AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 21, 2000.

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ADVANCED MEDICINE, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware	2834	94-3265960
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

901 Gateway Boulevard
South San Francisco, California 94080
(650) 808-6000
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

James B. Tananbaum, M.D.
President and Chief Executive Officer
901 Gateway Boulevard
South San Francisco, California 94080
(650) 808-6000
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box. / /

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. / /

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common stock, $.01 par value.....	$172,500,000	$45,540

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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Subject to Completion. Dated March , 2000.

Shares

[LOGO]

ADVANCED MEDICINE, INC.

Common Stock

This is an initial public offering of shares of common stock of Advanced Medicine, Inc. All of the shares of common stock are being sold by Advanced Medicine.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between $ and $. Advanced Medicine has applied for quotation of its common stock on the Nasdaq National Market under the symbol "ADVM".

At the request of Advanced Medicine, the underwriters have reserved up to shares of common stock for sale to some of the existing stockholders of Advanced Medicine. The underwriters have also reserved up to an additional shares of common stock for sale to directors, officers and employees of Advanced Medicine and others that Advanced Medicine believes have contributed to its growth. Any sales of common stock made to these persons will be at the initial public offering price.

SEE "RISK FACTORS" BEGINNING ON PAGE 6 TO READ ABOUT CERTAIN FACTORS YOU SHOULD CONSIDER BEFORE BUYING SHARES OF THE COMMON STOCK.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Advanced Medicine	$	$

To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares from Advanced Medicine at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2000.

JOINT BOOK-RUNNING MANAGERS

GOLDMAN, SACHS & CO. MERRILL LYNCH & CO.

BEAR, STEARNS & CO. INC.

Prospectus dated , 2000.

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND THE CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THOSE STATEMENTS APPEARING ELSEWHERE IN THIS PROSPECTUS. UNLESS OTHERWISE INDICATED, INFORMATION IN THIS PROSPECTUS ASSUMES THAT THE UNDERWRITERS DO NOT EXERCISE THEIR OVER-ALLOTMENT OPTION AND ASSUMES CONVERSION OF ALL OF OUR PREFERRED STOCK INTO COMMON STOCK UPON COMPLETION OF THIS OFFERING.

ADVANCED MEDICINE

We are pioneering the discovery and development of multivalent drugs, a new class of small molecule drugs that we believe have the potential to treat a broad range of diseases. A multivalent drug simultaneously attaches to a biological target at multiple sites, unlike a conventional drug that attaches to only one site. We have shown that simultaneously attaching to multiple sites on a target can multiply the binding strength and selectivity of a drug, thereby significantly improving one or more of its key therapeutic properties, such as potency, duration of action or safety. We have developed a proprietary, interdisciplinary approach that combines biology and chemistry to efficiently discover multivalent drugs. We believe that we are the leader in multivalent technology. We have assembled a world-class scientific team from the pharmaceutical and biotechnology industries to assist us in discovering important new drugs.

We are initially applying our technology to discover and develop multivalent drug candidates in substantial markets where current drugs fail to fully address medical needs due to limitations in potency, duration of action or safety. We have focused on several disease categories in a broad range of markets where we believe our technology will provide a competitive advantage. These markets currently include post-operative pain, neuropathic pain, asthma, bacterial infection and urinary incontinence. In less than 30 months, our approach has yielded multivalent lead compounds in programs related to these five markets. In animal models that we believe are predictive of activity in humans, our multivalent lead compounds have demonstrated substantial improvements in potency, duration of action or safety when compared to leading conventional drugs. One compound in our post-operative pain program has been advanced to pre-clinical testing. In addition, we have initiated exploratory research efforts into other significant therapeutic areas.

We expect that a variety of important new drug targets for chronic diseases such as cancer, inflammation, and central nervous system disorders will emerge from biomedical research. We expect that the majority of these targets will be enzymes, receptors and ion channels, target types for which we have already demonstrated the advantages of multivalency. We therefore believe that our multivalent drug discovery technology will allow us to produce drug candidates for some of these new targets. We plan to pursue some of these opportunities in collaboration with partners.

BACKGROUND

Drugs achieve their desired effects by attaching to biological targets at matching binding sites. Most drugs are small molecules. In 1999, 47 of the top 50 selling drug products were small molecules, with total annual worldwide sales of approximately $69 billion. Conventional drug discovery focuses on optimizing the strength and selectivity of binding between a small molecule and a single binding site.

