hereof, as applicable, unless and until the amount of such Losses suffered, sustained or incurred by the asserting party, or to which such party becomes subject, by reason of such inaccuracy or breach, shall exceed $40,000 calculated on a cumulative basis and not on a per item basis (the "Basket Amount"), and then only with respect

to the excess over the Basket Amount, but in no event shall either party be liable to the other, in each case in an aggregate amount in excess of the Purchase Price; provided, that the Basket Amount shall not be applicable to any representations or warranties with respect to title or authority matters.

Section 12. Termination of Agreement.

(a) This Agreement may be terminated at any time prior to the Closing:

(i) by mutual consent of the parties hereto;

(ii) by the Sellers, on the one hand, or by the Purchasers, on the other hand, in the event of a material breach or default by the other party hereto of any provision of this Agreement and, in the case of a breach or default that is capable of being cured, continuation of such breach or default for a period of 30 days after written notice thereof shall have been given to the breaching party.

(b) Upon termination of this Agreement as provided in paragraph (a) above, all obligations of the parties hereunder shall terminate, but such termination will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party which occurs prior to such termination with respect to any of his or its representations, warranties, covenants or agreements contained in this Agreement. The provisions of this Section 12 and of Sections 16, 17 and 18 shall survive the termination of this Agreement.

Section 13. Additional Covenants and Agreements.

(a) Employee and Employee Benefit Matters.

Employment Status. The Sellers agree that they shall terminate the employment of the Employees (as defined below) as of the date of Closing and that they shall not discourage the Employees from accepting employment with the Purchasers after the date of Closing. The Employees who accept such employment shall become Employees of the Purchasers immediately after the Closing. As used in this Section 13(a), "Employees" shall include all of those employees of the Business, both salaried and hourly, who are listed on Schedule 13(a) hereto. The parties hereto understand and agree that, to the maximum extent permitted by applicable law, such employment shall continue to be employment at will.

(b) Books, Records and Information.

(i) The Purchasers agree that all documents included in the Purchased Assets delivered to the Purchasers by the Sellers pursuant to this Agreement and all documents of the Business shall after the Closing be open for inspection by representatives of the Sellers at any time during regular business hours for reasonable and necessary purposes until such time as documents are destroyed or possession thereof is given to the other party as provided for in Section 13(b)(ii) hereof and that the Sellers may during such period at their expense make such copies thereof as it may reasonably request for preparation of Sellers' tax returns. The Sellers agrees that all documents that are retained by the Sellers after the Closing Date and that are related to the Business (other than tax records of the Sellers) shall be open for inspection by representatives of the Purchasers at any time during regular business hours until such time as documents are destroyed or possession thereof is given up to the other party as provided for in Section 13(b)(ii) hereof and that the Purchasers may during such period at its expense make such copies thereof as they may reasonably request.

(ii) Without limiting the generality of Section 13(b)(i), for a period ending on the sixth anniversary of the Closing Date, neither the Purchasers nor the Sellers shall destroy or give up possession of any item referred to in Section 13(b)(i) hereof without first offering to the other the opportunity, at such other's expense (but without any other payment) to obtain the same. Thereafter each party shall be free to dispose of any such item as it deems fit.

(iii) The Purchasers shall use reasonable efforts to afford the Sellers access to employees who were previously employees of the Sellers, and remain in the employ of the Purchasers and the Sellers shall reasonably request for its proper business purposes, including, without limitation, the defense of legal proceedings. Such access may include interviews or attendance at depositions or legal proceedings. All out-of-pocket expenses reasonably incurred by the Purchasers in connection with this Section 13(b)(iii) shall be paid or promptly reimbursed by the Sellers.

(c) Tax Matters.

(i) Taxes Through Closing Date.

Sellers shall be solely responsible for and shall indemnify and hold harmless Purchasers for all Taxes of CAC for all periods and also with respect to the Business transferred to CFC and the Purchased Assets for or pertaining to all periods up to and including the Closing Date, and which shall be deemed included in "Excluded Liabilities." Purchasers shall be responsible for and indemnify and hold harmless Sellers for all Taxes with respect to the

Purchased Assets for or pertaining to all periods thereafter except that any Taxes imposed upon the ownership of Purchased Assets on a particular date, or similar tax, shall be prorated over the period ending on the Closing Date and the period thereafter. Any claim for indemnification hereunder shall be subject to the procedures set forth in Section II hereof.

(ii) Cooperation and Exchange of Information. Purchasers shall provide Sellers with such cooperation and information as Sellers reasonably may request with respect to the filing of any Return, amended Return or claim for refund, the determination of a liability for Taxes, or a right to refund of Taxes, or the conduct of any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of all relevant Returns, together with accompanying schedules and related work papers, documents relating to rulings or other determinations by taxing authorities, and records concerning the ownership and tax basis of property, which Purchasers may possess concerning the Business. Purchasers shall make its employees available to Sellers on a mutually convenient basis to provide explanation of any documents or information provided hereunder. Notwithstanding the foregoing, Purchasers shall not be required to prepare any documents, or determine any information not ten in its possession in response to a request under this Section 13(c)(ii) Sellers shall reimburse Purchasers for any reasonable out-of-pocket costs incurred by Purchasers in providing any Return, document or other written information, and shall reimburse Purchasers for any reasonable out-of-pocket costs (excluding regular wages and salaries) of making employees available, upon receipt of reasonable documentation of such costs. Except as otherwise provided in this Agreement, Purchasers shall retain all Returns, schedules and work papers and all material records or other documents relating thereto, until the expiration of the period of time beginning on the Closing Date and ending on the date on which taxes may no longer be assessed under the applicable statutes of limitation, including the period of waivers or extensions thereof Any information obtained under this Section 13(c)(ii) shall be kept confidential, except as may be otherwise necessary in connection with the filing of returns or claims for refund or in conducting any audit or other proceeding.

(iii) Purchasers and the Sellers recognize their mutual obligations pursuant to Section 1060 of the Code to timely file IRS Form 8594 (the "Asset Acquisition Statement") with each of their respective federal income tax returns.

(iv) The Sellers shall pay any transfer tax in connection with the transfer of the real estate component of the Purchased Assets, and the Purchasers shall pay any mortgage recording tax in connection wit the mortgage of the real estate component of the Purchased Assets.

Section 14. Remedies.

The Sellers agree that the Purchased Assets are unique and that the Purchasers will be irreparably harmed in the event that this Agreement, including the obligations of the Sellers to sell and deliver the Purchased Assets to the Purchasers are not specifically enforced. The parties further agree it is impossible to measure in money the damage which will accrue by reason of a refusal by the Sellers to perform such obligations under this Agreement. Therefore, in the event that the Purchasers shall institute any action to enforce such obligations, the Sellers hereby acknowledges that the Purchasers do not have an adequate remedy at law and that injunctive or other equitable relief will not constitute any hardship upon the Sellers.

Section 15. Definitions.

As used in this Agreement, the following terms shall have the meanings ascribed to them below:

(a) "Affiliate" means, when used with reference to a specified party, (i) any entity that, directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the specified party, and (ii) any entity of which the specified party is, directly or indirectly, the owner of an equity interest often (10) percent or more.

(b) "Code" means the Internal Revenue Code of 1986, as amended.

(c) "Lien" means any mortgage, lien, pledge, restriction, charge, security interest, claims, encumbrance, or right, title and interest of others.

(d) "Person" means any individual, general partnership, limited partnership, corporation, joint venture, trust, business trust, cooperative, association or other form of organization.

(e) "To the best of the Sellers' Knowledge" means all information which is currently and actually known by an executive officer or other managerial employee of the Sellers.

Section 16. Confidentiality.

Neither of the parties hereto shall disclose the terms of any non-public confidential information of the other parties hereto or any Affiliate thereof obtained in connection with the proposed transactions hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. The parties and their representatives

shall, for a period of three (3) years from the date hereof, treat all information of the other parties as confidential (except to the extent that such information: (i) is now, or later comes to be, in the public domain, other than through the acts of the receiving party or its representatives in breach of this provision, (ii) can be shown to have been known by the receiving party prior to the time of disclosure to it by the other party, (iii) is later disclosed to the receiving party on a nonconfidential basis by a Person having no obligation to the disclosing party in regard thereto, (iv) is independently developed, as evidenced by written records, by the receiving party, or (v) is required to be disclosed by law.

Section 17. Expenses.

Whether or not the transactions contemplated by this Agreement are consummated, each party will pay its respective expenses, including all fees and expenses of counsel, accountants and other advisors, incurred in connection with the origination, negotiation, execution and performance of this Agreement.

Section 18. Further Assurances.

From time to time after the execution hereof, at the request of the Purchasers and without further consideration, the Sellers shall execute and deliver such other and further instruments of conveyance, assignment, transfer and consent, and take such other action as the Purchasers may reasonably request in connection with the transfer of the Purchased Assets and the business of the Sellers and for the more effective consummation of the transactions contemplated hereby.

Section 19. No Public Announcement.

Neither party shall make, or permit any of its directors, officers, employees, agents, advisors, Affiliates or representatives to make, any press release, public announcement or other public disclosure with respect to the existence of this Agreement or the transactions contemplated hereby or thereby without the prior consent of the other party, except as and to the extent that counsel for such party shall determine that such announcement or disclosure is required by law, rule, regulation or order of any governmental, regulatory or judicial body and provided that the text of any such proposed announcement or disclosure has been timely submitted to the other party for comment and such comments, if timely made, have been considered in good faith.

Section 20. Entire Agreement.

This Agreement (including all attachments hereto) comprise the entire agreement among the parties hereto as to the subject matter hereof and thereof, and supersede all prior agreements

and understandings between them relating thereto. All of the provisions of the Agreement shall survive the Closing except as otherwise provided herein.

Section 21. Amendments and Waivers.

This Agreement may not be amended or modified, except by a writing executed by the parties hereto. No extension of time for, or waiver of the performance of, any obligation of any party hereto shall be effective unless it is made in a writing signed by the party granting such extension or waiver. Unless it specifically states otherwise, no waiver shall constitute or be construed as a waiver of any subsequent breach or non-performance.

Section 22. Notices.

Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given pursuant to this Agreement shall be in writing and shall be given in person or by telecopy or by certified or registered first-class mail or internationally recognized express courier delivery service addressed as follows:

If to the Sellers: Columbus Farming Corporation
c/o United States Surgical Corporation
150 Glover Avenue
Norwalk CT 06S56
Attention: Legal Department

If to the Purchasers: Alexion Pharmaceuticals, Inc.
25 Science Park, Suite 360
New Haven, CT 06511
Attention: Executive V.P. & C.E.O.

Any such address may be changed by any party by written notice to the other parties given in accordance herewith. Any notice shall be deemed to be given three (3) days after being placed for delivery so addressed with postage or other charges prepaid, provided, however, that any written notice actually received by any party in less than three (3) days shall be deemed to be given, for all purposes of this Agreement, at the time it is received.

Section 23. Governing Law.

This Agreement is made and shall be construed in accordance with the laws of the State of New York without giving effect to the conflict of laws principles thereof

Section 24. Successors and Assigns.

This Agreement shall inure to the benefit of, and be binding upon and enforceable against, the respective successors and assigns of the parties hereto.

Section 25. Captions.

Section headings and other captions are supplied herein for convenience only and shall not be deemed a part of this Agreement for any purpose.

Section 26. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original for all purposes, and all of which together shall constitute one agreement.

Section 27. Severability.

If any term or provision of this Agreement, or the application thereof to any person or circumstance, shall to any extent be overly broad, invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is overly broad, invalid or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the day and year first above written.

UNITED STATES CORPORATION

By: /s/ Steven J. Amelio

Name: Steven J. Amelio

Title: VP & Controller USSC

CFC ASSETS CORPORATION

By: /s/ Steven J. Amelio

Name: Steven J. Amelio

Title: VP

COLUMBUS FARMING CORPORATION

By: /s/ Barry P. Luke

Name: Barry P. Luke

Title: VP

ALEXION PHARMACEUTICALS, INC.

By: /s/ Barry P. Luke

Name: Barry P. Luke

Title: VP of Finance and Administration

Exhibit 10.28

Amendment

to

Collaboration Agreement

between

Procter & Gamble Pharmaceuticals, Inc.

and

Alexion Pharmaceuticals, Inc.

This Amendment is made on April 6, 1999, by and between and Procter & Gamble Company (herein together with its Affiliate Procter & Gamble Pharmaceuticals Inc., "Procter & Gamble"), an Ohio corporation with principle offices at One Procter & Gamble Plaza, Cincinnati, Ohio 45202, and Alexion Pharmaceuticals, Inc., a Delaware corporation with a principle office at 25 Science Park, New Haven, Connecticut (hereinafter, together with its Affiliates, "Alexion") generally referred to herein individually as a "Party" or collectively as the "Parties".

Background

The Parties entered into the Collaboration Agreement (the "Agreement") as of January 25, 1999. The Parties wish to amend the Agreement as set forth herein.

Section 4.1 of the Agreement is hereby amended by deleting the first sentence and replacing it with the following:

The parties will agree to finalize a Research & Development Plan within ninety (90) days after the Effective Date.

All other terms and condition of the Agreement shall remain in force without modification.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment as of the date first set forth above.

Procter & Gamble Company
(Procter & Gamble)

By /s/ [ILLEGIBLE]
Title Vice President

Form MPM
Execution AFM

Alexion Pharmaceuticals, Inc.
(Alexion)

By /s/ David Keiser
Title Exec. VP & COO

Execution Copy

COLLABORATION AGREEMENT

between

THE PROCTER & GAMBLE COMPANY

and

ALEXION PHARMACEUTICALS, INC.

January 25, 1999

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COLLABORATION AGREEMENT

Made as of this 25th day of January, 1999, by and among:

The Procter & Gamble Company, an Ohio corporation having its principal offices at One Procter & Gamble Plaza, Cincinnati, Ohio 45202 (hereinafter, together with its Affiliate Procter & Gamble Pharmaceuticals, Inc., "Procter & Gamble"), and

Alexion Pharmaceuticals, Inc., a Delaware corporation having its principal office at 25 Science Park, New Haven, Connecticut (hereinafter, together with its Affiliates, "Alexion").

The following sets forth the background for this Agreement:

Alexion conducts pharmaceutical research and development, based on significant expertise in identifying and developing therapeutic agents targeted at treating a variety of disorders, including without limitation products having utility in the treatment of acute cardiovascular disorders.

Procter & Gamble conducts research and develops and markets pharmaceutical products for the treatment of a variety of disorders, including without limitation products having utility in the treatment of cardiovascular disorders.

Procter & Gamble and Alexion share a mutual interest in a collaboration aimed at the further development of C5 complement inhibitor agents identified by Alexion with Procter & Gamble to market resulting products.

Procter & Gamble and Alexion intend fully to utilize their capabilities, capitalize on each other's expertise, and put forth commercially reasonable efforts to achieve the objectives of this collaboration, and recognize that Alexion is contributing valuable technologies, and each party is contributing valuable expertise and capabilities to this effort and that the combination of these compatible and complementary technologies, expertise and capabilities creates the basis for a successful collaboration.

Accordingly, in consideration of the mutual promises, covenants and agreements hereinafter set forth, the Parties agree to the following terms and conditions:

Article I - Definitions

1.1. "Affiliate" means any entity that directly or indirectly Owns, is Owned by, or is under common Ownership with a Party to this Agreement. "Owns" or "Ownership" means direct or indirect possession of more than fifty percent (50%) of the votes of holders of a corporation's voting securities or a comparable equity interest in any other type of entity.

1.2. "Alexion Indications" are described in Section 4.6.

1.3. "Agreement" means the present agreement together with all attachments.

1.4. "Alexion Know-how" means Know-how owned or Controlled in the Field by Alexion, but excluding Alexion Patents and Joint Patents.

1.5. "Alexion Patents" means all Patents owned or Controlled by Alexion with the right to sublicense to the extent claiming, in the Field, a Collaboration Inhibitor, research methods and materials used in performing research and manufacturing processes or for discovering, identifying or testing a Collaboration Inhibitor, or the manufacture, use, import, or sale of a Collaboration Inhibitor or Product where such Patents cover (a) inventions made prior to the date of this Agreement or (b) inventions made in the course of the Research & Development Plan by employees of Alexion. Alexion Patents include, without limitation, the patents and patent applications listed in Schedule 1.5 delivered to Procter & Gamble contemporaneously herewith (as may be amended as appropriate). Continuations-in-part covered by Licensed Technology are limited to continuations-in-part dominated by claims in any of the patents or applications licensed to Alexion thereunder.

1.6. "Alexion Product Cost" means [*******].

1.7. "Article" means any article of this Agreement.

1.8. "Collaboration Inhibitor" means [*******].

1.9. "Collaboration Term" means the period commencing on the Effective Date and ending on the expiration of the Research & Development Plan, unless terminated earlier pursuant to Sections 13.2, 13.3 or 13.4, or extended by mutual agreement of the Parties.

1.10. "Commercially Reasonable Efforts" means efforts and resources commonly used in the research-based pharmaceutical industry for a compound or product at a similar stage of research, development or commercialization, and having similar market potential. Commercially Reasonable Efforts shall be determined taking into account the stage of research, development or commercialization of the compound or product, the cost-effectiveness of efforts or resources while optimizing profitability, the competitiveness of alternative products that are or are expected to be in the relevant marketplace, the proprietary position of the product, the regulatory and business environment, the likelihood of regulatory approval and product reimbursement, the profitability of the product, the existence of alternative products that may also be developed by the Parties, and all other relevant factors. Commercially Reasonable Efforts shall be determined on an indication-by-indication and market-by-market basis, and it is anticipated that the level of effort will change over time reflecting changes in the status of the compound, product and the market involved.

1.11. "Competing Product" means [*******]

and which is not a Product.

1.12. "Contract year" means the twelve (12) month period following the Effective Date.

1.13. "Control" means, with respect to an item of information or intellectual property right, the possession of the ability to grant a license or sublicense as provided for herein under such item or right without violating the terms of any agreement or other arrangement, express or implied, with any Third Party.

1.14. "Direct Costs" means costs, of a nature, amount, and method of calculation approved in advance by the Research & Development Steering Committee via the Research & Development Plan, that are incurred by Alexion, based upon efforts, funds and/or resources expended to perform its obligations under such plan. Direct Costs may include the fully burdened costs associated with activities performed by Alexion, or by a Third Party, for the research, development, testing or manufacturing of Products. Direct Costs shall not include any mark-up or profit above actual costs.

1.15. "Effective Date" means the date described in Section 13.1(a).

1.16. "Effort Year" means nineteen hundred and twenty (1,920) hours of direct effort expended on or in furtherance of the Research & Development Plan during a year.

1.17. "Field" means [*******].

1.18. "Fiscal Quarter" means each period of three (3) months ending on 31 March or 30 June or 30 September or 31 December. The first Fiscal Quarter starts as of the Effective Date and ends on 31 March.

1.19. "Fiscal Year" means the twelve (12) month period of time from July to June 30,

except that the first Fiscal Year commences on the Effective Date and ends on June 30, 1999, and the last Fiscal Year during the Term shall end on the anniversary of the Effective Date in the Fiscal Year in which the Term expires or is terminated pursuant to Article XIII.

1.20. "Full Time Equivalent" ("FTE") means one Effort Year of an employee or class of employees.