Many current drugs have limitations in potency, duration of action or safety that have not been overcome through conventional approaches. We believe that multivalent drugs have the potential to achieve substantial improvements in these key properties because of the multiplicative effects on binding strength and selectivity associated with simultaneous attachment at multiple sites.

STRATEGY

Our objective is to discover, develop and commercialize important new drugs. Currently, the pharmaceutical industry expends significant effort and resources to make new compounds both for proven targets and for new targets that come from biomedical research. Improving existing drugs for proven targets continues to be a successful strategy; for example, seven of the top ten selling drug products in 1999 were significant improvements to existing drugs that failed to fully address medical needs. In addition, we believe that the many new targets emerging from biomedical research and exploration of the human genome will represent a significant opportunity to create new drugs. We intend to apply our technology to both proven and emerging targets, initially focusing on targets for which there are existing drugs that fail to fully address medical needs. To achieve our objective, we intend to:

- discover and develop drug candidates for proven targets in large markets;

- retain significant commercial rights to multivalent drugs for proven targets;

- collaborate with partners to discover and develop drug candidates for new targets; and

- continue to enhance our technology platform.

OUR TECHNOLOGY

Our multivalent drug technology is based on an integration of the following biological and chemical insights:

- many biological targets have multiple binding sites;

- molecules that simultaneously attach to multiple binding sites can do so with greater strength and selectivity than molecules that attach to only one binding site; and

- greater strength and selectivity in binding provides the basis for superior therapeutic effects, including enhanced potency, increased duration of action or improved safety.

We design multivalent compounds that consist of multiple individual drug molecule components joined together by chemical linkers. A multivalent compound can attach simultaneously to multiple binding sites on its intended target, unlike a conventional drug that attaches to a single binding site. We optimize the interactions between our multivalent compounds and multiple binding sites by varying a unique series of multivalent drug design characteristics, including the individual drug molecule components, the linker attachment points on these components, linker length, geometry and physical properties. The result is a multiplication of binding strength and selectivity, which in turn can yield substantial improvements in potency, duration of action or safety.

We believe that we will be able to efficiently develop important drugs because:

- multivalent compounds can achieve levels of binding strength and selectivity that have not been achieved through conventional approaches;

- multivalent drug discovery enables us to determine early in the drug discovery process whether we may be able to substantially improve potency, duration of action, or safety as compared with the best current drugs; and

- we have selected initial projects with predictive animal models that we believe improve the probability of success in human clinical trials.

COMPANY INFORMATION

We were incorporated in Delaware in November 1996 and began operations in May 1997. Our principal executive offices are located at 901 Gateway Boulevard, South San Francisco, California 94080, and our telephone number is (650) 808-6000. "Advanced Medicine" and the Advanced Medicine logo are trademarks of Advanced Medicine, Inc. Other trademarks and tradenames appearing in this prospectus are the property of their holders.

THE OFFERING

Shares offered by Advanced Medicine.....	[ ] shares
Shares to be outstanding after the offering.....	[ ] shares
Use of proceeds.....	To provide working capital and for other general corporate purposes, including investment in the development of our proprietary technologies. See "Use of Proceeds".
Proposed Nasdaq National Market symbol.....	ADVM

The number of shares of common stock to be outstanding after the offering is based on the 10,232,000 shares of common stock outstanding as of March 1, 2000, assuming conversion of all of our outstanding preferred stock into 28,802,000 shares of our common stock. This number does not include:

- 2,354,000 shares of common stock issuable upon the exercise of stock options outstanding as of March 1, 2000 with a weighted average exercise price of $0.83 per share;

- 53,000 shares of common stock issuable upon exercise of outstanding warrants to purchase preferred stock as of March 1, 2000 with a weighted average exercise price of $8.49 per share;

- an additional 1,254,000 shares reserved as of March 1, 2000 for future stock option grants and purchases under our existing equity compensation plans. See "Management--Employee Benefit Plans" and notes 8 and 10 of the notes to our consolidated financial statements; and

- shares of common stock issuable upon conversion of our Series D Preferred Stock. On March 20, 2000, we irrevocably committed to sell 1,666,667 shares of Series D Preferred Stock.

SUMMARY FINANCIAL DATA

We were incorporated in November 1996 and began operations in May 1997. See note 1 of the notes to our consolidated financial statements for an explanation of the method used to determine the shares used in computing net loss and pro forma net loss per share.

	YEAR ENDED DECEMBER 31,			PERIOD FROM INCEPTION (NOVEMBER 19, 1996) TO DECEMBER 31, 1999
	1997	1998	1999	
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
STATEMENT OF OPERATIONS DATA:				
Operating expenses:				
Research and development	$ 1,834	$ 10,434	$ 32,729	$ 44,997
General and administrative	1,313	2,665	4,901	8,879
Acquired in-process research	--	--	6,934	6,934
Amortization of deferred stock-based compensation	--	--	2,424	2,424
Other stock-based compensation	--	--	779	779
Total operating expenses	3,147	13,099	47,767	64,013
Loss from operations	(3,147)	(13,099)	(47,767)	(64,013)
Interest income, net	183	834	6,636	7,653
Net loss	$(2,964)	$(12,265)	$(41,131)	$(56,360)
Net loss per share	$ (5.24)	$ (6.65)	$ (11.99)	
Shares used in computing net loss per share	566	1,843	3,430	
Pro forma net loss per share			$ (1.34)	
Shares used in computing pro forma net loss per share			30,776	

The following table presents a summary of our balance sheet at December 31, 1999:

- on an actual basis;
- on a pro forma basis to reflect the sale of 1,666,667 shares of Series D preferred stock for proceeds of approximately $25 million; and
- on a pro forma as adjusted basis to reflect the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share after deducting the underwriting discount and estimated offering expenses.

	DECEMBER 31, 1999		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(IN THOUSANDS)		
BALANCE SHEET DATA:			
Cash, cash equivalents and marketable securities	$114,428	139,428	
Working capital	105,847	130,847	
Total assets	147,175	172,175	
Long-term liabilities	4,203	4,203	4,203
Deficit accumulated during the development stage	(56,360)	(56,360)	(56,360)
Total stockholders' equity	132,272	157,272	

THIS OFFERING INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED BELOW AND THE OTHER INFORMATION IN THIS PROSPECTUS BEFORE DECIDING TO INVEST IN SHARES OF OUR COMMON STOCK.

RISKS RELATED TO ADVANCED MEDICINE

MULTIVALENT DRUGS ARE UNPROVEN, MAY BE UNSAFE OR INEFFECTIVE IN HUMANS AND MAY NEVER ACHIEVE COMMERCIAL SUCCESS.

Our multivalent technologies are new, in an early stage of development and are commercially unproven. Because we are still in the preliminary stages of drug discovery, we are uncertain whether any of our drug candidates will:

- be safe and effective in humans;
- meet applicable regulatory standards;
- be capable of being manufactured at reasonable costs; or
- achieve market acceptance.

We are not aware of any multivalent small molecule drugs on the market. To date, the data supporting our concept is derived solely from laboratory and animal testing. Therefore, our multivalent compounds may not be safe or effective in the human body.

All of our multivalent compounds are in an early stage of development and their risk of failure is high. We do not expect any of our drug candidates to be commercially available for at least several years. Based on results at any stage of development, however, we may decide to discontinue development of any of our multivalent compounds. If we fail to establish that multivalent drugs are effective, our business may not succeed.

THERE IS SIGNIFICANT UNCERTAINTY ASSOCIATED WITH OUR PRE-CLINICAL TESTING AND CLINICAL DEVELOPMENT.

Pre-clinical testing and clinical development are long, expensive and uncertain processes. It may take us several years to complete our testing, and failure can occur at any stage of testing. Interim results of trials do not necessarily predict final results, and acceptable results in early trials may not be repeated in later trials.

A number of pharmaceutical and biotechnology companies have suffered significant setbacks in advanced clinical trials, even after promising results in earlier trials. Commercialization of our drug candidates depends upon successful completion of clinical trials. We must provide the Food and Drug Administration and foreign regulatory authorities with clinical data that demonstrates the safety and efficacy of our products before they can be approved for commercial sale. None of our multivalent compounds have advanced into human testing.

Any clinical trial may fail to produce results satisfactory to the FDA. Pre-clinical and clinical data can be interpreted in different ways, which could delay, limit or prevent regulatory approval. Negative or inconclusive results or adverse medical events during a clinical trial could cause a clinical trial to be repeated or a program to be terminated. We intend to rely on third-party clinical investigators to conduct our clinical trials and other third-party organizations to perform data collection and analysis, and as a result, we may face additional delays outside of our control.