1.21. "GAAP" means U.S. generally accepted accounting principles.

1.22. "Health Registration" means any and all consents, licenses, authorizations, reimbursement pricing or approvals required by a regulatory authority such as the USFDA or any other Ministry of Health, for the distribution, sale, manufacture, or testing of the Product, including, without limitation, an IND, NDA or supplemental NDA or other application or supplemental application for a Health Registration.

1.23. "Joint Patents" means all Patents, to the extent claiming, in the Field, a Collaboration Inhibitor, the manufacture or use of a Collaboration Inhibitor, research methods and materials used in performing research and manufacturing process or for discovering, identifying, or testing for a Collaboration Inhibitor, where such Patents cover inventions made jointly by employees or agents of Alexion and Procter & Gamble prior to the end of the Collaboration Term. In determining inventorship and rights in joint inventions, the laws of the United States shall apply to any particular patent.

1.24. "Know-how" means techniques and data specifically in the Field, including, without limitation, inventions, practices, methods, knowledge, know-how, skill, test data including pharmacological, toxicological and clinical test data, analytical and quality control data, but excluding Alexion Patents, Joint Patents, and Procter & Gamble Patents.

1.25. "Licensed Technology" means the technology licensed to Alexion under the license agreements identified on Schedule 1.25 delivered contemporaneously herewith.

1.26. "Marketed Product" means a Product which is approved by a regulatory agency for sale pursuant to this Agreement in any country in the Territory.

1.27. "Net Sales" shall mean, for any period, the gross sales (as defined below) by Procter & Gamble, its Affiliates and sublicensees to Third Parties, attributable to Products, determined by the gross amount invoiced to the purchaser, including, if applicable, the value of all properties and services received in consideration of sales of Products, less: (i) normal and customary quantity and/or cash discounts, allowances, rebates, customer merchandising and pricing funds (which includes price declines, Procter & Gamble's Business Development Funds, and managed care discounts), fees paid to distributors measured by the billing amount and chargebacks actually allowed or given from the billed amount; (ii) freight, postage, shipping, and insurance expenses (if separately identified in such invoice); (iii) credits or refunds actually allowed for rejected, outdated or returned Product; and (iv) sales and other taxes and duties directly related to the sale, to the extent that such items are included in the gross invoice price (but not including taxes assessed against the income derived from such sale) provided that any discounts, allowances and rebates, based on overall purchases by the customer of the selling Party may be applied to reduce Net Sales only to the extent of the pro rata amount of such discounts or rebates attributable to the Products included in such overall purchases. Any of the deductions listed above which involves a payment by Procter & Gamble shall be taken as a deduction against aggregate sales for the Fiscal Quarter in which the expense is accrued by Procter & Gamble. For purposes of determining Net Sales, Product shall be deemed to be sold when shipped or to be the subject of a sale upon the delivery of Products to the purchaser or a common carrier at the risk of the purchaser and the transfer of title thereto to the purchaser.

Sales between or among Procter & Gamble and its Affiliates shall be excluded from the computation of Net Sales, but sales by such Parties to their customers shall be included in such computation.

Where a sale is deemed consummated by the gift or other disposition of Products for

other than a selling price stated in cash, the term "Net Sales" shall mean the average gross selling price billed by Procter & Gamble, an Affiliate or its sublicensee, as the case may be, in consideration of comparable Products during the three (3) month period immediately preceding such disposition, without reduction of any kind. For such purposes, a gift shall not include product samples distributed in customary manner for similar products in the pharmaceutical industry and Products supplied for clinical studies.

In the event a Product incorporate or is sold in combination with one or more other active ingredients ("Other Product"), Net Sales shall be calculated by multiplying the Net Sales of the combination Product by a fraction "A/A(A+B)," where "A" is the average gross selling price of the Product during the preceding calendar quarter sold separately by Procter & Gamble and "B" is the average gross selling price during such quarter of the Other Product sold separately by Procter & Gamble or, in the event the Product and Other Product are not sold separately, a fraction "C/(C+D)," where "C" is the cost of manufacture or acquisition to Procter & Gamble of the Products alone and "D" is the cost of manufacture or acquisition to Procter & Gamble of the Other Product; provided, however, such fraction shall in no event be less than one-half (1/2).

1.28. "Party" means Alexion or Procter & Gamble.

1.29. "Patent" means all Valid Claims in all patent applications, and all continuing and divisional patent applications, continuations-in-part and reissue applications claiming priority, indirectly and directly, to such applications, and all patents issuing therefrom in the Territory as well as extensions thereof, including Supplementary Certificates of Protection of a member state of the European Community.

1.30. "Primary Indication" means an indication for the Product for treatment of [*******] as defined in an approved Research & Development Plan.

1.31. "Procter & Gamble Know-how" means Know-how owned or Controlled in the

Field by Procter & Gamble, but excluding Procter & Gamble Patents and Joint Patents.

1.32. "Procter & Gamble Patents" means all Patents owned or Controlled by Procter & Gamble to the extent claiming, in the Field, a Collaboration Inhibitor, research methods and materials used in performing research and manufacturing processes or for discovering, identifying or testing a Collaboration Inhibitor, or the manufacture, sale or import of a Collaboration Inhibitor or Product, where such Patents cover inventions made solely by employees or agents of Procter & Gamble after the Effective Date and prior to the end of the Term.

1.33. "Product" means any pharmaceutical composition containing any form or dosage, including the Product in a vial, of a pharmaceutical or other product or any process, which contains or is based upon a Collaboration Inhibitor or which results from the manufacture, production or use of a claim of an Alexion Patent or Joint Patent, wherever sold, which if not licensed, would infringe upon Alexion Patents or Joint Patents (if issued).

1.34. "Research & Development Steering Committee" means the committee described in Section 3.2.

1.35. "Secondary Indication" means an indication for the Product for treatment of [*******] as defined in an approved Research & Development Plan.

1.36. "Section" means any section of this Agreement.

1.37. "Success Criteria" means the specific criteria that define the minimum technical and commercial requirements for a Product[*******].

1.38. "Term" means the period of time specified in Section 13.1(b).

1.39. "Territory" means the entire world.

1.40. "Tertiary Indication" means an indication for the Product for [*******] defined in an approved Research & Development Plan as a Tertiary Indication.

1.41. "Third Party" means any entity other than Alexion or Procter & Gamble.

1.42. "Valid Claim" means any claim in a published or unexpired application or patent included within a Patent which claim has not been held unenforceable, unpatentable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and which has not been finally abandoned or admitted to be invalid or unenforceable through disclaimer by the patenting Party.

Article II - License Grants

2.1. License Grants.

(a) Patent License For Commercialization of Products. Alexion hereby grants Procter & Gamble a worldwide, exclusive royalty-bearing license or sublicense, in the Field, under Alexion Patents and Alexion's interest in Joint Patents, with [*******], to make, have made, use, import, and offer for sale and sell Products.

(b) Know-how License to Procter & Gamble. Alexion hereby grants to Procter & Gamble:

(i) an [*******] license to use Alexion Know-how within the Field, wherein such Know-how is [*******], in pursuance of the Research & Development Plan, during the Collaboration Term, and during the

remaining Term of this Agreement.

(ii) a [*******] worldwide license to use Alexion Know-how within the Field, wherein such Know-how [*******] during the Collaboration Term, and during the remaining Term of this Agreement.

(c) Research License to Procter & Gamble. With respect to any Alexion Patents and Alexion's interest in Joint Patents, Procter & Gamble shall have the worldwide right, within the Field and in pursuance of the Research & Development Plan, for Products, [*******], with the [*******] as authorized by the Research & Development Steering Committee to:

(i) to make, have made, use and have used, import and have imported, but not to sell or have sold, any such discovery or invention;

(ii) to practice and have practiced on its behalf any such discovered or invented methods of making devices or materials, provided any devices or materials made by said methods are not offered for sale to non-Affiliate third parties; and

(iii) to use and have used on its behalf any such discovered or invented methods of using devices or materials, provided said devices or materials are not offered for sale to non-Affiliate Third Parties.

2.2. [*******] Licenses to Alexion. Procter & Gamble hereby grants Alexion a [*******] license, with the [*******] as authorized by the Research & Development Steering Committee, to use Procter & Gamble Patents and Procter & Gamble Know-how, within the Field in pursuance of the Research & Development Plan, to perform research and development and manufacturing activities in accordance with the Research & Development Plan, or for Products.

2.3. Sublicenses.

(a) Procter & Gamble shall provide to Alexion [*******]. Procter & Gamble shall provide to Alexion (i) a copy of all sublicense agreements promptly after execution, and (ii) annually, together with the report required in Section 8.5 of this Agreement, copies of reports related to financial and research and development performance received by Procter & Gamble from its sublicensees during the preceding three (3) month period or twelve (12) month period, as the case may be.

(b) If a Third Party licensor of Licensed Technology, wherein the manufacture, use, importation or sale of a Marketed Product would, but for the licenses granted by the Third Party, infringe the Third Party Valid Claim, shall seek to terminate such license due to the default by Alexion, Alexion shall give Procter & Gamble written notice specifying the nature of the breach. If Alexion cannot or does not cure the Third Party breach and provided Procter & Gamble shall have paid all amounts payable hereunder due (without reference to any notice, cure, audit or other effective extension of the period of performance) and fully complied with all of its obligations hereunder, including without limitation, to commercialize the Product, then Procter & Gamble shall have the right upon written notice to Alexion to cure the Third Party breach and credit all amounts paid by it to the Third Party licensor against royalties payable by it to Alexion pursuant to Section 8.2(a).

2.4. Certain Rights; No Implied License. In addition to all other rights of Alexion under this Agreement, Alexion retains on behalf of itself the perpetual, royalty-free, non-transferable right and license to practice all technology exclusively licensed by it hereunder for research and educational purposes, on a non-commercial basis, as approved by the Research

& Development Steering Committee. Except as otherwise provided in this Agreement, under no circumstances shall a Party hereto as a result of this Agreement obtain any ownership interest or other right in any technology, know-how, trade secrets, patents, pending patent applications, products, vaccines, antibodies, cell lines or cultures, or animals of the other Party, including items owned, controlled, developed by the other, or transferred by the other to such Party at any time pursuant to this Agreement. The licenses and rights granted in this Agreement shall not be construed to confer any rights upon a Party by implication, estoppel or otherwise as to any technology not specifically identified in this Agreement as or included within such license rights, and no other assignments or licenses are made or granted by implication, estoppel or otherwise, by this Agreement. All rights granted by Alexion to Procter & Gamble under this Agreement which are now or in the future licensed to Alexion are and shall be subject to the rights of the licensors and the terms of the licenses thereof

2.5. Government. Procter & Gamble acknowledges that the Licensed Technology hereunder or a portion thereof was developed with financial or other assistance from the United States of America, and that applicable statutes, regulations and Executive Orders of the United States of America may control, apply to or affect the license granted hereunder and any sublicenses granted hereunder. Procter & Gamble acknowledges that it is responsible for making its own determination about the applicability of any statutes, regulations or Executive Orders and the licensors' compliance therewith.

Article III - Overview and Management of Collaboration

3.1. Scope of Collaboration. The Parties will work together to research, develop and commercialize Products pursuant to this Agreement. All such research and development work shall be conducted according to a Research & Development Plan during the Collaboration Term established and approved by the Research & Development Steering Committee pursuant to Article III. The Research & Development Plan will be conducted with the goals of (a) worldwide development of product in Primary, Secondary and Tertiary Indications and exploration of additional indications; and (b) development of efficient and economic processes

for manufacture of Product. Procter & Gamble will commercialize Products pursuant to Article V. Alexion and Procter & Gamble agree that they will conduct the Research & Development Plan on a collaboration basis with the goal of commercializing Products.

3.2. Research & Development Steering Committee Membership. The research and development work under this Agreement, as set forth in Section 3.1, shall be performed by the Parties pursuant to the oversight of the Research & Development Steering Committee. Notwithstanding the overall responsibility of the Research & Development Steering Committee for the management and direction of the collaboration hereunder, it is the expectation of the Parties that the following initial primary responsibilities shall be allocated between the parties, as follows:

	Initial Responsible Party for Primary Secondary & Tertiary Indications	
Function/Activity	U.S.	Global
non-clinical R&D	[*******]	[*******]
process development & clinical manufacture	[*******]	[*******]
clinical packaging	[*******]	[*******]
clinical design	[*******]	[*******]
clinical implementation	[*******]	[*******]
clinical monitoring	[*******]	[*******]

* Indicating shared responsibility with the first named Party being the lead Party.

The Research & Development Steering Committee has overall responsibility for the definition, conduct and execution of the Research & Development Plan, which will include without limitation defining Success Criteria, setting the budget for Alexion activities, and determining allocation of work to be done by Alexion, Procter & Gamble or Third Parties. The Research & Development Steering Committee may delegate its responsibilities and activities to other committees (e.g., to a Patent Committee, Research Committee, Finance Committee,

Clinical Committee or such other committees as the Research & Development Steering Committee may establish); however, the Research & Development Steering Committee has final approval. The Research & Development Steering Committee will be co-chaired by two (2) members with one (1) member designated by each Party. The co-chairmen are senior R&D executives. The Parties will be free to change their respective representatives, on notice to the other Party. Total representation shall not exceed ten (10) members (five (5) members per Party) unless otherwise agreed to by the Parties. The first Research & Development Steering Committee meeting shall occur within thirty (30) days of the Effective Date.

3.3. Meetings. The Research & Development Steering Committee will meet at least quarterly, or as the Parties shall otherwise agree. Either Party may call a special meeting of the Research & Development Steering Committee up to two (2) times per year, on fifteen (15) days' written notice to the other Party. The Party convening a special meeting shall send notices and agenda for such meeting. Meetings will alternate between the offices of the Parties, or may be held via teleconference, videoconference or such other place or manner as the Parties may mutually agree. The Party hosting any meeting shall appoint a secretary to the meeting who will record the minutes of the meeting which will be circulated to the members of the Research & Development Steering Committee promptly following the meeting for review, comment, and adoption.

3.4. Decision-making Criteria. All decisions of the Research & Development Steering Committee shall be made by the co-chairmen and in the exercise of good faith. Such decisions shall adhere to the ethical and legal standards for the research-based pharmaceutical industry and shall be consistent with the use of Commercially Reasonable Efforts to research and develop Products. Subject to the foregoing, [*******] in the Research & Development Steering Committee.

3.5. Dispute Resolution. If Alexion does not agree with a decision by the Research & Development Steering Committee, the matter shall be referred for further review and resolution by the Chairman or CEO of Alexion and the President of Procter & Gamble Pharmaceuticals (the

"CEOs"), if both CEOs were not voting members of the Research & Development Steering Committee. Action will be delayed until such meeting or discussion between the CEOs. If the CEOs (or the Research & Development Steering Committee, if the CEOs are both voting members) cannot resolve the issue within ten (10) business days of such reference, the decision by Procter & Gamble's CEO shall be binding.

3.6. Record-keeping. The Research & Development Steering Committee and all other committees formed thereunder shall appoint one Party to keep complete and accurate records pertaining to the committees' meetings and activities. The other Party shall have the right to review such records upon reasonable notice to the record-keeping party and at reasonable times.

3.7. Non-compete. Neither Alexion nor Procter & Gamble shall itself or in conjunction with a Third Party enter into the development or commercialization of a Competing Product during the Term of this Agreement.

Article IV - Research and Development

4.1. Research & Development Plan. The initial Research & Development Plan is set forth in Schedule 4.1 delivered contemporaneously herewith. Prior to the finalization of a Research & Development Plan, the Research & Development Steering Committee, or designated subcommittee, will adopt a process for managing project costs including but not limited to budget timing, forecast updates, invoicing procedures, etc. The Parties will agree to finalize a Research & Development Plan within sixty (60) days after the Effective Date. The Research & Development Steering Committee is authorized to approve and amend the Research & Development Plan (other than matters affecting Milestone payments or minimum number of FTEs set forth in Section 4.2(a)). The Research & Development Steering Committee may periodically modify the Research & Development Plan, within the scope of and in a manner consistent with this Agreement, and the more detailed responsibilities of each Party within the general scope of responsibilities set forth herein, and revise the Research & Development Plan accordingly. Procter & Gamble hereby designates Alexion as its favored development and

commercialization partner and collaborator with respect to Collaboration Inhibitor except as otherwise specifically provided herein. The Research & Development Plan shall include a line item description and budget for all approved Alexion R&D activities and expenditures, including Alexion FTE allocations and any Third Party costs incurred by Alexion which will be reimbursed by Procter & Gamble.

4.2. Funding of Research & Development Plan.

(a) FTE-Based Funding and Other Funding. Procter & Gamble will fund Alexion FTEs for work pursuant to the Research & Development Plan and approved by the Research & Development Steering Committee. However, during the first three (3) Contract Years of the Agreement, notwithstanding any re-allocation of research effort or responsibility or any other changes to the Research & Development Plan, but subject to Sections 13.2 and 13.7(a) below, Procter & Gamble agrees to fund at least the following minimum number of Alexion FTEs listed below per Contract Year for work pursuant to the Research & Development Plan. Work includes without limitation, non-clinical research and development, process development and clinical assays.

Contract Year	Alexion FTEs
[*******]	[*******]
[*******]	[*******]
[*******]	[*******]

In addition to such FTE-based funding, Procter & Gamble shall pay or reimburse Alexion for outside costs to Third Parties approved by the Research & Development Steering Committee and incurred in connection with the Research & Development Plan but such outside costs shall exclude the routine costs of compensation, facilities, supplies and overhead of Alexion FTEs.

All Direct Costs associated with work done pursuant to the approved Research & Development Plan shall be borne by Procter & Gamble.

(b) Alexion's FTE Rate; Payment. Calculation of any FTE rate includes [*******]

[*******]. Procter & Gamble's funding of Alexion's FTEs will be made at an annual rate of [*******] per FTE. Such rate shall be adjusted for inflation by multiplying the amount in the contract by the percentage change in the U.S. CPI for all Urban Consumers as published by the U.S. Bureau of Labor Standards (the "CPI") for the period January 1999 to the June immediately preceding the Fiscal Year in question. An example calculation of the CPI adjustment is set forth in Schedule 4.2(b) delivered contemporaneously herewith.

4.3. Alexion Obligations. Alexion shall use Commercially Reasonable Efforts to diligently perform the obligations of Alexion set forth in the Research & Development Plan, within the resources provided by Procter & Gamble. [*******]. To the extent not related to Alexion Patents or Joint Patents, [*******]. Alexion shall proceed diligently with the work to be performed by it as set out in the Research & Development Plan by using its reasonable commercial efforts within the resources provided by Procter & Gamble to provide allocation of sufficient time and effort, using personnel with sufficient skills and experience, to execute and substantially perform its obligations under the Research & Development Plan. During the Collaboration Term, Alexion shall commit such FTEs in its employ to the Research & Development Plan as determined by the Research & Development Steering Committee on an annual basis, subject to this Section 4.4 and Section 4.2.

4.4. P&G Obligations. Procter & Gamble shall use the Commercially Reasonable Efforts to diligently complete the development of Products pursuant to the Research & Development Plan, and to diligently perform the obligations set forth in the Research &

Development Plan. Procter & Gamble shall be responsible for all costs and expenses in connection with such development efforts. In addition to Procter & Gamble's obligation for funding pursuant to Section 4.2, Procter & Gamble agrees to commit to the Research & Development Plan the resources which shall be necessary to fulfill its obligation under the Research & Development Plan (including extensions for the balance of the Collaboration Term).