We do not know when or if we will begin clinical trials. Further, we do not know whether, if undertaken, any clinical trials will result in marketable products. Our product development costs will increase if we have delays in testing or approvals or if we need to perform more or larger clinical

trials than planned. If the delays are significant, our financial results and the commercial prospects for our products will be harmed.

OUR INABILITY TO ADEQUATELY PROTECT OUR PROPRIETARY TECHNOLOGIES COULD AFFECT OUR COMPETITIVE POSITION.

Our success will depend on our ability to obtain patents and maintain adequate protection of the intellectual property related to our technologies and products. We have invested in developing proprietary technologies and, as of March 1, 2000, have filed 85 patent applications in the United States. We have also filed 48 Patent Cooperation Treaty applications, which permit the pursuit of patents outside of the United States. However, the patent positions of pharmaceutical companies, including our patent position, are generally uncertain and involve complex legal and factual questions. Our applications, therefore, may be challenged or fail to result in issued patents.

We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. We currently have no issued patents protecting our multivalent technologies, and any future patents we may obtain may be too narrow to prevent others from using our technologies or from developing or designing around our patents. In addition, any patents we may be issued could be challenged or invalidated by third parties or fail to provide us with any competitive advantages. The laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States. As a result, we may encounter significant problems in protecting and defending our proprietary rights in foreign countries.

For proprietary know-how that is not patentable and for processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements to protect our interests. We believe that there are elements of our drug discovery process that involve proprietary know-how and technology that is not covered by patent applications. We have taken measures to protect our proprietary know-how, technology and confidential data and continue to explore further methods of protection. While we require all of our employees, consultants and advisors to enter into confidentiality agreements, we cannot be certain that proprietary information will not be disclosed, that competitors will not independently develop substantially equivalent information and techniques or otherwise gain access to our trade secrets, or that we can meaningfully protect our trade secrets. Where it is necessary to share our proprietary information or data with outside parties, our policy is to make available only that information and data required to accomplish the desired purpose and only pursuant to a duty of confidentiality on the part of those parties. However, these measures may not adequately protect our information and data. Any material disclosure of confidential information or data into the public domain or to third parties may harm our business and financial condition.

IF THE DRUGS WE DEVELOP ARE NOT APPROVED BY REGULATORY AGENCIES, INCLUDING THE FOOD AND DRUG ADMINISTRATION, WE WILL BE UNABLE TO COMMERCIALIZE THEM.

The Food and Drug Administration must approve any new drug before it can be marketed and sold in the United States. The regulatory agencies of foreign governments must also approve our drug candidates before they can be sold in those countries. Before we can file a New Drug Application with the FDA or any foreign governmental entity, the product candidate must undergo extensive testing, including animal testing and human trials. These tests and trials can take many years and require substantial expenditures and resources. Data obtained from these tests and trials are susceptible to varying interpretations that could delay, limit or prevent regulatory approval. In addition, changes in regulatory policy during the period of product development and regulatory review of each submitted new application may cause delays or rejections of the product.

Because our drug candidates are created using new technologies, they may be subject to more intense review by United States and foreign regulatory authorities. These government

regulatory authorities may grant approvals more slowly for our drug candidates than for drug candidates using more conventional technologies or may not grant approval at all. We have not submitted any applications to the FDA or any foreign regulatory agency for any drug candidate. We may not be permitted to conduct human clinical trials to obtain the necessary approvals from the FDA or foreign regulatory agencies for our drug candidates.

Even after investing significant time and expenditures, we may fail to obtain regulatory approval for our drug candidates. In addition, even if we receive regulatory approval, this approval may include limitations on the indicated uses for which we can market the drugs. Further, if we obtain regulatory approval, a marketed drug and its manufacturer are subject to continual review, including review and approval of the manufacturing facilities. Discovery of previously unknown problems with a drug may result in restrictions on permissible uses of the drug or the manufacturer, including withdrawal of the drug from the market.

WE MAY NEVER BECOME PROFITABLE, AND IF WE DO ACHIEVE PROFITABILITY WE MAY FAIL TO MAINTAIN IT.

We have incurred operating losses in each year since our inception and expect to continue to incur substantial and increasing losses for the foreseeable future. We have not generated any revenue and we cannot estimate the extent of our future losses. As a result, we are uncertain when or if we will achieve profitability and, if so, whether we will be able to sustain it. We have been engaged in discovering and developing drugs since mid 1997. As of December 31, 1999, we had an accumulated deficit of approximately $56.4 million. Failure to become and remain profitable may adversely affect the market price of our common stock and our ability to raise capital and continue operations.

OUR LACK OF MANUFACTURING, SALES, MARKETING AND DISTRIBUTION EXPERIENCE MAY PREVENT US FROM SUCCESSFULLY COMMERCIALIZING OUR PRODUCTS.

We currently have no commercial manufacturing, sales, marketing or distribution capabilities. In addition, we have not produced any drugs for commercial use. We expect to incur substantial costs to develop a manufacturing, sales, marketing and distribution network to commercialize our products. We may outsource these functions to third parties that may not employ the same controls that we would have if we kept these operations in-house. In addition, third parties may be less responsive in meeting time sensitive deadlines than we would because of their obligations to multiple clients. We may fail to develop these functions internally or establish relationships with third parties in a timely or cost effective manner. If we enter into co-promotion, licensing or distribution arrangements with third parties, we would be dependent on the efforts of third parties, and our share of product revenue may be less than if we marketed and sold our products directly.

WE MAY LACK THE FINANCIAL AND OPERATIONS RESOURCES NEEDED TO COMPETE EFFECTIVELY WITH OTHER PHARMACEUTICAL AND BIOTECHNOLOGY COMPANIES.

We face, and will continue to face, intense competition from other pharmaceutical and biotechnology companies, as well as academic and research institutions and governmental agencies. Any drug candidates that we successfully develop may compete with existing therapies that have long histories of safe and effective use. Our major competitors include fully integrated pharmaceutical companies and biotechnology companies that have substantial drug discovery efforts and are discovering and developing novel pharmaceuticals. Competition may also arise from other drug development technologies and methods of preventing and reducing the incidence of disease that now exist or may exist in the future. In addition, as the principles of multivalent drug design become more widely known, we expect to face increasing competition from organizations that pursue the same or similar approaches. Further, many of these companies and institutions,

either alone or together with their collaborative partners, have substantially greater financial resources and have significantly greater experience than we do in:

- developing products;

- undertaking pre-clinical testing and clinical trials;

- obtaining FDA and other regulatory approvals of products; and

- manufacturing and marketing products.

Accordingly, our competitors may succeed in obtaining patent protection, receiving FDA approval or commercializing superior multivalent drugs or other competing drugs before us.

IF WE LOSE KEY SCIENTISTS, MANAGEMENT PERSONNEL OR SCIENTIFIC ADVISORS, OR IF WE FAIL TO RECRUIT ADDITIONAL HIGH-QUALITY PERSONNEL, IT WILL IMPAIR OUR ABILITY TO DISCOVER AND DEVELOP PRODUCTS.

We are highly dependent on principal members of our management team and scientific staff, including our Chief Executive Officer, James B. Tananbaum; our Chairman of the Board of Directors, P. Roy Vagelos; and our Senior Vice President of Research, Burton G. Christensen. The loss of any one or more of these persons may prevent us from executing our business strategy. In addition, recruiting and retaining qualified scientific personnel or advisors to perform future research and development work will be critical to our success. There is currently a shortage of skilled executives and employees with technical expertise, and this shortage is likely to continue. As a result, competition for skilled personnel is intense. If we are unable to preserve our relationships with existing employees and advisors, or cannot attract additional qualified employees or advisors, it will impair our ability to discover and develop products.

IF WE FAIL TO OBTAIN THE CAPITAL NECESSARY TO FUND OUR OPERATIONS, WE WILL BE UNABLE TO SUCCESSFULLY DEVELOP OUR PRODUCTS AND EXECUTE OUR BUSINESS STRATEGY.

Our strategy of investing in and retaining rights to our proprietary technologies creates a need for large amounts of capital. We expect our capital requirements to increase in the future as we:

- continue our drug discovery and development efforts;

- develop our sales, marketing and distribution capabilities; and

- take advantage of new opportunities in drug discovery, development and commercialization.