4.5. Research and Development Communication. Alexion and Procter & Gamble will submit reports to each other not less than two (2) times per year presenting a meaningful summary of research and development activities performed under this Agreement. Alexion and Procter & Gamble will make presentations of such activities to each other, beyond that made to the Research & Development Steering Committee, as reasonably requested by each other. All technology generated by the Parties in the course of the Agreement, in the Field, shall be disclosed pursuant to Section 10.1. The Parties shall use their best efforts to communicate information only within the scope of this Agreement. Alexion and Procter & Gamble will also communicate informally and through the Research & Development Steering Committee to inform each other of research and development done under this Agreement. Alexion will provide Procter & Gamble with raw data in original form or a photocopy thereof for any and all work carried out under this Agreement as reasonably requested by Procter & Gamble. Further, each Party shall keep complete and accurate records pertaining to the Parties' activities hereunder consistent with the creation and maintenance of raw data, records and reports necessary or useful in the preparation, approval and maintenance of Health Registrations for Products and Marketed Products and sufficient to enable, for example, the efficient transfer of Product manufacturing Know-how from Alexion to P&G. All information provided under this Section 4.5 is subject to Article X.

4.6. Alexion Indications. During the term of the licenses granted to Procter & Gamble pursuant to Article II, Alexion may propose to the Research & Development Steering Committee indications which are not part of the Research & Development Plan for clinical development (Alexion Indications). The Research & Development Steering Committee shall evaluate the

proposed Alexion Indication within sixty (60) days of such proposal. If the Research & Development Steering Committee shall deem the Alexion Indication not worthy of development, no such development shall occur.

If, however, the Research & Development Steering Committee shall deem the Alexion Indication worthy of development, then (i) the Research & Development Plan shall be so modified within such sixty (60) day period or (ii) the Parties shall negotiate in good faith, within an additional sixty (60) day period, terms for development of such Alexion Indication. If the Parties cannot agree on such terms within ninety (90) days after Alexion proposes to Procter & Gamble an Alexion Indication, then Alexion can proceed at its own cost to develop the Alexion Indication in a manner approved by the Research & Development Steering Committee. Any actions by Alexion under these conditions is contingent on such actions being approved by the Research & Development Steering Committee and not being to the disadvantage of the collaborative efforts under the Research & Development Plan. At any time thereafter Procter & Gamble and Alexion will again meet and negotiate in good faith terms to provide Procter & Gamble an opportunity to buy back into the program for the development and commercialization of the Alexion Indication. In any case, it is intended that all work done on this indication continue to be discussed and approved by the Research & Development Steering Committee.

4.7. No Solicitation of Employees. During the Collaboration Term and for a period of two (2) years thereafter, neither Alexion nor Procter & Gamble nor their respective Affiliates shall, without the prior consent of the other Party, solicit the employment of any person who during the course of employment with the other party or its Affiliate was involved with activities relating to the Research & Development Plan.

Article V - Manufacturing of Product

5.1. Manufacturing of Product(s).

(a) Alexion shall be responsible for process development and production of Collaboration Inhibitor and Product for the Research & Development Plan. To the extent such

activities are being conducted through Third Parties, the terms of such Third Party agreement shall be approved by the Research & Development Steering Committee. Procter & Gamble shall purchase for such purpose clinical bulk material and/or vials of Product from Alexion at Alexion Product Cost calculated according to GAAP, payable within thirty (30) days of invoice, and verifiable by audit. Such supply of bulk material and vials of Product for clinical use shall be in accordance with applicable specifications and requests made and approved by the Research & Development Steering Committee.

(b) Alexion shall have the continuing right, at its election, to bid for the manufacture of all or a portion of the commercial requirements of Product. Subject to the provisions of this paragraph, award of all or a portion of the right to manufacture commercial Product shall be determined by Procter & Gamble. If Alexion has in place or will have in place manufacturing capacity and Alexion shall meet required QA, regulatory, manufacturing and production criteria and its bid be at a price no higher than that offered by a comparably qualified bona fide Third Party contract manufacturer, Alexion shall have the right to manufacture all or a portion of such commercial requirements of Products upon [*******] to be negotiated by Alexion and the Research & Development Steering Committee or Procter & Gamble, as the case may be. In the event the Parties are unable to reach agreement, either Party shall be entitled to submit the matter for settlement by arbitration in accordance with Section 14.4. During such periods as Alexion shall not be manufacturing all of the requirements of Product, Alexion shall be entitled to recommend the other contract manufacturing source, subject to final approval by the Research & Development Steering Committee or Procter & Gamble. Alexion shall fully cooperate in the license and transfer of the requisite manufacturing know-how to such Third Party contract manufacturer as Procter & Gamble determines.

Article VI - Health Registration Obligation

Seeking Approvals. Procter & Gamble and its Affiliates will be the sponsor of Health Registrations where applicable in the Territory. Procter & Gamble and Alexion shall share responsibilities for Health Registration filings, interactions and correspondences related to the development, registration and approval of a Product within the Territory. Alexion shall have primary responsibility for the CMC part of regulatory filings. Alexion shall transfer sponsorship of all current Health Registration applications for Products to Procter & Gamble as established by the Research & Development Steering Committee. To the extent that Alexion intends to develop an Alexion Indication, the Research & Development Steering Committee shall provide the necessary access to any regulatory filings (including applications for Health Registrations). All costs associated with the Health Registration filings shall be borne by Procter & Gamble.

Article VII - Marketing of Products

7.1. Marketing and Sales Strategy. As set forth herein, Procter & Gamble shall make all decisions regarding the strategy and tactics of marketing, selling and otherwise commercializing Marketed Products, [*******] method of sales and distribution, organization and management of sales and marketing, packaging and labeling, appointment of distributors pursuant to Section 7.2, extent of Alexion's co-promotional activity pursuant to Section 7.3, and other terms and conditions for such sales and marketing. Notwithstanding the foregoing, Procter & Gamble will use Commercially Reasonable Efforts to commercialize each Product that receives Regulatory Approval, taking into account the scientific and commercial potential for such Product. Alexion will provide thirty (30) days' notice to Procter & Gamble, if, in Alexion's opinion, Procter & Gamble is not using such commercially reasonable and diligent efforts, in order for the Parties to discuss the situation and for Procter & Gamble to make diligent and continuing efforts to rectify the situation. If the Parties agree that Procter & Gamble is not using such commercially reasonable and diligent efforts, Procter & Gamble shall have an additional sixty (60) days to rectify the situation. If no agreement is made within the thirty (30) day period, then the matter may be taken to arbitration

pursuant to Section 14.4.

7.2. Exclusive Distributor. Subject to Section 7.3 below, Procter & Gamble may elect a Third Party to act as its agent in connection with the marketing, sale and distribution of Marketed Products on a country basis in the Territory. No amounts payable to or retained by any such agent shall affect the calculation of Net Sales.

7.3. Alexion Co-Promotional Activities. Alexion will have an opportunity, but not the obligation, to participate in the sales efforts in the United States of a minimum [*******] of a Marketed Product's sales effort. Upon the Research & Development Steering Committee's decision to prepare a Health Registration in the United States, Procter & Gamble shall provide a written request to Alexion regarding Alexion's intent to co-promote the Marketed Product. Said request shall contain a comprehensive Product marketing plan, and number of details and position, as defined in Schedule 7.3 [*******] and rate of reimbursement to Alexion. Within thirty (30) days of receipt, Alexion shall provide its written response. Should Alexion elect to participate, the Parties will immediately begin negotiations to enter into a Co-Promotional Agreement. Said Agreement will incorporate traditional provisions including but not limited to those set forth in Schedule 7.3. Alexion shall be solely responsible for hiring and funding the establishment of its internal sales organization. Procter & Gamble shall pay Alexion an amount equal to Procter & Gamble's costs for details and sales call position as if such details were made by Procter & Gamble's dedicated field-based sales force or trained contract sales force. Calculation of reimbursement to Alexion will be determined according to the proportion of dedicated field-based sales force or trained contract sales force that Procter & Gamble will employ for the promotion of Product in the U.S.

7.4. No Restrictions on Business. Except as otherwise specifically provided herein, Alexion agrees that Procter & Gamble is in the business of developing, manufacturing and selling of pharmaceutical products and nothing in this Agreement shall be construed as restricting such business or imposing on Procter & Gamble the duty to market and sell Marketed Products hereunder to the exclusion of or in preference to any other product, provided such

product is not a Competing Product.

Article VIII - Milestones, Royalties, Payments and Accounting

8.1. Milestones. In consideration of Alexion's commitment to conduct the Research & Development Plan and for the licenses granted hereunder, Procter & Gamble agrees to pay, in addition to funding all of the research and development costs related to Product incurred during this Agreement pursuant to Section 4.2, the following non-refundable, non-creditable one-time milestone payments to Alexion, contingent upon meeting the following milestones as follows:

Milestone	Amount (US $ Million)
Pre-Health Registration Events	
Upon execution of this Agreement	[*******]
[*******]	[*******]
[*******]	[*******]
[*******]	[*******]
U.S. Health Registration Events	
[*******]	[*******]
[*******]	[*******]
[*******]	[*******]
[*******]	[*******]
[*******]	[*******]

[*******] [*******]

Foreign Health Registration Events

[*******] [*******]

[*******] [*******]

[*******] [*******]

[*******] [*******]

8.2. Royalty Calculation.

(a) Procter & Gamble will pay to Alexion a royalty on [*******], sold by Procter & Gamble, its Affiliates and sublicensees (including sales by distributors) in the Territory at the applicable rate listed below multiplied by the Annual Contribution:

[*******] (US$)	Royalty
[*******] Million*	[*******]
[*******] Million*	[*******]
[*******] Million*	[*******]
[*******] Million*	[*******]

For example, if [*******] in 1998 was [*******] Million, Procter & Gamble would pay Alexion [*******] Million [*******].

If however, such royalty payment based on [*******] in any year was less than a sum equal to [*******] of that year's annual Net Sales of the Products, then Procter & Gamble shall pay Alexion a total percentage payment for that year equal to [*******] of that year's annual Net Sales. With respect to each Product sold by Procter & Gamble,

its Affiliates or sublicensees, Procter & Gamble shall pay Alexion hereunder, on a country by country basis, until the expiration of the period equal to the longer of (a) or (b) where (a) is the longer of (i) [*******] or (ii) [*******], and (b) [*******]. In countries in which there exist a non-infringing, marketed generic equivalent product (a product recognized and approved by the relevant regulatory authorities as pharmaceutically equivalent, directly substitutable and equivalent to the Marketed Product) in which sales of such product in such country by such Third Party [*******] of sales of the Product, then the royalties payable by Procter & Gamble to Alexion pursuant to Section 8.2(a) shall be [*******]. Notwithstanding anything else in this Agreement, such royalties shall not in any event be lower than the aggregate royalties payable by Alexion to its licensors of Licensed Technology with respect to Products.

(b) In the case of Product sales in a country wherein (a) [*******] (b) [*******].

(c) In addition to the royalties paid pursuant to Section 8.2(a) or (b), Procter & Gamble will also pay Alexion the following additional milestone payments based on Net Sales. These are one-time only payments triggered on the first occurrence where total Fiscal Year Net Sales for Products exceeds Net Sales threshold levels described below:

Net Sales	Sales Milestone Payments
(US$)	(US $ Million)
[*******]	[*******]
[*******]	[*******]
[*******]	[*******]
[*******]	[*******]
[*******]	[*******]

All payments will be made pursuant to Section 8.5(d). An example calculation is set forth in Schedule 8.2(c) delivered contemporaneously herewith.

* The Annual Contribution threshold levels in Section 8.2(a) and Net Sales threshold levels in Section 8.2(c) shall be adjusted for inflation by multiplying the value in the contract by the percentage change in the U.S. CPI for all Urban Consumers as published by the U.S. Bureau of Labor Standards (the CPI) for the period from January 1999, to the June immediately preceding the Fiscal Year in question. An example calculation of the CPI adjustment is set forth in Schedule 4.2(b) delivered contemporaneously herewith.

8.3. Sublicense Agreements. If Procter & Gamble, an Affiliate or sublicensee of Procter & Gamble sublicenses Alexion Patents or Alexion Know-how pursuant to Article V, or licenses or sublicenses Joint Patents, Procter & Gamble shall pay to Alexion [*******] of all amounts received from the sublicensee or licensee, including without limitation, [*******] in accordance with Section 8.2(a) of all amounts paid to Alexion under this Section 8.3 for which Procter & Gamble's licensee [*******] amounts payable to Procter & Gamble under the terms of the applicable license or [*******] agreement delivered to Alexion in accordance with Section 2.3.

8.4. Cash Only. Procter & Gamble shall not receive from sublicensees anything of value in lieu of cash payments in satisfaction of payment of obligations under a sublicense and this Agreement unless the express written permission of Alexion is obtained in advance. Procter & Gamble shall be entitled to receive rights to improvements and other benefits from sublicensees under sublicense agreements, without incurring any royalty obligations to Alexion in respect thereof.

8.5. Payment.

(a) Milestones payable under Section 8.1 will be paid not later than ten (10) calendar days following the event.

(b) The FTE-based and other funding contemplated by Section 4.2 shall be payable quarterly during each Contract Year. Within 10 days of the Effective Date, Procter & Gamble will pay Alexion the pro rata payment for minimum FTEs for the first quarter of the first Contract Year.

(c) Royalties payable under Section 8.2(a) and (b) and amounts payable under Section 8.3 will be paid not later than fifty-five (55) calendar days following the end of each Fiscal Quarter. All payments shall be accompanied by a report in writing showing on a country by country basis for the Fiscal Quarter for which such payment applies, the amount billed to Third Parties for Products sold during such Fiscal Quarter, the deductions from the amount billed to arrive at the Annual Contributions, the Annual Contributions for the Fiscal Quarter, and the royalties due on such Annual Contributions, such report being broken down by Marketed Product.

(d) Royalties payable under Section 8.2(c) will be paid not later than fifty-five (55) calendar days following the end of each Fiscal Year. All payments shall be accompanied by a report in writing showing the Fiscal Year for which such payment applies, the Net Sales for the Fiscal Year, and the royalties due on such Net Sales, such report being broken down by Marketed Product.

(e) Within ninety (90) days after the end of each Fiscal Year during the term of this Agreement commencing with the year during which the first commercial sale of a Product

shall occur, Procter & Gamble shall provide to Alexion a report, prepared by Procter & Gamble, relating to the sale of Products, containing:

(i) the total Net Sales of all Products sold by Procter & Gamble, it Affiliates and its sublicensees during such year; and

(ii) the amounts owed to Alexion pursuant to this Agreement with respect to such year.

(f) Any amounts owed pursuant to Sections 8.2(a), 8.2(b), 8.2(c) or 8.3 shall be paid in U.S. dollars using the average rate of exchange for the currency of the country from which the royalties are payable for the applicable period. Rates are averaged using those quoted in The Wall Street Journal (or Citibank, N.A. if such rates are not available in The Wall Street Journal).

(g) Alexion shall submit a report to Procter & Gamble within sixty (60) days after the end of each Fiscal Quarter detailing the number of Alexion FTEs performing work pursuant to the Research & Development Plan, detailed description of such work and other costs incurred pursuant to Section 4.2. Alexion shall submit invoices in U.S. dollars to Procter & Gamble. Invoices submitted to Procter & Gamble pursuant to this Section 8.5(g) are payable net thirty (30) days after receipt and are subject to audit by Procter & Gamble in addition to the audit provision pursuant to Section 8.8.

(h) All payments due under this Article VIII will be deposited by Electronic Funds Transfer in a bank chosen by Alexion by the date due. Any amounts or royalties prohibited from export by a particular country will be deposited in a bank chosen by Alexion in such country. Any deductions for withholding taxes imposed by the country in which Net Sales take place will be withheld and paid as required by law. The amount of tax withheld shall be for the account of Alexion. Procter & Gamble will provide prompt evidence of payment of such taxes to the governmental or taxing authority. Procter & Gamble will assist Alexion in claiming relief from double taxation and shall use reasonable efforts to minimize any income taxes required to be withheld on behalf of Alexion by Procter & Gamble, its Affiliates or sublicensees, and promptly shall deliver to Alexion copies of all communications from or with such governmental authority with respect thereto.

(i) Procter & Gamble shall report sales of Products by its sublicensees and

pay royalties on such sales on the same basis as if such sales had been made by Procter & Gamble. Procter & Gamble shall ensure that its sublicense agreements obligate sublicensees to pay royalties and report on such a basis, and shall further give Alexion a right to require (to the extent permitted under the applicable sublicense agreement) that Procter & Gamble initiate an audit of such sublicensees' books. Alexion shall reimburse Procter & Gamble for Auditing costs initiated at Alexion's request should the Auditor determine the cumulative material discrepancy (Procter & Gamble and Sublicensee) is less than 3%.

8.6. Records. Procter & Gamble (and its Affiliates and Sublicensees) and Alexion (and its Affiliates) will maintain, and will require their Affiliates to maintain, complete and accurate written records which are relevant to costs, expenses and payments under this Agreement and such records shall be open for inspection by a designated representative of the other Party with reasonable notice during reasonable business hours for a period of five years from creation of individual records. Such inspections are limited to two times per year.

8.7. Interest Rate. Unless otherwise provided in this Agreement, any payments past due will bear interest at the prime rate (such quoted in The Wall Street Journal on the first day of the month of the accrual) plus two (2) percentage points, compounded monthly.

8.8. Audit. Not more than once in any Fiscal Year and upon reasonable advance notice to the other party to this Agreement, Alexion or Procter & Gamble, as the case may be (the "Requesting Party"), shall be entitled to nominate a reasonably acceptable representative or independent certified public accountants reasonably acceptable to the other party to have access at reasonable times during normal business hours and upon reasonable prior notice (subject to signing a confidentiality agreement) to (a) Procter & Gamble's, its Affiliates' or sublicensees' records for Annual Contribution and Net Sales of Products (such audit of Procter & Gamble's sublicensee shall be initiated by Procter & Gamble), as the case may be, as they relate to the relevant Products for the purpose of verifying Procter & Gamble's calculation of royalty payments due hereunder or (b) Alexion' s records for Alexion' s calculation of FTE costs, Alexion Product Cost and any other costs to be paid by Procter & Gamble. Such accounting firm

shall not disclose to the Requesting Party or to any third party any financial or other information relating to the business of the party whose records are being audited (the "Audited Party") except that which is necessary to inform the Requesting Party of the accuracy or inaccuracy of the Audited Party's calculation. Should such accounting firm discover information indicating, in its opinion, an inaccuracy in the calculation of the royalty payments or the Alexion expenses subject to payment by Procter & Gamble, as the case may be, it shall so notify the parties in writing thereof (and shall set out its preliminary conclusions in reasonable detail).

The Audited Party shall advise the Requesting Party in writing within ten business days of receiving such notice should the Audited Party disagree with the determination of such representative or accounting firm. During the next 20 business days, such representative or accounting firm and the accountants of the Audited Party shall attempt to resolve the issue in dispute. Failing such agreement within such 20 day period, the accounting firm of the Requesting Party and the accountants of the Audited Party shall appoint another independent, nationally recognized accounting firm to conduct its own audit. The determination by such second accounting firm (the "Auditors") shall be final and binding on the parties. Any payments owed by the Audited Party shall be made within ten (10) days of the Audited Party's receipt of the Auditor's determination.

In the absence of material discrepancies [*******] in any request for reimbursement or audit resulting from such examination or audit, the accounting expense shall be paid by the Party requesting the examination or audit. If material discrepancies adverse to the Party requesting the examination or audit do result, the Audited Party shall bear the accounting expenses.

Notwithstanding the foregoing, neither Party shall audit the same records twice.

Article IX - Patents, Trademarks and Infringement

9.1. Disclosure. Alexion shall disclose to Procter & Gamble Know-how, patents and developments in the Field included within Alexion Patents and Alexion Know-how known prior to the Effective Date. Further, each Party shall promptly disclose to the other Party any invention or Know-how or other developments in the Field. Invention disclosures in the Field will be disclosed in the normal course of the Agreement. Such disclosures will be made pursuant to Article X.

9.2. Alexion Obligation. Alexion shall take all such actions within its control required to maintain rights to Licensed Technology which is part of Alexion Patents and Alexion Know-how and, where necessary, subject to Section 2.4(b), shall take such action as Procter & Gamble reasonably deems necessary to enable Alexion to maintain such licenses, subject to the payment and performance by Procter & Gamble of its obligations and responsibilities under this Agreement and provided, that Alexion shall not be required to pay any licensor any funds in respect of Sales by Procter & Gamble, its Affiliates or sublicensees which it has not received from Procter & Gamble.

9.3. Patent Applications. Alexion and Procter & Gamble will discuss and evaluate technology disclosed pursuant to Section 9.1, and confer regarding the advisability of filing patent applications to cover any technology resulting from the collaboration under this Agreement. The Party responsible for the filing, prosecution and maintenance of patent applications (herein "Responsible Party") shall be: (a) Procter & Gamble, if the subject invention is made solely by employees of Procter & Gamble; or (b) Alexion, if the subject invention is made solely by employees of Alexion or a licensor or agent thereof or (c) determined by agreement of the Parties for all other inventions, taking into account the nature of the invention and the relationship of the invention to inventions claimed in other patents or applications. Any patent `for an invention conceived or reduced to practice regarding technology during the Agreement shall be owned: (i) by Alexion (and shall be an Alexion Patent), if said invention is conceived and reduced to practice solely by employees of Alexion; (ii) by Procter & Gamble

(and shall be a Procter & Gamble Patent with respect to a Product) if said invention is conceived and reduced to practice solely by employees of Procter & Gamble; and (iii) by Procter & Gamble and Alexion (and shall be a Joint Patent), if said invention is conceived and reduced to practice by employees of Procter & Gamble and Alexion. Inventorship shall be determined according to the laws of the USA. Any dispute regarding the inventorship of an invention made under the Research & Development Plan shall be resolved by the decision of independent patent counsel, mutually acceptable to the Parties, after consideration of all evidence submitted by the Parties, except to the extent such decision is inconsistent with the subsequent determination of the appropriate patent or judicial authorities. Filing, prosecution, maintenance and enforcement of such Patents shall be handled pursuant to Article IX. Alexion and Procter & Gamble will discuss with each other the advisability of filing Patent applications beyond the priority country.

9.4. Filing and Prosecution of Patents. The Responsible Party shall diligently file, prosecute, seek prompt issuance of, and maintain patent applications according to its own internal standards for effectively covering other inventions made by its employees or consultants. The Responsible Party will endeavor to ensure that all patent applications are filed before any public disclosures so as to ensure validity of patent applications filed outside of the United States. The Responsible Party will submit a substantially complete draft of each patent application to the other Party at least thirty (30) days prior to the contemplated filing date and consider any comments of the other Party, provided that in those circumstances where the Responsible Party believes time is of the essence, the Responsible Party will endeavor to provide the other with such advance notice as it reasonably can under the circumstances. Alexion and Procter & Gamble will confer with each other regarding the prosecution of such Patent Applications and will copy each other with any official action and submission in such Patent Applications. Except where otherwise noted, Procter & Gamble will be responsible for expenses associated with filing, prosecution and maintenance of Procter & Gamble patents and Alexion will be responsible for expenses associated with its patents.

9.5. Alternate Responsibility for Prosecution. In the event a Party determines that it will not file, prosecute or maintain, a Patent in the Field in a particular country, it shall promptly

notify the other Party, and such other Party shall then have the right, but not obligation, to assume responsibility for the Patent, and thereby become the Responsible Party for that Patent pursuant to Section 9.3. Such other Party shall be given all necessary authority by the Party not so filing, prosecuting or maintaining the Patent to file, prosecute, and maintain the Patent at the expense of such other Party.

9.6. Infringement of Patents. Procter & Gamble and Alexion shall promptly notify the other in writing of any infringement of a Patent within the Patent rights licensed or to be licensed pursuant to Article II of which they become aware. Procter & Gamble and Alexion shall also promptly notify the other party in writing of any patent rights a Third Party may assert against a Product or Marketed Product.

9.7. Enforcement of Patents.

(a) Third Party Licenses. If (a) Procter & Gamble believes that a license to a Third Party patent is necessary for sale of Products in a country outside the United States and (b) Alexion does not agree that such Third Party license is necessary, then the Parties will submit the issue to a mutually acceptable independent counsel who will determine whether such Third Party license is necessary for sale of such Product in such country. If such independent counsel determines that such Third Party license is necessary for sale of Products in such country, or if Alexion agrees with Procter & Gamble's assessment, the Parties will share license costs, with Alexion responsible for [*******] of such costs and Procter & Gamble responsible for [*******] of such costs. If such independent counsel determines that such license is not necessary, Procter & Gamble may execute such Third Party license and be responsible for all such costs.

(b) Defense and Settlement of Third Party Claims. If a Third Party asserts that a patent or other right owned by it is infringed by the manufacture, use or sale of any Product, then Procter & Gamble shall have the right but not the obligation to defend against any such assertions at its own expense, and Alexion shall have the right at its own expense to be represented by counsel of its own choice. In the event that Procter & Gamble declines to defend against such Third Party assertion, or Procter & Gamble fails to defend within sixty (60) days, then Alexion may defend against such assertion at its own expense.

(c) Infringement of Licensed Technology by Third Parties with Respect to Products. If any exclusively licensed Licensed Technology appears to be infringed by a Third Party in any country in connection with the manufacture, use, offer for sale, or sale of any Product or a functionally equivalent competitive product in such country, the Party to this Agreement first having knowledge of such infringement shall promptly notify the other in writing. The notice shall set forth the facts of that infringement in reasonable detail, to the knowledge of the Party. Alexion shall have the primary right, but not the obligation, to institute, prosecute, and control any action or proceeding with respect to such infringement, by counsel of its own choice, and Procter & Gamble shall have the right, at its own expense, to be represented by counsel of its own choice. If Alexion fails to bring an action or proceeding within a period of twenty-five (25) days after having knowledge of infringement of an Alexion Patent or a Joint Patent, Procter & Gamble shall have the right to bring and control any such action by counsel of its own choice. Alexion will retain control of non-exclusively licensed Licensed Technology and Procter & Gamble shall have the right to be represented in any such action by counsel of its own choice at its own expense. If one Party brings any such action or proceeding, the other Party agrees to be joined as a party plaintiff if necessary to prosecute the action and to give the first Party reasonable assistance and authority to file and prosecute the suit. No Party shall be obligated to bring or maintain more than one such suit at any time with respect to claims directed to any one method of manufacture or composition of matter or method of use.

(d) Infringement of Certain Exclusively Licensed Alexion Patents other than Licensed Technology or Joint Patents by Third Parties with Respect to Products. If an exclusively licensed Alexion Patent, not including Licensed Technology, or Joint Patent appears to be infringed by a Third Party in any country in connection with the manufacture, use, offer for sale, sale or import of any product including Product, the Party to this Agreement first having knowledge of such infringement shall promptly notify the other in writing. The notice shall set forth the facts of that infringement in reasonable detail, to the knowledge of the Party. Procter & Gamble shall have the primary right, but not the obligation to institute, prosecute, and control any action or proceeding with respect to such infringement of such exclusively licensed Alexion Patent or Joint Patent by counsel of its own choice, and Alexion shall have the right, at its own expense, to be represented in any action involving an exclusively licensed Alexion Patent or a

Joint Patent by counsel of its own choice. If Procter & Gamble fails to bring an action or proceeding within a period of twenty-five (25) days after having knowledge of infringement, Alexion shall have the right to bring and control any such action by counsel of its own choice, and Procter & Gamble shall have the right to be represented in any action by counsel of its own choice at its own expense. If one Party brings any such action or proceeding, the other Party agrees to be joined as a party plaintiff if necessary to prosecute the action and to give the first Party reasonable assistance and authority to file and prosecute the suit. If the Parties do not agree on a common course of action for any other such Patent within sixty (60) days following the notice provided under this Section 9.7, each Party may take such action as it determines to be in its best interest with respect to such apparent infringement.

(e) Infringement of Procter & Gamble Patent by Third Parties with Respect to Products. If a Procter & Gamble Patent appears to be infringed by a Third Party in any country in connection with the manufacture, use, offer for sale, sale or import of any Product, the Party to this agreement first having knowledge of such infringement shall promptly notify the other in writing. The notice shall set forth the facts of that infringement in reasonable detail to the knowledge of the Party. Procter & Gamble shall have the right, but not the obligation, to institute, prosecute, and control any action or proceeding with respect to such infringement.

(f) Monetary Awards. Any damages or other monetary awards recovered by reason of litigation under Section 9.7(b), 9.7(c) or 9.7(d) shall be allocated first to the costs and expenses of the Party bringing suit, then to the costs and expenses, if any, of the other Party. Any amounts remaining designated as lost profits shall be allocated to the Parties in a manner such that Alexion receives as nearly as possible the same amount as if Procter & Gamble had made Net Sales resulting in such lost profit. Any other amounts remaining shall be allocated [*******] to the Party bringing suit and [*******] to the other Party. No settlement or consent judgment or other voluntary final disposition of a suit under Section 9.7(b), (c) or (d) may be entered into without the consent of the Party not bringing the suit if such settlement, judgment or other disposition shall waive or affect any rights of the Party not bringing the suit or could result in the payment of money or impose any obligation on the Party not bringing the suit.

9.8. Trademarks. Procter & Gamble shall file, prosecute and maintain all trademark applications and registrations for trademarks to be used for Products or Marketed Products. Procter & Gamble shall pay all expenses in connection with filing and prosecution of such trademarks which shall be owned by Procter & Gamble.

9.9. Trademark Infringement and Enforcement. Alexion shall promptly notify Procter & Gamble of any infringement of a trademark under this Section 9.9 of which they become aware. Procter & Gamble may, but shall not be required to, prosecute any such alleged infringement or threatened infringement. Alexion shall cooperate fully with Procter & Gamble in such action. Any recovery obtained shall belong to Procter & Gamble.

9.10. Unauthorized Use of Patent Rights. Neither Party shall willfully take any action which would, directly or indirectly, infringe, or induce or contribute to the infringement of, one or more claims of any issued Patent of the other Party or its Affiliates, except to the extent such action is authorized by a license granted under this Agreement. If either Party takes any action, directly or indirectly, to challenge the validity of any issued patent of the other Party or its Affiliates, then the other Party shall have the right in its sole discretion to terminate the Research & Development Plan; provided, however, in the circumstances where the challenged patent is included within the patent rights of the other Party, the other Party additionally shall have the right to terminate the licenses granted under Article V above, to the extent permitted by law, on a country-by-country basis. A Party shall not be entitled to withhold payment of any royalty accruing during any challenge to the validity of a patent included within the patent rights of the other Party.

Article X - Confidentiality

10.1. Confidentiality and Non-Use Obligations. Each Party shall maintain in confidence all information (herein "Information") which is:

(a) disclosed to it by the other Party pursuant to Section 9.1;

(b) developed by the Party during the Term in the course of performance of the obligations under this Agreement;

(c) the terms of the Agreement; or

(d) other information ("Other Information") disclosed by the other Party which is outside the Field or otherwise not within the scope of the collaboration and which is considered confidential by the other Party, and so designated as confidential in writing when first disclosed or within thirty (30) days after disclosure if the first disclosure is oral (except for patent applications and related correspondence which shall be deemed confidential without being marked or any such designation).

The Party shall take all reasonable precautions to:

(a) prevent disclosure of such Information to Third Parties, except as set forth in Section 10.3 and Section 14.10, or as may be necessary for the filing or prosecution of patent applications pursuant to Article IX; and

(b) use Patents and Know-how pursuant to the rights and obligations of the Party pursuant to Article II.

The Party shall not use Other Information for any purpose.

These restrictions upon disclosure and use of Information shall terminate ten (10) years after the date of the termination of the Agreement, but shall not apply to any specific portion of Information which:

(i) is Information which can be demonstrated by the recipient to have already been in the possession of the recipient at the time of disclosure by the other Party;

(ii) is or later becomes available to the public, as evidenced by documents which were generally published, other than by default by the Party;

(iii) is received from a Third Party having legitimate possession thereof and the independent legal right to make such disclosure;

(iv) is Other Information developed by the Party entirely without reference or use of Information, as established by probative documentary evidence; or

(v) is required to be disclosed by law or government regulation.

10.2. Prior Non-Disclosure Agreements. The "Non- Disclosure Agreement" dated July 16, 1998 between Alexion Pharmaceuticals, Inc. and Procter & Gamble have separately been rendered void and all Information to be kept confidential under such agreements as of the Effective Date will be subject to the terms of Section 10.1 as if disclosed under this Agreement.

10.3. Research Manuscripts and Abstracts. It is understood that either Party may publish or otherwise disclose the results of the Research & Development Plan or of development studies of Collaboration Inhibitor in a reputable scientific forum (for example, as an abstract, poster presentation, lecture, article, book, or any other means of dissemination to the public). Such disclosures may be made to a Third Party with the approval of the Research & Development Steering Committee regarding (x) preclinical research; (y) clinical research disclosures after a final report exists, if disclosure presents no significant risk to regulatory filings and serves a compelling business reason for publication; and (z) other work by the Parties, upon approval by the Research & Development Steering Committee. No such disclosure shall be made to a Third Party until a patent application has been filed adequately describing and claiming any patentable technology embodied in such disclosure, pursuant to Article VII. A party wishing to make any such disclosure shall submit a complete written draft of the disclosure to the other Party at least thirty (30) days prior to submission for the disclosure to a Third Party. The Party shall consider any comments from the other Party. Any disputes regarding the appropriateness, content and authors of any such disclosure shall be resolved by the Research & Development Steering Committee.

Article XI -- Representations and Warranties

11.1. Governmental Compliance. Both Parties shall comply with all laws, rules and regulations applicable to the activities undertaken by both Parties hereunder.

11.2. Alexion Representations and Warranties.

(a) Alexion represents and warrants to Procter & Gamble the following, which shall be true and correct as of the Effective Date:

(i) Organization and Good Standing. Alexion is a corporation duly organized, validly existing, and in good standing under the applicable laws of incorporation and has full corporate power to own its properties and conduct the business presently being conducted by it, and is duly qualified to do business in, and is in good standing under, the laws of all states and nations in which its activities or assets require such status, except in any case where the failure to be so qualified and in good standing would not be material.

(ii) Power and Authority. Alexion has full corporate right, power and authority to perform its obligations pursuant to this Agreement, and this Agreement and the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Alexion. This Agreement has been duly and validly executed by Alexion. Upon execution and delivery of this Agreement, it will be the valid and binding obligation of Alexion enforceable in accordance with its terms, subject to equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditor's right and remedies generally.

(iii) Violations and Consent. The execution, delivery and performance of this Agreement does not, and the consummation of the transactions therein contemplated will not violate any law, rule, regulation, order, judgment or decree binding on Alexion or result in a breach of any term of the certificate of incorporation or by-laws of Alexion or any contract, agreement or other instrument to which Alexion is a party, except in each case to an extent not material.

(b) Alexion represents and warrants to Procter & Gamble the following, which shall be true and correct as of the Effective Date:

(i) to the best of Alexion's knowledge, Alexion has disclosed to Procter & Gamble technical, scientific and regulatory information relating to the Collaboration Inhibitor, and has not intentionally withheld any such material technical, scientific or regulatory information; and

(ii) it owns or Controls under valid licenses the requisite rights to grant the licenses granted by it hereunder; and

(iii) Alexion has no actual knowledge of any information rendering invalid or unenforceable any Patent licensed to Procter & Gamble under Article II. Alexion will promptly inform Procter & Gamble

if it obtains such information after the Effective Date. Alexion has no actual knowledge of any Patents and Know-how owned by a Third Party that Alexion believes will prevent, inhibit, or limit the Parties from conducting the research, development and commercialization activities under this Agreement. Alexion warrants that, except with respect to the agreements for the Licensed Technology, it has not entered into any agreement with a Third Party that Alexion believes will prevent, inhibit, or limit the Parties from conducting the research, development and commercialization activities under this Agreement.

EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT, ALEXION MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND WITH RESPECT TO THE ALEXION PATENTS, ALEXION KNOW-HOW, COLLABORATION INHIBITOR OR OTHER LICENSED TECHNOLOGY OR PRODUCTS, AND EXPRESSLY DISCLAIMS ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND ANY OTHER IMPLIED WARRANTIES WITH RESPECT TO THE CAPABILITIES, SAFETY, UTILITY OR COMMERCIAL APPLICATION OF ALEXION PATENTS, ALEXION KNOW-HOW, COLLABORATION INHIBITOR OR OTHER LICENSED TECHNOLOGY OR PRODUCTS.

ALEXION AND ITS LICENSORS SHALL NOT BE LIABLE FOR ANY DIRECT, CONSEQUENTIAL OR OTHER DAMAGES SUFFERED BY PROCTER & GAMBLE OR ANY OTHERS RESULTING FROM THE USE OF THE ALEXION

PATENTS, ALEXION KNOW-HOW, COLLABORATION INHIBITOR OR OTHER LICENSED TECHNOLOGY OR PRODUCTS EXCEPT IN THE CASE OF ALEXION AS IT RELATES TO DIRECT DAMAGE PURSUANT TO ARTICLE XII.

11.3. Representations and Warranties of Procter & Gamble.

(a) Procter & Gamble represents and warrants to Alexion the following, true and correct on the Effective Date:

(i) Organization and Good Standing. Procter & Gamble is a corporation duly organized, validly existing, and in good standing under the applicable laws of incorporation and has full corporate power to own its properties and conduct the business presently being conducted by it, and is duly qualified to do business in. and is in good standing under, the laws of all states and nations in which its activities or assets require such status, except in any case where the failure to be so qualified and in good standing would not be material.

(ii) Power and Authority. Procter & Gamble has full corporate right, power and authority to perform its obligations pursuant to this Agreement, and this Agreement and the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Procter & Gamble. This Agreement has been duly and validly executed by Procter & Gamble. Upon execution and delivery of this Agreement, it will be the valid and binding obligation of Procter & Gamble enforceable in accordance with its terms, subject to equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditor's rights and remedies generally.