We believe that the proceeds from this offering, together with our cash and cash equivalents and marketable securities, will be sufficient to meet our anticipated operating needs for at least the next twelve months. We expect to require additional capital after that period. We may need to raise additional funds prior to that time if we expand more rapidly than we anticipate. We may seek to sell additional equity or debt securities or obtain a bank credit facility. The sale of additional equity or debt securities, if convertible, could result in dilution to our stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also result in covenants that would restrict our operations. In addition, we cannot guarantee that future financing will be available in amounts or on terms acceptable to us, if at all.

IF WE LOSE OUR RELATIONSHIPS WITH THIRD-PARTY SERVICE PROVIDERS, OUR DRUG DEVELOPMENT EFFORTS COULD BE DELAYED.

We are dependent on third-party vendors and clinical research organizations for selected service functions related to our drug discovery and development efforts. These third parties provide bulk manufacturing and pharmaceutical formulation services and conduct pre-clinical testing and clinical trials. We generally have relationships with only one provider for each of these services. If we lose our relationship with any one or more of these providers, we could experience a significant delay in both identifying another comparable provider and then contracting for its services. Even if

we locate an alternative provider, it is likely that this provider may need additional time to respond to our needs and may not provide the same type or level of services as the original provider. In addition, we may be unable to retain an alternative provider on reasonable terms, if at all. The occurrence of any of these events may delay the development or commercialization of our drug candidates.

WE MAY ENCOUNTER DIFFICULTIES IN MANAGING OUR GROWTH. THESE DIFFICULTIES COULD INCREASE OUR LOSSES.

We have experienced a period of substantial growth that has placed and, if this growth continues, will continue to place a strain on our human and capital resources. If we are unable to manage this growth effectively, our losses could increase. Our headcount increased from 26 at December 31, 1997 to 176 at December 31, 1999. Our ability to manage our operations and growth effectively requires us to continue to expend funds to improve our operational, financial and management controls, reporting systems and procedures. If we are unable to successfully implement improvements to our management information and control systems in an efficient or timely manner, or if we encounter deficiencies in existing systems and controls, then management may receive inadequate information to manage our day-to-day operations.

IF WE ENGAGE IN ANY ACQUISITION, WE WILL INCUR A VARIETY OF COSTS, AND WE MAY NEVER REALIZE THE ANTICIPATED BENEFITS OF THAT ACQUISITION.

If appropriate opportunities become available, we may attempt to acquire businesses, technologies, services or products that we believe are a strategic fit with our business, such as our recent acquisition of the net assets of Incara Research Laboratories. We currently have no commitments or agreements with respect to any other acquisitions. However, if we do undertake any acquisitions, the process of integrating an acquired business, technology, service or product into our business may result in unforeseen operating difficulties and expenditures, including diversion of resources and management attention from ongoing development of our core business. Future acquisitions could result in the additional issuances of equity securities that would dilute the ownership of existing stockholders. Future acquisitions could also result in the incurrence of debt, contingent liabilities or the amortization of expenses related to other intangible assets, any of which could adversely affect our operating results. In addition, we may fail to realize the anticipated benefits of any acquisition.

OUR OUTSIDE SCIENTIFIC ADVISORS MAY DEVOTE INSUFFICIENT TIME TO US OR MAY HAVE CONFLICTS OF INTEREST.

We work with scientific advisors at academic and other institutions. In addition, many of our advisors are retired executives from major pharmaceutical companies. These scientists are not our employees and have other commitments that limit their availability to us. Some of our advisors provide services to companies or institutions that currently have or may develop competing products or technologies. Although each of our scientific advisors generally agrees not to do competing work, if a conflict of interest between an advisor's work for us and his services for another entity arises, we may lose his services.

LITIGATION OR THIRD PARTY CLAIMS OF INTELLECTUAL PROPERTY COULD REQUIRE US TO DIVERT RESOURCES AND MAY PREVENT US FROM EXECUTING OUR BUSINESS STRATEGY.

Our commercial success depends in part on not infringing upon the patents and proprietary rights of third parties. Third parties may assert that we are employing their proprietary technology without authorization. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. Defense of these claims or enforcing our rights against others would divert substantial financial and employee resources from our business. Furthermore, parties making claims against us may obtain injunctive or other equitable relief, which

could effectively block our ability to further develop and commercialize our drug candidates. In the event of a successful claim of infringement against us, we may have to pay substantial damages, obtain one or more licenses from third parties or pay royalties. We may fail to obtain these licenses at a reasonable cost or on reasonable terms, if at all. In that event, we would be unable to execute our business strategy.