(iii) Violations and Consent. The execution, delivery and performance of this Agreement does not, and the consummation of the transactions therein contemplated will not violate any law, rule, regulation, order, judgment or decree binding on Procter & Gamble or result in a breach of any term of the certificate of incorporation or by-laws of Procter & Gamble or any contract, agreement or other instrument to which Procter & Gamble is a party, except in each case to an extent

not material. No authorization is required by Procter & Gamble for the execution, delivery, or performance of this Agreement by Procter & Gamble, except in each case to an extent not material.

(iv) Evaluation. Procter & Gamble possesses the expertise and skill in the technical areas in which the Alexion Patents, Alexion Know-how, Collaboration Inhibitor and Products are involved necessary to make, and has made its own evaluation of the capabilities, safety, utility and commercial application of the Alexion Patents, Alexion Know-how, Collaboration Inhibitor and Products.

11.4. Limitation on Warranties. The Parties understand that the research and development work to be conducted pursuant to this Agreement will involve untested, experimental, and currently undeveloped technology and that neither Alexion nor Procter & Gamble guarantees the safety or usefulness of any Product. Except as otherwise provided in this Agreement, nothing herein shall be construed as a representation or warranty by either Party to the other that any Patent or Know-how or other intellectual property right owned or Controlled by such Party is valid, enforceable, or not infringed by any Third Party, or that the practice of such rights does not infringe any property right of any Third Party or that any Patent will issue based upon a pending patent application or that any such patent which issues will be valid.

11.5. Negative Covenants. Each Party hereby covenants to the other that such Party shall not use or practice the other Party's Patents or Know-how in any field or in any manner except as specifically licensed under this Agreement.

Article XII - Indemnification; Insurance

12.1. Indemnification.

(a) Research and Development Indemnification. Each party (the "Indemnifying Party") shall indemnify, defend and hold the other Party (the "Indemnified Party") harmless from

and against any and all liabilities, claims, damages, costs, expenses or money judgments incurred by or rendered against the Indemnified Party and its sublicensees incurred in the defense or settlement of a Third Party lawsuit or in a satisfaction of a Third Party judgment arising out of any injuries to person and/or damage to property resulting from (i) the gross negligence or willful or intentional misconduct in the performance by it of its responsibilities under the Research & Development Plan or otherwise under this Agreement, or (ii) personal injury to the Indemnified Party employees or agents or damage to the Indemnified Party's tangible property resulting from acts performed by, under the direction of, or at the request of the Indemnifying Party in carrying out activities contemplated by this Agreement. Notwithstanding the above, each Party shall indemnify and hold the other Party harmless from and against that portion of any and all Losses due to the gross negligence or willful or intentional misconduct of such Indemnifying Party. Further, Procter & Gamble shall not indemnify, defend or hold harmless Alexion for any claims or liabilities arising from the actions or inactions of Alexion prior to the date of this Agreement.

(b) Indemnification for Marketing. With respect to Products commercialized by Procter &Gamble under this Agreement, Procter & Gamble hereby agrees to save, defend, indemnify, and hold harmless Alexion, its agents and employees, and the principal investigator of the Licensed Technology and all licensors thereof, their officers, directors, trustees, employees and agents and all of their heirs, executors, administrators and legal representatives ("Indemnified Parties") from and against any and all such claims, actions, demands, loss, liability, expense or damage (including investigative costs, court costs and attorneys' fees) the Indemnified Parties may suffer, pay or incur as a result of claims, demands or actions against any of the Indemnified Parties to the extent arising or alleged to arise by reason of or in connection with any and all personal injury, economic loss and property damage caused or alleged to be caused or contributed to in whole or in part by the manufacture, use, handling, storage, sale, sublicense or other disposition of Products by Procter & Gamble, its Affiliates, agents or sublicensees, whether asserted under a tort or contractual theory or any other legal theory, including but not limited to any and all claims, demands, and actions in which it is alleged that (1) an Indemnified Party's negligence or representations about the Products caused any defect in their manufacture, design, labeling or performance or (2) subject to in the case of patents and in

respect to Alexion pursuant to Section 9.7, any alleged infringement of any patent, trademark or copyright, causes or contributed in whole or in part to the personal injury, economic loss of property damage.

(c) Affiliates; Sublicensees. Procter & Gamble shall be responsible for and indemnify and hold Alexion and its licensors harmless from and against all acts and omissions of its Affiliates and sublicensees, as if performed or failed to be performed by it under this Agreement.

(d) Procedure. Subject to Section 9.7, in the event that an Indemnified Party is seeking indemnification under Section 12.1(a), 12.1(b) or 12.1(c), it shall inform the Indemnifying Party of a claim as soon as reasonably practicable after it received notice of the claim, shall permit the Indemnifying Party to assume direction and control of the defense of the claim (including the right to settle the claim solely for monetary consideration), and shall cooperate as requested (at the expense of the Indemnifying Party) in the defense of the claim.

12.2. Insurance.

(a) Without limiting Procter & Gamble's indemnity obligations under Section 12.1. Procter & Gamble shall obtain or have obtained for it and it shall maintain or have maintained for it throughout the term of this Agreement and for at least ten (10) years after its termination or expiration (i) general liability insurance in comprehensive form with a combined single limit of no less than [*******], which shall cover at least bodily injury, personal injury, liability, property damage and product liability claims with respect to any technology licensed to it hereunder, Patents, or Product practiced, used, manufactured or sold pursuant to any development, testing and commercialization of technology, Patents, or Product, and (ii) contractual insurance in broad form in amounts reasonable and prudent in light of the risks involved in development, testing and commercialization of Products. All such policies shall include a contractual endorsement naming the Indemnified Parties as additional insureds and providing coverage for all liability which may be incurred by the Indemnified Parties in connection with this Agreement and require the insurance carrier(s) to provide Alexion with no less than thirty (30) days written notice of any change in the terms or coverage of the policy(ies) or its cancellation. In no event, however, shall Procter & Gamble be obligated to maintain any

insurance in respect of Products manufactured or sold by Alexion.

(b) Notwithstanding the provisions of Section 12.2(a), if and so long as Procter & Gamble shall have a consolidated net worth of at least [*******], then the insurance coverage may be substituted by self-insurance provisions as such net worth and self-insurance shall be certified by a responsible corporate financial officer of Procter & Gamble. In such event, Procter & Gamble shall hold Alexion, its agents and employees, the principal investigators of the Licensed Technology and all licensors thereof, their officers, directors, employees and agents and all of their heirs, executors, administrators and legal representatives harmless from and against claims from Third Parties and other liabilities in a manner and measure equivalent to the insurance coverage otherwise required by this Section 12.2.

(c) Alexion has obtained insurance coverage customary for a company of its size, engaged in the research and development of pharmaceutical products.

Article XIII - Term, Termination: Change of Control

13.1. Effective Date and Term.

(a) Effective Date. Within three (3) days of the date first written above, the Parties shall file the appropriate documents with the U.S. Federal Trade Commission and the U.S. Department of Justice pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and including such Act's enabling regulations (collectively "HSR"). This Agreement shall become effective upon such date that the applicable HSR waiting period has expired or is otherwise terminated ("Effective Date").

(b) Term. Unless terminated earlier by the Parties pursuant to Sections 13.2 or 13.3, this Agreement shall commence on the Effective Date and expire on the later of (i) the date of the last to expire Alexion Patent or Joint Patent having a Valid Claim or (ii) the date when royalty payments are no longer payable pursuant to Section 8.2(a). Upon expiration of this Agreement in accordance with clause (i) or (ii) of this Section, each Party shall grant to the other Party a non-exclusive worldwide license to use its Know-how, within the Field; provided, that Procter & Gamble shall continue to be responsible for milestone payments in accordance with

Sections 8.1 and 8.2(b) of this Agreement as if this Agreement shall not have so expired.

13.2. Termination by Procter & Gamble.

(a) Failure to Meet Success Criteria. Procter & Gamble may terminate the Agreement upon [*******] prior written notice to Alexion if at any time, in the reasonable judgment of the Research & Development Steering Committee while in effect and thereafter in the reasonable judgment of Procter & Gamble, the licensed technology or the Product fails to meet Success Criteria, to be effective at any time at least [*******] after the Effective Date.

(b) Collapse of Working Hypothesis. If, within [*******] after the Effective Date, Procter & Gamble shall reasonably determine, that the working hypothesis or scientific rationale underlying the Collaboration has collapsed and is no longer scientifically viable, then, unless Alexion shall agree in writing, Procter & Gamble shall be entitled to have such matter determined by peer review consensus. In such event, the Parties shall promptly submit such matter for determination by peer review consensus conducted by three scientists having expertise in the Field, one selected by Alexion, another by Procter & Gamble and the third by the two scientists so selected by the Parties. If Alexion shall have so agreed in writing or if such peer review consensus shall reasonably determine that the working hypothesis or scientific rationale underlying the Collaboration has collapsed and is no longer scientifically viable, then Procter & Gamble may terminate this Agreement by written notice to Alexion. Such notice shall be effective to terminate the obligations of Procter & Gamble under this Agreement upon receipt thereof by Alexion, except that, in order to provide for the orderly transition of responsibilities from Procter & Gamble to Alexion, the following obligations shall continue and the following shall occur: (i) the obligations and responsibilities of Procter & Gamble to fund FTEs at the level then in existence prior to such notice and make other payments contemplated by Section 4.2 shall continue until expiration of [*******] after Alexion's receipt of such written notice of termination (subject to the reduction of such FTEs by Alexion in accordance with the orderly wind down by Alexion of such program), (ii) Procter & Gamble shall continue to be responsible for care and monitoring of clinical patients and other patients which have been dosed and (iii) Procter & Gamble shall assist Alexion in winding down any trials in progress in accordance with applicable industry standards and applicable governmental regulations.

13.3. Material Breach. Failure by either Party (the "Breaching Party") to comply with any of the material obligations contained in this Agreement shall entitle the other Party (the "Non-breaching Party") to give to the Breach Party notice specifying the nature of the breach and requiring it to cure such breach.

(a) If such breach involves the payment of money and is not cured or otherwise resolved by the Parties in writing within fifteen (15) days after receipt by the Breaching Party of such notice, either Party shall be entitled to initiate an audit under Section 8.8. In the event of such an audit, if the Auditor shall render an award of monetary damages payable to the Non-Breaching Party, and such amount shall remain unpaid for ten (10) days after the Breaching Party receives a copy of such judgment from the Non-breaching Party, the Non-breaching Party shall be entitled to terminate this Agreement.

(b) If such breach does not involve the payment of money, and is not cured or otherwise resolved by the Parties in writing within sixty (60) days after receipt by the Breaching Party of such notice, either Party shall be entitled to initiate arbitration under Section 14.4 and at its sole discretion suspend performance under this Agreement. If such breach is not cured or otherwise resolved by the Parties in writing within such sixty (60) day period, and neither Party initiates an arbitration, all licenses and other rights of the Breaching Party under Patents and Know-how of the Non-breaching Party and all rights thereunder shall terminate and revert to the Non-breaching Party.

(i) If the arbitrators find a material breach of this Agreement, then the Breaching Party may pay to the Non-breaching Party an amount [*******] of such award. If the Breaching Party makes such a payment then the provisions of this Agreement shall continue in full force and effect. If the Breaching Party does not make such payment as provided in Section 13 .2(iii) below, this Agreement shall terminate and the Breaching Party shall pay to the Non-breaching Party the amount of damages awarded by the arbitrators.

(ii) If the arbitrators find a material breach of this Agreement, then the

Breaching Party may offer to pay to the Non-breaching Party, in consideration for the Non-breaching Party's election not to terminate the Agreement, [*******]. If the Non-breaching Party accepts such offer, the provisions of this Agreement shall continue in full force and effect. If the Breaching Party does not make such offer or if the Non-breaching Party rejects such offer, this Agreement shall terminate and the Breaching Party shall pay to the Non-breaching Party the amount of damages awarded by the arbitrators.

(iii) Any payment required under the terms of Sections 13.3(a) or 13.3(b) shall be made in USD to the bank designated by the Party to be paid hereunder within ten (10) days after the determination of the audit contemplated by Section 8.7 or the decision of the arbitrators, as the case may be.

(iv) Notwithstanding anything herein to the contrary, each Party may avail itself of the provisions of clause (i) and (ii), collectively, on a single occasion only.

13.4. Bankruptcy. A Party may terminate (the "Terminating Party") this Agreement upon written notice, at any time after the other party (the "Bankrupt Party") is (1) dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefits of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditor's rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereon (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian

or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all of its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable law of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

13.5. Termination by Mutual Consent. This Agreement may be terminated by mutual written consent of the Parties and rights hereunder divided as the Parties agree in writing.

13.6 Certain Effects of Termination.

(a) Termination by Procter & Gamble for Scientific Reasons; Termination by Alexion. Effective upon a termination under Section 13.2 or by Alexion in accordance with Section 13.3 or 13.7(b), the following shall occur:

(i) Procter & Gamble's licenses under the Alexion Patents and Alexion Know-how shall automatically be deemed to have terminated and all rights thereunder shall automatically be deemed to have reverted to Alexion; and Procter & Gamble shall be deemed to have transferred title to Alexion of all raw data generated from any clinical or nonclinical studies conducted hereunder by Alexion for Procter & Gamble;

(ii) Procter & Gamble shall, at the option of Alexion, either deliver to Alexion or discontinue to use and, with respect to materials other than raw data and biologics, destroy, all copies of Alexion Confidential Information and any other materials provided by Alexion to Procter & Gamble hereunder in the possession or Control of Procter & Gamble, its Affiliates or sublicensees, and shall furnish to Alexion an affidavit signed by a corporate officer or the Associate General Counsel of Procter & Gamble certifying that such delivery or destruction has been fully effected. Notwithstanding the foregoing, and provided Procter &

Gamble fulfills its obligations specified in this Agreement with respect to such materials. Procter & Gamble's Associate General Counsel may continue to retain solely for archival purposes a single copy of Alexion's Confidential Information and any other materials provided by Alexion, except that all biologics and original versions of raw data generated from any clinical or nonclinical studies conducted hereunder by Alexion for Procter & Gamble shall be transferred to Alexion.

(iii) Procter & Gamble shall be deemed to have granted to [*******], to Procter & Gamble's entire right, title and interest in Joint Patents, in the Field, which may be necessary for the sale of a Product and to Procter & Gamble Know-how, to make, have made, use and have used, import and have imported, offer for sale and sell and have sold Products, including all inventions, discoveries and improvements to Alexion Patents, Alexion Know-how, Collaboration Inhibitor and Products to which Procter & Gamble shall then have any rights;

(iv) Procter & Gamble shall be deemed to have granted to Alexion an [*******], to Procter & Gamble Patents, in the Field, which may be necessary for the sale of Products. The royalty rate will be negotiated by the Parties upon commercially reasonable terms, and will fairly reflect whether the license is on an exclusive or non-exclusive basis. If the Parties are unable to agree on such terms, either Party may submit such dispute to be settled by arbitration in accordance with Section 14.4.

(v) Procter & Gamble shall transfer to the Alexion or its designee title to and sponsorship of all Health Registrations, approvals and rights with respect to the Product anywhere in the Territory, and if title to and sponsorship of any such Health Registrations, approvals or rights is not transferable, then Procter & Gamble shall use all Commercially Reasonable Efforts to enable Alexion or its designee to make use of and prosecute such Health Registrations, approvals or rights;

(vi) Procter & Gamble shall, if such termination shall occur at any time after a trademark shall be used outside of Procter & Gamble for a Product (in trials, pre-launch or otherwise), transfer to Alexion, or grant a fully-paid royalty-free exclusive transferable license (with the right to sublicense) to Alexion for use and control of, all trademarks for the Product that

are owned by Procter & Gamble anywhere in the Territory; and

(vii) Take any other steps which can only be taken by Procter & Gamble, necessary for Alexion or its designee to be able to market, promote, distribute, sell and manufacture Products in each country in the Territory without undue delay; and

(viii) Procter & Gamble shall indemnify, defend and hold Alexion harmless in accordance with Article XII above from the performance by it of its responsibilities under Section 3.2 prior to the date of termination and under Section 13.2(b) and this Section 13.6 after such termination.

(b) Breach by Alexion. If Procter & Gamble shall terminate this Agreement in accordance with Section 13.3 due to a breach by Alexion, all licenses and other rights granted by Alexion to Procter & Gamble shall terminate and revert to Alexion, and Procter & Gamble shall continue to own the raw data generated from any clinical or nonclinical studies theretofore conducted hereunder by Alexion for Procter & Gamble. Alexion shall be entitled, at its option, to purchase such raw data from Procter & Gamble upon terms commercially reasonable, to be negotiated by the Parties. If the Parties are unable to agree on such terms, either Party may submit such dispute to be settled by arbitration in accordance with Section 14.4.

13.7. Chance of Control. In the event of a Change in Control, as that term is defined in Section 13.9(a), of either the Parties or their respective Affiliates that are primarily responsible for undertaking the obligations under this Agreement (each collectively or individually then referred to as the "Acquired Company"), then the Party affiliated with the Acquired Company shall notify the other Party of any such Change in Control as soon as the Change in Control may publicly be announced. Upon receipt of any such notification, the other Party or an Affiliate thereof (the "Electing Company") shall have the unilateral right to give notice to the Acquired Company within thirty (30) days after its next regularly scheduled board meeting, but in no event longer than sixty (60) days after receipt of the Acquired Company's notification that, the Electing Company:

(a) if the Electing Company shall be Procter & Gamble, Procter & Gamble may elect as provided in clause (i) or (ii) below:

(i) Procter & Gamble may elect not to continue any one or more of the three activities of Alexion under this Agreement specified below in clauses (1), (2) and/or (3) (each an "Alexion Interest"), as follows:

(1) Research - [*******] or

(2) Co-Promotion - [*******] or

(3) Manufacturing - [*******]

[*******]

The rights set forth above to terminate or discontinue Alexion's Research, Co-Promotion and/or Manufacturing Interests under the circumstances set forth above shall in no event affect or impair any of the parties rights or obligation with respect to Patents and Know-how under this Agreement, including without limitation the continuing obligation of Procter & Gamble to make milestone, royalty and sublicense payments pursuant to Sections 8.1, 8.2 and 8.3 hereof, all of which shall survive any such termination or discontinuance of Alexion's Research, Co-Promotion and/or Manufacturing Interests. The right of Procter & Gamble to terminate such Interests is divisible and can be exercised by Procter & Gamble with respect to one or more of such Interests.

(ii) Procter & Gamble may elect to continue any one or more of Alexion's Research, Co-Promotion and Manufacturing Interests, in which case Procter & Gamble may [*******]

[*******]

(b) if the Electing Party shall be Alexion, Alexion may [*******]

13.8. Substantial Stock Accumulation. In the event of a Substantial Stock Accumulation in either the Procter & Gamble Parent or the Alexion Parent, as soon as the Party affiliated with the Affected Company has knowledge of the Substantial Stock Accumulation, it shall give prompt notice to the other Party. Such notice shall be separate from and in addition to the notice provided for in Section 13.7 and must be given regardless of whether the Party affiliated with the Affected Company regards the Substantial Stock Accumulation as being not in the best interest of the collaboration. From the date on which the Party affiliated with the Affected Company has notice of the Substantial Stock Accumulation, the following provisions shall become effective and remain effective until the Substantial Stock Accumulation is eliminated, unless otherwise agreed:

(i) If the Party that is not affiliated with the Affected Company reasonably determines in good faith that the person or entity making the Substantial Stock Accumulation is [*******] such Party may so inform the other Party in writing. Promptly after receipt of such notice, the Party affiliated with the Affected Company shall establish a procedure whereby no director or executive employee of the Affected Company who was not a director or employee of the Affected Company prior to the Substantial Stock Accumulation, and who was previously a director or employee of the person or entity making the Substantial Stock Accumulation (a "Tainted Director or Executive"), shall receive any of the following: (x) confidential information of the other Party and its Affiliates; and (y) of the collaboration, except that any such Tainted Director or Executive confidential scientific Information can be given information as to actual and projected sales and profits of the collaboration.

(ii) If the Party that is not affiliated with the Affected Company does not give notice pursuant to this Section 13.8 the Party affiliated with the Affected Company shall establish a procedure whereby no Tainted Director or Executive shall receive confidential information of the other Party and its Affiliates but need not place any restrictions on confidential or other information of the collaboration.

(iii) In the event of a material violation of this Section 13.8, the non-breaching Party may, without resort to the dispute resolution procedure set forth in

Section 14.4, bring an immediate court action or enjoin such violation and to recover any damages that it may have incurred by reason of such violation.

13.9. Definitions.

(a) For purposes of this Agreement, a "Change in Control" of a company shall be deemed to have occurred in the event of (i) a merger, combination, reorganization or consolidation of the company with or into another corporation with respect to which [*******], (ii) the sale of all or substantially all of the properties and assets of the company and its subsidiaries, or (iii) the acquisition by any individual, firm, corporation, or entity (other than any profit sharing or other employee benefit plan of the company or any Affiliate, or any employee or group of employees or former officers an/or directors of the company or its Affiliates) of beneficial ownership, directly or indirectly, of securities of the company representing [*******] of the combined voting power of the company's then outstanding voting securities; provided, however, that no such event referred to in clause (i) or (iii) above with respect to Alexion may result in a Change of control of Alexion unless [*******]. Notwithstanding the foregoing, for purposes of this Section 13.9(a), a Change in Control shall only be deemed to occur for Procter & Gamble if there is a Change in Control of The Procter & Gamble Company or Procter & Gamble Pharmaceuticals, Inc.

(b) A "Substantial Stock Accumulation" of a company shall be deemed to have occurred in the event of the accumulation by any individual, firm, corporation, or entity (other than any profit sharing or other employee benefit plan of the company or any Affiliate, or any employee or group of employees or former officers an/or directors of the company or its Affiliates) of beneficial ownership, directly or indirectly, of securities of the company representing [*******] of the combined voting power of the company's then outstanding voting securities.

(c) The "Purchase Price" for purposes of Section 13.7 shall be determined as follows:

(i) Purchase Price refers to such of Alexion's [*******] as shall be the subject of an election by Procter & Gamble to purchase, and shall be equal to the Valuation (as defined herein) of such Interest to be purchased under this Agreement, determined as follows: Each Party shall designate an investment banking firm of its choice, and each investment banking firm will be asked to prepare an appraisal as to the fair market value of such of [*******] that would be received in cash from a Third Party if a sale of such Interest or Interests were made to a Third Party with the consent of the other Party, taking into account any contractual obligation of either Party or its Affiliates to refrain from manufacturing or marketing a product competitive with the products in the Territory for any period, the value of the information, Patents and Know-how, and other assets being licensed and the potential market for such Products and Marketed Products in the Territory (a "Valuation"). For such Valuation, Alexion shall be entitled (1) [*******] (2) to [*******]. The investment bankers will be asked to submit their Valuations of Alexion's Interest or Interests within thirty (30) days after the Purchase Date as defined in Section 13.9(c)(v). In the event of a Party's failure to obtain an investment banking firm's Valuation within thirty (30) days after the Purchase Date, the Valuation will be the Valuation determined by the investment banking firm appointed by the other Party.

(ii) If the difference between the lower Valuation and the higher Valuation is [*******] of the higher Valuation, or if the Valuations are equal, the final Valuation shall be the average of the Valuations. If the difference between the two (2) Valuations is [*******] of the higher Valuation, the investment bankers will select a third investment banking firm from those known as major bracket investment banking firms, and that firm shall also prepare a Valuation. The third investment banking firm will not have access to the Valuations prepared by the

other investment banking firms. The two (2) Valuations that are the closest in value then shall be averaged, and the resulting average shall be the final Valuation.

(iii) The purchase of an Alexion Interest shall thereafter be consummated by payment of the Valuation within sixty (60) days after receipt of all investment bankers' valuations or such later date upon which all necessary regulatory approvals have been obtained and/or regulatory waiting periods have expired.

(iv) Each Party shall bear the expense of obtaining the Valuation of the investment bankers selected by such Party, and if a third investment banker is selected, the expense of obtaining its Valuation shall be borne equally by the Parties.

(v) Unless otherwise agreed in writing by the Parties, the Valuation for an Alexion Interest shall be calculated as of the date of the Electing Company's notice that it elects to exercise its option to purchase such Alexion Interest or Interests under Section 13.7(a)(i) (such date shall be referred to as the "Purchase Date").

(vi) During the pendency of the option election and valuation process, the Parties shall continue to perform their customary activities under this Agreement.

13.10. Surviving Rights. Except as modified in Sections 13.1(b), 13.3 and 13.6 hereof, the obligations and rights of the Parties under Articles VIII, X, XI, XII and XIII shall survive termination or expiration of this Agreement.

13.11. Accrued Rights. Surviving Obligations. Termination or expiration of this Agreement for any reason shall be without prejudice to any rights which shall have accrued to the benefit of either Party prior to such termination or expiration, including, without limitation, the payment obligations under Section 4.2 and Article VIII hereof and any and all damages arising from any breach hereunder. Such termination or expiration shall not relieve either Party from obligations which are expressly indicated to survive termination or expiration of the Agreement.

13.12. Termination Not Sole Remedy. Termination is not the sole remedy under this Agreement and, whether or not termination is affected, all other remedies will remain available except as agreed to otherwise herein.

13.13. Certain Injunctive Relief. Due to the important confidentiality concerns of the parties, and for other reasons, the parties will be irreparably damaged in the event that the provisions of Articles X and XIII hereof are not specifically enforced. In the event of a breach or threatened breach of the terms, covenants and/or conditions of either such Article by any of the parties hereto, the other party shall, in addition to any other remedies it may have, be entitled to a temporary or permanent injunction, without showing any actual damage, and/or a decree for specific performance, in accordance with the provisions of such Articles.

Article XIV - Miscellaneous

14.1. Force Majeure. Neither Party shall lose any rights hereunder or be liable to the other Party for damages or loss on account of failure of performance by the Defaulting Party if the failure is occasioned by government action, war, fire, explosion, flood, strike, lockout, embargo, act of God, or any other similar cause beyond the reasonable control of the Defaulting Party, provided that the Party claiming force majeure has exerted all reasonable efforts to avoid or remedy such force majeure and given prompt notice to the other Party.

14.2. Notices. Any notices or communications provided for in this Agreement to be made by either of the Parties to the other shall be in writing, in English, and shall be made by prepaid air mail with return receipt addressed to the other at its address set forth above. Any such notice or communication may also be given by hand or facsimile to the appropriate designation with confirmation of receipt. Either Party may by like notice specify an address to which notices and communications shall thereafter be sent. Notices sent by mail shall be effective upon receipt; notices given by hand shall be effective when delivered.

Notices for Alexion shall be sent to:

Alexion Pharmaceuticals, Inc.
Attn: President
25 Science Park
New Haven, Connecticut 06511

With copy to:

Golenbock, Eiseman, Assor & Bell
Attn: Lawrence M. Bell, Esq.
437 Madison Avenue
New York, New York 10022

Notices for Procter & Gamble shall be sent to:

Procter & Gamble Pharmaceuticals, Inc.
Attn: President
10200 Alliance Road
Cincinnati, Ohio 45242-4716

With copy to:

Procter & Gamble Pharmaceuticals, Inc.
Attn: Associate General Counsel
10200 Alliance Road
Cincinnati, Ohio 45242-4716

14.3. Governing Law. This Agreement shall be governed by the laws of the State of Delaware, as such laws are applied to contracts entered into and to be performed within such state. Any claim or controversy arising out of or related to this Agreement or any breach hereof shall be submitted to arbitration pursuant to Section 14.4. The United Nations Convention on Contracts for the International Sale of Goods will not apply to this Agreement.

14.4. Arbitration. Except as otherwise provided in Sections 8.8, 9.3, 9.7(a), 13.11 and 13.13 of this Agreement, disagreements shall be settled by arbitration in accordance with the

commercial arbitration rules of the American Arbitration Association. However, nothing contained herein shall prevent the party or parties hereinafter indicated from pursuing any and all of their rights and remedies in the courts of any competent jurisdiction, without submitting the same to arbitration or consenting to the arbitration thereof as it relates to the following:

(i) Either Party, in the event of a default or alleged default by the other Party in the payment of its monetary obligations under Section 4.2 or Article VIII hereof.

(ii) Either Party, in the event of the occurrence or alleged occurrence of an event of a breach or alleged breach by the other of any of the provisions of Article X or XII hereof.

The parties further agree that each such disagreement be submitted to a panel of three (3) impartial arbitrators with each Party selecting one (1) arbitrator within fifteen (15) days of a request for arbitration and the two (2) selected arbitrators selecting a third arbitrator who is experienced in the United States pharmaceutical industry within thirty (30) days after the request. Any arbitration hereunder shall commence within thirty (30) days after appointment of the third arbitrator and shall be held in Cincinnati, Ohio, if such arbitration is requested by Alexion or New Haven, Connecticut, if such arbitration is requested by Procter & Gamble. Upon reasonable notice and prior to any hearing, the Parties will allow document discovery and will disclose all materials relevant to the subject matter of the dispute. The arbitrators shall make final determinations as to any discovery disputes. The decision of the arbitrators shall be rendered no later than sixty (60) days after commencement of arbitration. The costs of arbitration shall be split by the parties unless the arbitrators decide otherwise. Any judgment or decision rendered by the panel shall be binding upon the Parties and shall be enforceable by any court of competent jurisdiction.

14.5. Non-waiver of Rights. Except as specifically provided for herein, the waiver from time to time by any of the parties of any of their rights or their failure to exercise any remedy shall not operate or be construed as a continuing waiver of same or of any other of such Party's rights or remedies provided in this Agreement.

14.6. Severability. If any term, covenant, or condition of this Agreement or the application thereof to any Party or circumstance shall, to any extent, be held to be invalid or unenforceable, then (i) the remainder of this Agreement, or the application of such term, covenant or condition to Parties or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant, or condition of this Agreement shall be valid and be enforced to the fullest extent permitted by law and (ii) the Parties hereto covenant and agree to renegotiate any such term, covenant, or application thereof in good faith in order to provide a reasonably acceptable alternative to the term, covenant, or condition of this Agreement or the application thereof that is invalid or unenforceable, and in the event that the Parties are unable to agree upon a reasonably acceptable alternative, then the Parties agree that a submission to arbitration shall be made in accordance with Section 14.4 to establish an alternative to such invalid or unenforceable term, covenant, or condition of this Agreement or the application thereof, it being the intent that the basic purposes of this Agreement are to be effectuated.

14.7. Entire Agreement. This Agreement sets forth all the covenants, promises, agreements, warranties, representations, conditions, and understandings between the Parties hereto in the scope of the Collaboration, with the exception of any agreements by the Parties executed at an even date hereof, and supersedes and terminates all prior agreements and understanding between the parties under this Agreement. No subsequent alteration, amendment, change, or addition to this Agreement shall be binding upon the Parties hereto unless reduced to writing and signed by the respective authorized officers of the Parties.

14.8. Retained Rights. Nothing in this Agreement shall limit in any respect the right of either Party to conduct research and development with respect to and market products outside the Field using such Party's technology including know-how and Patents.

14.9. Assignment.

(a) The Parties recognize that each may perform some of its obligations hereunder through Affiliates; provided, however, that Procter & Gamble and Alexion shall

remain responsible and be guarantors of such performance by their Affiliates and shall cause their Affiliates to comply with the provisions of this Agreement in connection with such performance.

(b) Except as provided in Section 14.9(c) below, Procter & Gamble and Alexion may only assign their rights under this Agreement in any country of the Territory to a Third Party with written permission of the other Party, which permission will only be given at its sole discretion.

(c) Upon a Change of Control of Alexion, Procter & Gamble may assign all but not less than all of its rights under this Agreement to a financially responsible Third Party, on the terms and conditions set forth in this Section 14.9(c). If Procter & Gamble shall intend to assign its rights under this Agreement, it shall give Alexion written notice thereof, and Alexion or a parent thereof shall be entitled, [*******] to negotiate a purchase of such rights from Procter & Gamble.

If the Parties cannot agree within such [*******] and if Procter & Gamble shall intend to assign its rights under this Agreement to a Third Party, it shall give Alexion prior written notice, specifying the intended assignee, the terms and conditions of such assignment and the intended closing date. Alexion or a parent thereof shall have the first and prior right of refusal with respect to the rights and properties to be assigned, at the same price and upon the same terms and conditions as offered by the proposed Third Party assignee. Alexion shall have a period of [*******] from the receipt of such written notice (which shall include a copy or, to the extent confidential, describe the terms and conditions of such Third Party offer) within which to accept or reject the same. If Alexion elects to accept the terms of the Third Party offer, it shall so signify within such [*******] by notice to Procter & Gamble. If Alexion fails to accept such offer, Procter & Gamble shall have the right, during [*******] from the date the last Third Party offer to Alexion expires, to assign its right under this Agreement to the intended assignee, at the same price and upon the same terms and conditions as were set forth in the notice of the proposed Third Party assignee's offer last received by Alexion as herein provided, in a bona fide transaction. If any of the price or terms offered to or by such intended assignee shall change to be more favorable to the assignee, Procter & Gamble shall give Alexion written notice thereof and Alexion or a parent thereof shall have the right to purchase

such rights and properties on such revised terms. If Alexion or a parent thereof shall not accept any such revised offer within [*******] after receipt of the latest revised offer, Procter & Gamble shall be entitled to make such assignment to such Third Party on the terms last offered to Alexion. For such assignment to be effective, such Third Party shall deliver to Alexion, prior to the effective date of such assignment, a written confirmation of the agreement of such Third Party to be bound by the provisions of this Agreement and its commitment to duly and timely pay, perform and discharge all obligations of Procter & Gamble under this Agreement, including without limitations, all of the obligations to be performed by it under the existing Research & Development Plan, a copy of which Plan shall accompany such written agreement. Such assignee shall not have the right to further assign this Agreement under this clause (c).

14.10. Publicity.

(a) The Parties will jointly prepare and agree upon the public announcements of the execution of this Agreement. Thereafter, Procter & Gamble and Alexion will jointly discuss, based on the principles of this Section 14.10, any press releases and any other public statements (other than those contemplated by Section 10.3 above) regarding the subject matter of this Agreement, the research to be conducted under this Agreement or any other aspect of this Agreement, subject in each case to disclosure otherwise required by law or regulation. Each Party shall afford the other Party a reasonable opportunity to review a press release prepared by it.

(b) In the discussion and agreement of Section 14.10(a), the principles observed by Procter & Gamble and Alexion will be accuracy, the requirements for confidentiality under Article X, the advantage a competitor of Procter & Gamble or Alexion may gain from any statement under Section 14.10(a), the requirements of disclosure under any securities laws or regulations of the United States, including those associated with SEC and regulatory filings and public offerings, the restrictions imposed by the Federal Food, Drug and Cosmetic Act, and the standards and customs in the pharmaceutical industry for such disclosures by companies comparable to Procter & Gamble and Alexion.

14.11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one in the same instrument.

Article XV - Execution

15.1. In witness whereof, the Parties have executed this Agreement in duplicate originals by their proper officers as of the date and year first written above.

The Procter & Gamble Company

By: /s/ Mark A. Collar

Mark A. Collar
Vice President - Global Pharmaceuticals,
Procter & Gamble Worldwide

Form MPM

Finance WCH

Execution AFM

Alexion Pharmaceuticals, Inc.

By: /s/ Leonard Bell

Leonard Bell
President and Chief Executive
Officer

Schedule 1.5

Alexion Patents

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Schedule 1.25

Licensed Technology

[THE CONTENTS OF THIS PAGE WERE OMITTED]

Schedule 4.1

Research & Development Plan Outline

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4. Communication by the Parties

Both P&G and Alexion agree on the importance of frequent communication between the parties on progress and key learnings made during the conduct of the Research & Development Plan. A communication process (meeting frequencies, principal contacts, etc) will be developed by the Research & Development Steering Committee).

5. Development and Modification of the Research & Development Plan for the PRODUCT

The Parties will develop a detailed "Research & Development Plan" for the PRODUCT. The content of the "Research & Development Plan" will include study outlines for all noncliical and clinical studies, details of the process development work to be undertaken, development milestones and timings.

As indicated in Section IV, the Research & Development Steering Committee has the

responsibility to determine the timing for all development milestones and to modify this timing as appropriate if delays are encountered, and to develop action steps to avoid delays if any of these development milestones is judged to be in jeopardy and can be remedied by Commercially Reasonable actions.

The "Research & Development Plan" is a working document developed by the Parties and reviewed and approved by the Research & Development Steering Committee together with study protocols. A key responsibility of the Research & Development Steering Committee is to monitor progress of the development against the development milestones, including but not limited to the "Key Development Milestones" identified herein, and includes monitoring the progress of key development activities, such as investigator recruitment and patient enrollment in clinical studies.

6. Research & Development Steering Committee Guidelines

The Parties expect that the Research & Development Steering Committee will have the primary role in managing the relationship and communication between the Parties. In that role, the Research & Development Steering Committee shall be responsible for managing all aspects of the relationship between the Parties, including but not limited to: (a) reviewing study protocols and making decisions on any proposed changes to the Research & Development Plan; (b) monitoring and assisting progress of clinical and non-clinical development consistent with the Research & Development Plan timetable; (c) assessing the results of studies; and (d) addressing any regulatory strategy and drug supply issues.

It is the desire of the Parties to reach decisions by consensus of the Research & Development Steering Committee members or the co-chairs. The Parties agree to work to promote effective communication between the Parties and intend to frankly discuss and attempt to resolve in good faith any conflicts, disagreements or disputes which may arise in ways which will promote the continuing goodwill between the Parties. While the Parties have set forth a dispute resolution process (Section 3.5), the Research & Development Steering Committee will attempt to resolve issues through discussion aimed at building consensus.

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Schedule 4.2(b)

CPI Adjustment

Alexion's FTE rate in Section 4.2(b) and Annual Contribution thresholds in Section 8.2(a) and Net Sales threshold levels in Section 8.2(c) shall be adjusted for inflation [*******] each Fiscal Year utilizing the change in [*******] as published by the U.S. Bureau of Labor Standards from the base CPI of January, 1999, to the CPI published for June of the immediately preceding Fiscal Year.