PRODUCT LIABILITY LAWSUITS COULD DIVERT OUR RESOURCES, RESULT IN SUBSTANTIAL LIABILITIES AND REDUCE THE COMMERCIAL POTENTIAL OF OUR DRUGS.

The risk that we may be sued on product liability claims is inherent in the development of pharmaceutical products. These lawsuits may divert our management from pursuing our business strategy and may be costly to defend. In addition, if we are held liable in any of these lawsuits, we may incur substantial liabilities and may be forced to limit or forego further commercialization of those products. Although we intend to obtain general liability and product liability insurance, this insurance may not fully cover potential liabilities. In addition, inability to obtain sufficient insurance coverage at an acceptable cost or to otherwise protect against potential product liability claims could prevent or inhibit the commercial production and sale of our drugs.

HEALTH CARE REFORM AND RESTRICTIONS ON REIMBURSEMENTS MAY LIMIT OUR RETURNS ON PHARMACEUTICAL PRODUCTS.

Our ability to commercialize pharmaceutical products may depend in part on the extent to which reimbursement for the cost of these products to the consumer will be available from government health administration authorities, private health insurers and other organizations. Third-party payors are increasingly challenging the price of medical products and services. Significant uncertainty exists as to the reimbursement status of newly approved pharmaceutical products, and there can be no assurance that adequate third-party coverage will be available for any product to enable us to maintain price levels sufficient to realize an appropriate return on our investment.

IF WE USE HAZARDOUS AND BIOLOGICAL MATERIALS IN A MANNER THAT CAUSES INJURY OR VIOLATES APPLICABLE LAW, WE MAY BE LIABLE FOR DAMAGES.

Our research and development activities involve the controlled use of potentially hazardous substances, including chemical, biological and radioactive materials. In addition, our operations produce hazardous waste products. We cannot eliminate the risk of accidental contamination or discharge and the resultant injury which may result from a discharge of these materials and may subject us to substantial federal and state criminal and civil liability. Federal, state and local laws and regulations govern the use, manufacture, storage, handling and disposal of hazardous materials. Compliance with these laws and regulations may be expensive, and current or future environmental regulations may impair our research, development and production efforts.

OUR PRINCIPAL FACILITY IS LOCATED NEAR KNOWN EARTHQUAKE FAULT ZONES, AND THE OCCURRENCE OF AN EARTHQUAKE OR OTHER CATASTROPHIC DISASTER COULD CAUSE DAMAGE TO OUR FACILITIES AND EQUIPMENT, WHICH COULD REQUIRE US TO CEASE OR CURTAIL OPERATIONS.

Our principal facility is located in the San Francisco Bay Area near known earthquake fault zones and therefore is vulnerable to damage from earthquakes. In October 1989, a major earthquake struck this area and caused significant property damage and a number of fatalities. We are also vulnerable to damage from other types of disasters, including fire, floods, power loss, communications failures and similar events. If any disaster were to occur, our ability to operate our business at our facility could be seriously impaired. In addition, the unique nature of our research activities and of much of our equipment could make it difficult for us to recover from this type of disaster. The insurance we maintain may not be adequate to cover our losses resulting from disasters or other similar business interruptions.

RISKS RELATED TO THIS OFFERING

CONCENTRATION OF OWNERSHIP WILL LIMIT YOUR ABILITY TO INFLUENCE CORPORATE MATTERS.

Immediately following this offering, our directors, executive officers and affiliates will beneficially own approximately % of our outstanding common stock or % if some of our existing stockholders purchase all of the shares which we have reserved for them in this offering. These stockholders could determine the outcome of actions taken by us that require stockholder approval. For example, these stockholders could elect all of our directors, delay or prevent a transaction in which stockholders might receive a premium over the prevailing market price for their shares and control changes in management. As a result, our non-affiliated stockholders, by themselves, will be unable to direct or influence the direction of corporate matters through their votes.

OUR STOCK PRICE MAY BE EXTREMELY VOLATILE AND YOU MAY NOT BE ABLE TO RESELL YOUR SHARES AT OR ABOVE THE INITIAL PUBLIC OFFERING PRICE.