Example:

Fiscal Year 2000/2001 inflation factor

Base January, 1999 CPI = [*******]
June, 2000 CPI = [*******]

Fiscal Year 2000/2001 inflation factor = [*******]
= [*******]

Base FTE rate = [*******]

Fiscal Year 2000/2001 FTE rate
[*******]
[*******]
[*******]
[*******]

(Example for illustration purposes only)

Schedule 7.3

Co-Promotion Agreement Terms

1. Alexion may only co-promote Marketed Products in the United States pursuant to the terms and conditions of an agreed and executed Co-Promotion Agreement meeting the requirements of Section 7.3 of the Collaboration Agreement. The Parties shall negotiate such Agreement in good faith, as quickly as possible after Alexion exercises its option to participate pursuant to Section 7.3.

2. For any Fiscal Year during the term of such Co-Promotion Agreement (such term to continue for the TERM), Alexion may make [*******] of the total number of Details (sum of first position Details plus second position Details) forecast by Procter & Gamble for the promotion of the Marketed Product in the United States for such year. The total number of Details will be the sum of all Details planned for the Marketed Product. As the term is used herein, "Detail" shall mean those activities normally undertaken by a pharmaceutical company's sales force through an interactive personal visit and discussion by a trained sales force representative with a target physician prescriber during which a full presentation is made to such health care professional on the Marketed Product and the representative is fully equipped with all applicable approved promotional materials such that the relevant characteristics of the Marketed Product are described by the representative in a fair and balanced manner consistent with the requirements of the FDA and of this Agreement, and in a manner that is customary in the industry for the purpose of promoting a prescription pharmaceutical product. A first position Detail refers to a Detail in which the Marketed Product is the first pharmaceutical product presented to the target physician prescriber during an interactive personal visit, whereas a second position Detail would refer to a Detail where the Marketed Product is the second pharmaceutical product presented to the target physician prescriber during such visit.

3. [*******] Details to be made by Alexion's sales force representatives, the percent of such Details which are to be made in the first position and second position, the target prescribing physician for such Details, the promotional message to be delivered and the timing and frequency of Details. [*******] a co-promotion coordination process and procedure so that all of Alexion's Detail can be coordinated with [*******].

4. Procter & Gamble shall [*******]

[*******]

5. [*******] shall specify the level of training and will train Alexion sales personnel through Procter & Gamble's normal sales training practices, [*******]

6. [*******] shall provide to Alexion at no cost to Alexion the [*******] in the promotion of the Marketed Products being co-promoted by Alexion in the same proportionate quantities as are available to Procter & Gamble's own sales force.

7. In accordance with Section 7.1, [*******] with respect to the marketing, planning, strategy and Co-Promotion of the Marketed Products. [*******] for establishing and modifying the terms and conditions of the sale of the Marketed Products, including, without limitation, terms and conditions such as the price at which the Marketed Products will be sold, whether the Marketed Products shall be subject to rebates and any discounts, and the channels of distribution of the Marketed Products.

8. The Co-Promotion Agreement shall also contain standard provisions found in such agreements, including, but not limited to the following:

   A. [*******]

   B. [*******]

   C. [*******]

   D. [*******]

   E. Adverse reaction reporting and other Regulatory matters.

   F. Returned/recalled Marketed Product

   G. Term and termination

Schedule 8.2

Annual Contribution Royalty Calculation

For the term of the contract, Procter & Gamble will pay to Alexion a Royalty on [*******]. Royalties will be paid on a quarterly basis not later than fifty-five (55) calendar days following the end of each Fiscal Quarter.

[*******] will be calculated in the fourth Fiscal Quarter of a specific Fiscal Year. Royalty payments for the first three Fiscal Quarter of a specific Fiscal Year will be based on the [*******] in the respective Fiscal Quarter. The fourth Fiscal Quarter payment will include the outstanding royalty payment for the fourth Fiscal Quarter, as well as a reconciliation payment, if royalty payments on [*******] for the whole Fiscal Year exceed [*******] for the whole Fiscal Year. The reconciliation payment will be adjusted to reflect the time value (foregone interest) on the reconciliation payment for the difference between the minimum royalty payments and the royalty payments on [*******] of the first three Fiscal Quarters of a specific Fiscal Year.

Royalties on [*******] will be calculated as follows:

Royalties [*******] where

[*******]

[*******]

[*******]

[*******]

[*******]

[*******]

[*******]

[*******]

RR Royalty Rate on [*******] in the specific Fiscal Year based on the [*******] and royalty rates stated in Section 8.2(a) of the contract. [*******] will be adjusted [*******] by multiplying the individual Annual Contribution threshold levels stated in the contract by the percentage change in the [*******] to June of the immediately preceding [*******] .

The determination of royalty payments for a specific Fiscal Year is demonstrated in examples on the following pages.

[*******] Royalty Calculation - Payment Cycle

[THE CONTENTS OF THIS PAGE WERE OMITTED]

[*******] Royalty Calculation - Example 1
[*******] Payment to Alexion

[THE CONTENTS OF THIS PAGE WERE OMITTED]

[*******] Royalty Calculation - Example 2
[*******] Payment to Alexion

[THE CONTENTS OF THIS PAGE WERE OMITTED]

Schedule 8.2(c)

Additional Milestone Payments [*******]

Procter & Gamble will make one-time only payments which are triggered on the first occurrence during the Term where Fiscal Year Net Sales for Products [*******] specified in 8.2(c) with such [*******] as described in Schedule 4.2(b).

Fiscal Year A	[*******]
Fiscal Year B	[*******]
Fiscal Year C	[*******]
Fiscal Year D	[*******]

Exhibit 10.29

September 14, 1999

Leonard Bell, M.D.
59 Tumblebrook Road
Woodbridge, Connecticut 06525

Re: Amendments to the Employment Agreement, dated as of April 1, 1997, by and between Alexion Pharmaceuticals, Inc. (the "Company") and Leonard Bell (The "Executive" or "Optionee") and the Stock Option Agreement, dated as of July 29, 1998, by and between the Company and the Optionee

Dear Dr. Bell

I. With reference to the Employment Agreement, dated as of April 1, 1997, by and between the Company and the Executive (the "Employment Agreement"), please execute the signature line below to confirm our understanding as follows:

1. Section 9 of the Employment Agreement shall hereinafter be referred to as Section 9(a); and

2. The following paragraph shall be added as Section 9(b) of the Employment Agreement:

(b) If (i) the Company has not on or prior to sixty days before the expiration of the Term of the Agreement (except for any termination pursuant to Section 7(a)(3), 7(a)(4) or 7(b), offered to enter into a new employment agreement with Executive on substantially the same terms as the Current Employment Agreement or on terms more favorable to the Executive, which offer shall not have been revoked at any time prior to such expiration or (ii) upon the expiration or termination of the agreement (except for any termination pursuant to Section 7(a)(3), 7(a)(4) or 7(b), the parties have not entered into a new employment agreement on substantially the same terms as the Agreement or on terms more favorable to the Executive, or (iii) the Executive is unable to continue his employment/service due to his death or unable to continue his employment

and perform his duties due to physical or mental incapacity or disability, with or without reasonable accommodation, in accordance with applicable law, for a period of six months or more, all stock options and stock awards (and similar equity rights), held by the Executive prior to his death/disability, or the expiration or termination of the Agreement, shall vest and become immediately exercisable and remain exercisable through their original terms with all rights. This Section 9(b) shall survive the expiration or termination pursuant to Section 7(a)(3), 7(a)(4) or 7(b).

II. With reference to the Stock Option Agreement, dated as of July 29, 1998, by and between the Company and the Optionee (the "Stock Option Agreement"), please execute the signature line to below to onfirm our understanding as follows:

1. The first paragraph (and table included therein) of Section 3 of the Stock Option Agreement is hereby amended to read in its entirety as follows:

3. EXERCISE. Provided that the Optionee shall be in the employ or service (as an officer, director, consultant or other independent contractor or otherwise) by the Company or a subsidiary, the Option to purchase 60,000 shares of Common Stock shall become exercisable, subject to acceleration of such vesting as herein provided and as provided in that certain Employment Agreement between the Company and the Optionee, in effect from time to time, in accordance with the following schedule:

Event Relating To Vesting	Cumulative Percentage Of Option Exercisable
If Optionee is employed/in service on or after July 29, 1999 but not on or after July 29, 2000	33 1/3%
If Optionee is employed/in service on or after July 29, 2000 but not on or after July 29, 2001	66 2/3%
If Optionee is employed/in service on or after July 29, 2001	100%

2. The last sentence of Section 8(d) is hereby eliminated.

Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned thereto in each agreement, respectively.

Very truly yours,

ALEXION PHARMACEUTICALS, INC.

By: /s/ John Fried

Name: John H. Fried, Ph.D.
Title: Chairman of the Board

AGREED AND ACCEPTED BY:

/s/ Leonard Bell

Leonard Bell, M.D.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statements File numbers 333-19905, 333-24863, 333-29617, 333-41397, 333-47645, 333-71879 and 333-71985.

/s/ ARTHUR ANDERSEN LLP

Hartford, Connecticut
October 15, 1999

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENTS OF OPERATIONS FOUND ON PAGE 3 AND 4 OF THE COMPANY'S FORM 10-K FOR THE FISCAL YEAR-TO-DATE.

0000899866
ALEXION PHARMACEUTICALS, INC.
1,000

YEAR	
JUL-31-1999	
AUG-01-1998	
JUL-31-1999	
	24,238
	4,090
	4,577
	0
	0
	35,662
	10,800
	3,387
	44,374
	6,690
	4,383
	0
	0
	1
	33,300
	44,374
	0
	18,754
	0
	26,663
	0
	0
	(1,514)
	(6,395)
	0
	(6,395)
	0
	0
	0
	(6,395)
	(.57)
	(.57)

EXHIBIT 99.1

IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS

RISKS RELATED TO OUR BUSINESS

IF WE CONTINUE TO INCUR OPERATING LOSSES, WE MAY BE UNABLE TO CONTINUE OUR OPERATIONS.

We have incurred losses since our inception. As of July 31, 1999, we had an accumulated deficit of approximately $47.0 million. If we continue to incur operating losses and fail to become profitable or are unable to sustain profitability, we may be unable to continue our operations. Since we began our operations in January 1992, we have been engaged primarily in the research and development of potential drug products. We currently have no products that are available for commercial sale. We expect to continue to operate at a net loss for at least the next several years as we increase our research and development efforts, continue to conduct clinical trials and develop manufacturing, sales, marketing and distribution capabilities. Our future profitability depends on our receiving regulatory approval of our product candidates and our ability to successfully manufacture and market approved drugs, either by ourselves or jointly with others. The extent of our future losses and the timing of our profitability are highly uncertain.

IF WE FAIL TO OBTAIN REGULATORY APPROVAL OF OUR PRODUCT CANDIDATES, OR IF REGULATORY APPROVAL IS DELAYED FOR ANY REASON, WE WILL BE UNABLE TO COMMERCIALIZE AND SELL OUR PRODUCTS AS WE EXPECT.

WE MUST OBTAIN REGULATORY APPROVAL TO MARKET OUR PRODUCTS IN THE U.S. AND FOREIGN JURISDICTIONS.

We must obtain regulatory approval before marketing or selling our products. In the United States, we must obtain approval from the U.S. Food and Drug Administration, or FDA, for each product that we intend to commercialize. The FDA approval process is typically lengthy and expensive, and approval is highly uncertain. Products distributed outside the United States are also subject to foreign government regulation. None of our product candidates has received regulatory approval to be commercially marketed and sold and we do not anticipate receiving approval of any of our product candidates for at least the next several years. If we fail to obtain regulatory approval we will be unable to market and sell our future products. Because of the risks and uncertainties in biopharmaceutical development, our product candidates could take a significantly longer time to gain regulatory approval than we expect or may never gain approval. If regulatory approval is delayed, the value of our company and our results of operations may be harmed.

The process of obtaining FDA and other required regulatory approvals, including foreign approvals, often takes many years and can vary substantially based upon the type, complexity and novelty of the products involved. Furthermore, this approval process is extremely expensive and uncertain. We cannot guarantee that any of our products under development will be approved for marketing by the FDA. Even if regulatory approval of a product is granted, we cannot be certain that we will be able to obtain the labeling claims necessary or desirable for the promotion of that product.

WE MAY NEED TO CONDUCT ADDITIONAL PRECLINICAL STUDIES AND WILL NEED TO CONDUCT COSTLY AND LENGTHY CLINICAL TRIALS BEFORE ANY OF OUR PRODUCT CANDIDATES CAN BE COMMERCIALIZED; THE RESULTS OF THESE STUDIES AND TRIALS ARE HIGHLY UNCERTAIN.

Many of our product candidates are in an early stage of development. As part of the regulatory approval process, we may need to conduct preclinical studies on animals and will need to conduct clinical trials in humans with each product candidate and for each clinical indication. We may need to perform multiple preclinical studies using various doses and formulations both before and after we have commenced clinical trials, which could result in delays in our ability to market any of our product candidates. Furthermore, even if we obtain favorable results in preclinical studies on animals, the results in humans may be different.

After we have conducted preclinical studies in animals we must, among other requirements, demonstrate that our product candidates are safe and effective for use in humans suffering from targeted indications in order to receive regulatory approval for commercial sale. Currently, only two of our product candidates are being tested in clinical trials. Adverse or inconclusive preclinical or clinical results could cause us to abandon a product development program.

The completion of clinical trials of our potential products may be delayed or terminated by many other factors. One factor is the rate of enrollment of patients, which can vary greatly. Enrollment depends on many factors, including:

- patient receptivity to participate in experimental clinical trials;
- the size of the patient population and the number of clinical trial sites;
- the proximity of patients to clinical trial sites;
- the performance of the clinical trial sites;
- the eligibility criteria for the clinical trial;
- the existence of competing clinical trials;
- the emergence of newly improved competing products; and
- the performance and reliability of contract research organizations.

We cannot control the rate of patient enrollment. For example, we are conducting clinical trials in patients with acute cardiovascular conditions, the timing and frequency of which cannot be predicted. The rate of patient enrollment may not be sufficient to enable our clinical trials to be completed as expected, if at all. Further, we cannot be certain that clinical trial research results will be analyzed or produced in a timely manner, if at all.

Additional factors that can cause delay or termination of our clinical trials include:

- longer treatment time required to demonstrate efficacy;
- lack of sufficient supplies of the product candidate;
- adverse medical events or side effects in treated patients;

- lack of effectiveness of the product candidate being tested; and

- lack of sufficient funds.

Typically, if a drug product is intended to treat a chronic disease, safety and efficacy data must be gathered over an extended period of time. In addition, clinical trials on humans are typically conducted in three phases. In the final phase of clinical testing, the FDA generally requires two pivotal clinical trials that demonstrate substantial evidence of safety and efficacy and appropriate dosing in a broad patient population at multiple sites to support an application for regulatory approval.

Results from initial clinical trials may not reflect results that are obtained in later stage clinical trials. Further, clinical trials of our product candidates may demonstrate that our product candidates are not sufficiently safe or effective to obtain the requisite regulatory approvals. Ultimately, our product candidates may not result in marketable products.

WE WILL NOT BE ABLE TO SELL OUR PRODUCTS IF WE OR OUR THIRD-PARTY MANUFACTURERS FAIL TO COMPLY WITH MANUFACTURING REGULATIONS.

Before we can begin commercially manufacturing our products we must either secure manufacturing in an approved manufacturing facility or obtain regulatory approval of our own manufacturing facility and process. In addition, manufacture of our drug products must comply with the FDA's current Good Manufacturing Practices requirements, commonly known as cGMP. The cGMP requirements govern, among other things, quality control and documentation policies and procedures. Our manufacturing facilities are continuously subject to inspection by the FDA, before and after product approval. We cannot guarantee that we, or any third-party manufacturer of our drug products, will be able to comply with cGMP requirements. Material changes to the manufacturing processes of our drug products after approvals have been granted are also subject to review and approval by the FDA or other regulatory agencies.

IF WE FAIL TO OBTAIN THE CAPITAL NECESSARY TO FUND OUR OPERATIONS, WE WILL BE UNABLE TO COMPLETE OUR PRODUCT DEVELOPMENT PROGRAMS.

In the future, we will need to raise substantial additional capital to fund operations and complete our product development programs. Funding, whether from a public or private offering of debt or equity, a bank loan or a collaborative agreement, may not be available when needed or on favorable terms. If we raise additional funds by selling stock, the percentage ownership of our then current stockholders will be reduced. If we cannot raise adequate funds to satisfy our capital requirements, we may have to limit, delay, scale-back or eliminate our research and development activities or future operations. We might be forced to license our technology or to commercialize our products with the help of others when it would be more profitable or strategically important for us to not take these actions. Any of these actions may harm our business.

We expect to continue to spend substantial amounts of capital for our operations for the foreseeable future, including funds for:

- research and development programs;

- preclinical studies and clinical trials;

- regulatory approval processes;

- production of product candidates for clinical trials;

- establishment of commercial scale manufacturing capabilities; and

- establishment of sales and marketing capabilities.

The amount of capital we may need depends on many factors, including:

- the progress, timing and scope of our research and development programs;

- the progress, timing and scope of our preclinical studies and clinical trials;

- the time and cost necessary to obtain regulatory approvals;

- the time and cost necessary to further develop manufacturing processes, arrange for contract manufacturing or build manufacturing facilities and obtain the necessary regulatory approvals for those facilities;

- the time and cost necessary to respond to technological and market developments;

- the time and cost necessary to develop sales, marketing and distribution capabilities;

- any changes made or new developments in our existing collaborative, licensing and other commercial relationships; and

- any new collaborative, licensing and other commercial relationships that we may establish.

IF OUR COLLABORATION WITH PROCTER & GAMBLE IS TERMINATED, WE MAY BE UNABLE TO COMMERCIALIZE 5G1.1-SC IN THE TIME EXPECTED, IF AT ALL.

We rely exclusively on Procter & Gamble to provide funding and additional resources for the development and commercialization of 5G1.1-SC. These include funds and resources for:

- clinical development and manufacturing;

- obtaining regulatory approvals; and

- sales, marketing and distribution efforts worldwide.

We cannot guarantee that Procter & Gamble will devote the resources necessary to successfully develop and commercialize 5G1.1-SC. Either party may terminate the agreement for specified reasons, including if the other party is in material breach of the agreement or has experienced a change of control. In addition, pursuant to the collaboration agreement, Procter & Gamble has the right to develop 5G1.1-SC

for any other indication, including those that we may be pursuing independently with other product candidates.

If our agreement with Procter & Gamble is terminated, we will need to fund the development and commercialization of 5G1.1-SC on our own or identify a new development partner, either of which would cause significant delays and result in additional development costs. A termination may also require us to repeat development stages already completed with Procter & Gamble, which could result in significant additional delay or costs.

IF WE ARE UNABLE TO ENGAGE AND RETAIN THIRD PARTY COLLABORATORS, OUR RESEARCH AND DEVELOPMENT EFFORTS MAY BE DELAYED.

We depend upon third-party collaborators, including manufacturers, to assist us in the development of our product candidates. If any of our collaborators breaches or terminates its agreement with us or otherwise fails to conduct its collaborative activities in a timely manner, we may experience significant delays in the development or commercialization of the product candidate or the research program covered by the agreement. In addition, we may be required to devote additional funds or other resources to these activities or to terminate them.

Our continued success will depend in large part upon the efforts of outside parties. For the research, development, manufacture and commercialization of our products, we will likely enter into various arrangements with other corporations, licensors, licensees, outside researchers, consultants and others. However, we cannot assure you that:

- we will be able to negotiate acceptable collaborative arrangements to develop or commercialize our products;

- any arrangements with third parties will be successful; or

- current or potential collaborators will not pursue treatments for other diseases or seek alternative means of developing treatments for the diseases targeted by our programs.

IF WE ARE UNABLE TO PROTECT OUR PROPRIETARY TECHNOLOGY, WE MAY BE UNABLE TO COMPETE EFFECTIVELY.

Our ability to secure patent protection and the extent of protection can be very limited. Patent protection only currently lasts approximately 17 to 20 years depending on the time of filing and, sometimes, the time required for FDA approval. However, it can take many more years than offered by patent protection to transform a drug discovery through testing and development into a commercially-viable product. Moreover, once a drug has hit the marketplace, it is often forced to compete not only with different drugs treating the same ailments, but also with "copy-cat" drug products or even generic versions of the same drug if the drug has lost its patent protection. Consequently, protection of our patents and trade secrets and those of our licensors, is very important to our ability to commercially succeed. Other pharmaceutical companies are similarly very focused on protecting their patents and technology, so it is also very important for us to avoid infringing the rights of others while developing our own drug discoveries.

Patent applications filed by us or on our behalf may not result in patents being issued to us. Even if a patent is issued, the patent may not afford protection against competitors with similar technology. Furthermore, others may independently develop similar technologies or duplicate any of our technology. It is possible that before any of our potential product candidates can be commercialized, their related patents may expire, or remain in existence for only a short period following commercialization, thus

reducing any advantage of the patent. Moreover, composition of matter patent protection, which gives patent protection for a compound or a composition per se, may not be available for some of our product candidates.

Our processes and potential product candidates may conflict with patents that have been or may be granted to competitors, universities or others. As the biopharmaceutical industry expands, more patents are issued. Thus, the risk increases that our processes and potential product candidates may give rise to claims that they infringe the patents of others. These other patent holders could bring legal actions against us claiming damages and seeking to prevent clinical testing, manufacturing and marketing of the affected product or process. If any of these actions are successful, in addition to any potential liability for damages, we could be required to obtain a license in order to continue to conduct clinical tests, manufacture or market the affected product or use the affected process. Required licenses may not be available on acceptable terms, if at all. Moreover, if we become involved in litigation or legal disputes, it could consume a substantial portion of our financial resources and the efforts of our personnel for uncertain results. In addition, we may have to expend resources to protect our interests from possible infringement by others.

We are aware of broad patents owned by third parties relating to the manufacture, use and sale of recombinant humanized antibodies, recombinant humanized single chain antibodies and genetically engineered animals. We have received notice from certain of these parties regarding the existence of certain of these patents which the owners claim may be relevant to the development and commercialization of certain of our proposed product candidates. We have acquired licenses with respect to certain of these patents, which we believe are relevant for the timely development and commercialization of certain of our product candidates. With regard to certain other patents, we have either determined in our judgment that:

- our products do not infringe the patents;

- we do not believe the patents are valid; and/or

- we have identified and are testing various modifications which we believe should not infringe the patents and which should permit commercialization of our product candidates.

However, owners of these patents might still seek to enforce their patents against our so-modified commercial products or against the development activities related to the non-modified products. If we are unable to obtain necessary licenses on commercially reasonable terms, we could encounter delays in product market introductions while we attempt to design around such patent or could find that the development, manufacture or sale of products requiring such a license could be nearly impossible. Further, owners of patents that we do not believe are relevant to our product development and commercialization might seek to enforce their patents against us. Such action could result in litigation which would be costly and time consuming.

In addition, our business requires using sensitive technology, techniques, proprietary compounds, as well as cultivating relationships with outside parties, including suppliers, outside scientists and potential customers and sources of funding. Moreover, since we are a small pharmaceutical company with no commercial products and limited resources, we rely heavily on collaboration with other companies and other scientists in our research and development efforts and expect to continue to do so since collaboration is important for scientific research. Unfortunately, such arrangements and relationships carry with them a strong risk of exposing our trade secrets often to the scrutiny of others. As a result, we are susceptible to the loss of our trade secrets.

We cannot assure you that:

- others will not independently develop substantially equivalent proprietary information and techniques;

- others will not gain access to our trade secrets;

- our trade secrets will not be disclosed; or

- we can effectively protect our rights to unpatented trade secrets.

IF THE TESTING OR USE OF OUR PRODUCTS HARMS PEOPLE, WE MAY BE SUBJECT TO COSTLY AND DAMAGING PRODUCT LIABILITY CLAIMS.

Our business exposes us to product liability risks that are inherent in the testing, manufacturing, marketing and sale of drugs for use in humans, including but not limited to, unacceptable side effects. Such side effects and other risks could give rise to product liability claims against us or force us to recall our products, if any, from the marketplace. Some of these risks are unknown at this time. For example, little is known about the potential long-term health risks of transplanting non-human tissue into humans, a goal of our UniGraft program.

In addition to product liability risks associated with sales of products, we may be liable to the claims of individuals who participate in clinical trials of our products. A number of patients who participate in such trials are already critically ill when they enter a study. We cannot assure you that any waivers we may obtain will protect us from liability or the costs of product liability litigation. Our product liability insurance may not provide adequate protection against potential liabilities. Moreover, we may not be able to maintain our insurance on acceptable terms. As a result of these factors, a product liability claim, even if successfully defended, could have a material adverse effect on our business, financial condition and results of operations.

IF WE ARE UNABLE TO MANUFACTURE OUR DRUG PRODUCTS IN SUFFICIENT QUANTITIES AND AT ACCEPTABLE COST, WE MAY BE UNABLE TO MEET DEMAND FOR OUR PRODUCTS WHICH WOULD RESULT IN A LOSS OF POTENTIAL REVENUES.

We have no experience manufacturing drug products in volumes that will be necessary to support commercial sales. Our unproven manufacturing process may not meet initial expectations as to schedule, reproducibility, yields, purity, costs, quality, and other measurements of performance. Improvements in manufacturing processes typically are very difficult to achieve and are often very expensive. We cannot know with any certainty how long it might take to make improvements if it became necessary to do so. If we contract for manufacturing services with an unproven process, our, contractor is subject to the same uncertainties, high standards and regulatory controls. If we are unable to establish and maintain commercial scale manufacturing within our planned time and cost parameters, sales of our products and our financial performance will be adversely affected.

We may encounter problems with any of the following if we attempt to increase the scale, process or size of manufacturing:

- design, construction and qualification of manufacturing facilities that meet regulatory requirements;

- production yields from the manufacturing process;

- purity of our drug products;

- quality control and assurance;

- shortages of qualified personnel; and

- compliance with FDA regulations.

IF WE ARE UNABLE TO ESTABLISH SALES, MARKETING AND DISTRIBUTION CAPABILITIES OR TO ENTER INTO AGREEMENTS WITH THIRD PARTIES TO DO SO, WE MAY BE UNABLE TO SUCCESSFULLY MARKET AND SELL ANY FUTURE DRUG PRODUCTS.

We currently have no sales, marketing or distribution capabilities. If we are unable to establish sales, marketing or distribution capabilities either by developing our own sales, marketing and distribution organization or by entering into agreements with others, we may be unable to successfully sell our products. If we are unable to effectively sell our drug products, our ability to generate revenues will be harmed. We cannot guarantee that we will be able to hire in a timely manner, the qualified sales and marketing personnel we need, if at all. In addition, we cannot guarantee that we will be able to enter into any marketing or distribution agreements on acceptable terms, if at all. If we cannot establish sales, marketing and distribution capabilities as we intend, either by developing our own capabilities or entering into agreements with third parties, sales of our future drug products may be harmed.

We have recently entered into a collaboration with Procter & Gamble relating to 5G1.1-SC. Under the agreement, Procter & Gamble will be responsible for selling, marketing and distributing 5G1.1-SC. We cannot guarantee Procter & Gamble or any future collaborators will successfully sell any of our future drug products.

EVEN IF OUR PRODUCT CANDIDATES RECEIVE REGULATORY APPROVAL, WE MAY STILL FACE DEVELOPMENT AND REGULATORY DIFFICULTIES RELATING TO THE DRUG PRODUCTS IN THE FUTURE.

If we receive regulatory approval of any of our product candidates, the FDA or a comparable foreign regulatory agency may, nevertheless, limit the indicated uses of the product candidate. In addition, a marketed product, its manufacturer and the manufacturer's facilities are subject to continual review and periodic inspections by regulatory agencies. The discovery of previously unknown problems with a product, manufacturer or facility may result in restrictions on the product or manufacturer, including withdrawal of the product from the market. The failure to comply with applicable regulatory requirements can, among other things, result in:

- warning letters;

- fines and other civil penalties;

- suspended regulatory approvals;

- refusal to approve pending applications or supplements to approved applications;

- refusal to permit exports from the United States;

- product recalls;

- seizure of products;

- injunctions;

- operating restrictions;

- total or partial suspension of production; and/or

- criminal prosecutions.

Even if we obtain regulatory approval, we may be required to undertake post-marketing trials. In addition, identification of side effects after a drug is on the market or the occurrence of manufacturing problems could result in withdrawal of approval, or require reformulation of the drug, additional preclinical testing or clinical trials, changes in labeling of the product, and/or additional marketing applications.

If we receive regulatory approval, we will also be subject to ongoing FDA obligations and continued regulatory review. In particular, we or our third-party manufacturers will be required to adhere to requirements pertaining to cGMP. Under cGMP, we are required to manufacture our products and maintain our records in a prescribed manner with respect to manufacturing, testing and quality control activities. Furthermore, we or our third-party manufacturers must pass a preapproval inspection of manufacturing facilities by the FDA before the product can obtain marketing approval. We will also be subject to ongoing FDA requirements for submission of safety and other post-market information.

We have not made significant investments in the development of commercial manufacturing, marketing, distribution or sales capabilities. Moreover, we have insufficient capacity to manufacture more than one product candidate at a time or to manufacture our product candidates for later stage clinical development or commercialization. If we are unable to find an acceptable outside manufacturer on reasonable terms, we will have to divert resources. As a result, our ability to conduct human clinical testing would be materially adversely affected, resulting in delays in the submission of products for regulatory approval and in the initiation of new development programs. Our competitive position and our prospects for achieving profitability could be materially and adversely affected.

In addition, as our product development efforts progress, we may need to hire additional personnel skilled in, or enter into collaborations with corporate partners for, clinical testing, regulatory compliance and, if we develop products with commercial potential, manufacturing, marketing and sales. We cannot assure you that we will be able to acquire, or establish third-party relationships to provide, any or all of these resources on a timely or economically feasible basis, if at all.

IF WE ARE UNABLE TO OBTAIN ADEQUATE REIMBURSEMENT FROM GOVERNMENT HEALTH ADMINISTRATION AUTHORITIES, PRIVATE HEALTH INSURERS AND OTHER ORGANIZATIONS, OUR FUTURE BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION COULD BE HARMED.

Our ability to commercialize our products successfully may depend in part on the extent to which reimbursement for the cost of such products and related treatments will be available from government authorities, private health insurers and other organizations. Third-party payors are attempting to control costs by limiting coverage of products and treatments and the level of reimbursement for medical products and services. Significant uncertainty exists as to the reimbursement status of newly approved healthcare products. If we succeed in bringing any products to market, these products may not be considered cost-effective and reimbursement may not be available. If reimbursement becomes available, the payor's reimbursement policies may affect the market for our product, thus materially adversely affecting the profitability of our products.

XENOTRANSPLANTATION IS AN UNPROVEN TECHNOLOGY AND MAY ACHIEVE LIMITED MARKET ACCEPTANCE DUE TO ETHICAL CONCERNS.

Our UniGraft Program may never result in the development of any therapeutic products. Xenotransplantation technology is subject to extensive clinical testing. We are not aware of any xenotransplantation technology that has been approved for sale by the FDA or comparable foreign regulatory authorities. In addition, there is currently very little regulatory guidance for how to conduct research or use products developed in this area since the FDA has only issued interim guidelines.

Xenotransplantation also poses a risk that viruses, prions or other animal pathogens may be unintentionally transmitted not only to a human patient recipient, but other human beings. While these viruses have not been shown to cause any disease in pigs or humans, it is not known what effect, if any, such viruses might have on humans. Recent scientific publications by others demonstrate, under laboratory conditions, that porcine retroviruses have the potential to infect human cells. The introduction of previously non-transmittable viruses to the human species poses ethical concerns. Further detection of infection of porcine virus in our preclinical and clinical testing or the testing by our competitors in this field could adversely affect the commercial acceptability of this research and our future ability to secure research dollars.

Consequently, even if we succeed in developing xenotransplantation products, our products may not be widely accepted by the medical community or third-party payors until more facts are established and ethical consensus is reached. In addition, such concerns may also create additional regulatory hurdles for FDA approval or for consideration in use of our products by hospital ethics committees. If accepted, the degree of acceptance may limit the size of the market for our products. Moreover, due to the controversial nature of xenotransplantation, our stock price may be subject to increased volatility.

IF WE FAIL TO COMPETE SUCCESSFULLY WITH OUR COMPETITORS, OUR REVENUES AND OPERATING RESULTS WILL BE HARMED.

Our competitors may develop, manufacture and market products that are more effective or less expensive than ours, or simply market their products more successfully to patients or doctors. They may also obtain regulatory approvals faster than we can obtain them or commercialize products before we do. These companies also compete with us to attract qualified personnel and parties for acquisitions, joint ventures or other collaborations. They also compete with us to attract academic research institutions as partners and to license these institutions' proprietary technology. If our competitors successfully enter into such arrangements with academic institutions, we will then be precluded from pursuing those specific unique opportunities and may not be able to find equivalent opportunities elsewhere. In addition, products or treatments developed in the future by third parties may adversely affect the marketability of our products by rendering them less competitive or obsolete. For example, the recent development of tumor necrosis factor inhibitors for rheumatoid arthritis may render obsolete a number of current drugs used for treating such ailment from the marketplace.

IF WE FAIL TO RECRUIT AND RETAIN PERSONNEL, OUR RESEARCH AND PRODUCT DEVELOPMENT PROGRAMS MAY BE DELAYED.

We are highly dependent upon the efforts of our senior management and scientific personnel. There is intense competition for qualified scientific and technical personnel. Since our business is very science-oriented and specialized, we need to continue to attract and retain such people. We may not be able to continue to attract and retain the qualified personnel necessary for developing our business. If we lose the services of, or fail to recruit, key scientific and technical personnel, our research and product development programs would be significantly and detrimentally affected.

In particular, we highly value the services of Dr. Leonard Bell, our President and Chief Executive Officer. The loss of his services could materially and adversely affect our ability to achieve our development objectives.

IF WE EXPERIENCE ANY PROBLEMS WITH YEAR 2000 COMPLIANCE, OUR OPERATIONS MAY BE DISRUPTED.

Beginning in the year 2000, the date fields coded in certain software products and computer systems will need to accept four-digit entries in order to distinguish 21(st) century dates from 20(th) century dates, commonly known as the year 2000 problem. It is not clear what potential problems may arise as the biotechnology industry, and other industries, try to resolve this year 2000 problem.

It is possible that our currently installed computer systems, software applications or other business systems, or those of our suppliers or service providers, working either alone or in conjunction with other software or systems, will not accept input of, store, manipulate and output dates for the years 1999, 2000 or subsequent years without error or interruption. We have formed a team to review and resolve those aspects of the year 2000 problem that are within our direct control and adjust to or influence those aspects that are not within our direct control. The team has reviewed our software applications, including those under development, and determined that most of our software applications do not use date data and are year 2000 compliant or will be by December 31, 1999. Our product candidates do not have any year 2000 exposure. Based on representations from our vendors, the team has reviewed the year 2000 compliance status of our major internal information technology programs and systems used for administrative requirements and determined that they are or are expected to be year 2000 compliant by December 31, 1999. However, a number of our vendors have not been able to guarantee such timely compliance.

Some risks associated with the year 2000 problem are beyond our ability to control, including the extent to which our suppliers and service providers can address the year 2000 problem. The failure by a third party to adequately address the year 2000 issue could have an adverse effect on their operations, which could have an adverse effect on us. We are assessing the possible effects on our operations of the possible failure of our key suppliers and providers, contractors and collaborators to identify and remedy potential year 2000 problems.

OUR COMMON STOCK PRICE MAY CONTINUE TO BE HIGHLY VOLATILE.

The market prices for our common stock and for securities of many biotechnology companies have been volatile. The following factors may have a significant impact on the market price of our common stock:

- announcements of technical innovations or new commercial products by us or our competitors;
- government regulation;
- public concern as to the safety or other implications of biotechnology products;
- patent or proprietary rights development;
- results of preclinical studies or clinical trials;
- positive or negative developments related to our collaborators;

- conditions affecting the biotechnology industry; and/or

- stock market conditions.

FUTURE ACQUISITIONS OF OUR COMPANY MAY BE DISCOURAGED DUE TO ANTI-TAKEOVER MEASURES ADOPTED BY OUR BOARD OF DIRECTORS, PROVISIONS OF DELAWARE LAW AND FUTURE ISSUANCES OF PREFERRED STOCK.

Anyone seeking to acquire control of our company may encounter difficulties as a result of our anti-takeover measures. Our board of directors has adopted a shareholder rights plan, or "poison pill," which enables our board of directors to issue preferred stock purchase rights triggered by an acquisition of 20% or more of the outstanding shares of our common stock. In addition, our board of directors is authorized to issue one or more series of preferred stock with those preferences and rights that it may designate. These provisions and specific provisions of Delaware Law relating to business combinations with interested stockholders are intended to encourage any person interested in acquiring us to negotiate with and obtain the approval of our board of directors in connection with an acquisition or merger. However, these provisions could have an opposite effect of delaying, deterring or preventing a merger or change in control. Some of these provisions may discourage a future acquisition of our company even if stockholders would receive an attractive value for their shares or if a significant number of our stockholders believed such a proposed transaction to be in their best interest. As a result, stockholders who desire to participate in such a transaction may not have the opportunity to do so.

FUTURE SALES OF OUR COMMON STOCK MAY DEPRESS OUR STOCK PRICE.

If our existing shareholders or holders of securities exercisable for our common stock sell a substantial number of these shares in the public market during a relatively short period, our stock price may be depressed.

As of October 1, 1999, we have granted options to purchase an aggregate of approximately 2,317,887 shares of our common stock under our stock option plans. Warrants to purchase an aggregate of 220,000 shares of our common stock are also outstanding under previous financing arrangements and other transactions. Many of these options have exercise prices below the current market price of our common stock. If the exercise prices of these options and warrants are less than the net tangible book value of our common stock at the time these options and warrants are exercised, our stockholders will experience an immediate dilution in the net tangible book value of their investment. Many of the shares not currently available for sale are subject to vesting restrictions and the holding period, volume and other restrictions of Rule 144 under the Securities Act. These restrictions have the effect of staggering the dates on which the shares become available for sale and the number of shares that become available for sale.

In addition, we may issue additional stock, warrants and/or options to raise capital in the future or compensate employees or third parties. We regularly examine opportunities to expand our technology base through means such as licenses, joint ventures and acquisition of assets or ongoing businesses and may issue securities in connection with these transactions. We may also issue additional securities in connection with our stock option plans.