Prior to this offering, there has been no public market for our common stock. Following this offering, the price at which our common stock will trade may be extremely volatile and may fluctuate significantly. Negotiations between the underwriters and us will determine the initial public offering price and may not be indicative of future market prices. Among the factors to be considered in determining the initial public offering price of our common stock, in addition to prevailing market conditions, will be:

- our historical performance;
- estimates of our business potential and earnings prospects;
- an assessment of our management; and
- the consideration of the above factors in relation to market valuations of companies in related businesses.

The market prices for securities of biotechnology companies in general have been highly volatile and may continue to be volatile in the future. The following factors, in addition to the other risk factors described in this section, may have a significant impact on the market price of our common stock:

- announcements of technological innovations or new commercial products by us or our competitors;
- developments concerning proprietary rights, including patents;
- developments concerning any collaboration we may undertake;
- publicity regarding actual or potential testing or trial results relating to products under development by us or our competitors;
- regulatory developments in the United States and foreign countries;
- product liability, intellectual property or other material litigation;
- economic and other external factors beyond our control; or
- period-to-period fluctuations in financial results.

As a result of these various factors, after this offering you might be unable to resell your shares at or above the initial public offering price.

A SUBSTANTIAL NUMBER OF SHARES OF OUR COMMON STOCK COULD BE SOLD INTO THE PUBLIC MARKET SOON AFTER THIS OFFERING, WHICH COULD DEPRESS OUR STOCK PRICE.

The market price of our common stock could decline as a result of sales by our existing stockholders of shares of common stock in the market after this offering or the perception that these sales could occur. Once a trading market develops for our common stock, many of our stockholders will have an opportunity to sell their stock for the first time. More than shares, or times the number of shares sold in this offering, assuming no exercise of the underwriters' over-allotment option, will become eligible for sale in the public market at various dates beginning 180 days after the date of this prospectus, including shares which may be purchased by some of our existing stockholders in this offering. These factors could also make it difficult for us to raise additional capital by selling stock. See "Shares Eligible for Future Sale".

YOU WILL INCUR IMMEDIATE AND SUBSTANTIAL DILUTION IN THE PRO FORMA AS ADJUSTED NET TANGIBLE BOOK VALUE OF THE STOCK YOU PURCHASE.

We estimate that the initial public offering price of our common stock will be $ per share. This amount is substantially higher than the pro forma as adjusted net tangible book value, assuming exercise of the over-allotment option, of $ per share that our outstanding common stock will have immediately after this offering. Accordingly, if you purchase shares of our common stock at its assumed initial public offering price, you will incur immediate and substantial dilution of $ per share. If the holders of outstanding options or warrants exercise those options or warrants, you will suffer further dilution.

In addition, the issuance or exercise of additional options or warrants to purchase our common stock could be dilutive to purchasers of shares in this offering.

BECAUSE AN ACTIVE TRADING MARKET FOR OUR COMMON STOCK MAY NOT DEVELOP AFTER THIS OFFERING, IT MAY BE DIFFICULT FOR YOU TO SELL YOUR SHARES.

There was no public market for our common stock before this offering. We do not know the extent to which investor interest will lead to the development of a trading market. If an active and liquid trading market does not develop for our common stock, you may have difficulty selling your shares.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under "Prospectus Summary", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Business", and elsewhere in this prospectus constitute forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "plans", "anticipates", "believes", "estimated", "predicts", "potential", or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by those forward-looking statements. These factors include, among other things, those listed under "Risk Factors" and elsewhere in this prospectus.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We are under no duty to update any of the forward-looking statements after the date of this prospectus to conform forward-looking statements to actual results.

USE OF PROCEEDS

We estimate the net proceeds to us from the sale of shares of common stock in this offering to be approximately $ at an estimated initial public offering price of $ per share and after deducting the underwriting discount and estimated offering expenses. If the underwriters' over-allotment option is exercised in full, we estimate the net proceeds will be $.

The principal purposes of this offering are to increase our capitalization and financial flexibility, to provide a public market for our common stock and to facilitate access to public equity markets.

We expect to use the net proceeds for working capital and other general corporate purposes, including investment in the development of our proprietary technologies and the expansion of our business. We have not allocated any specific portion of the net proceeds to any particular purpose, and our management will have the discretion to allocate the proceeds at its determines. We may use a portion of the net proceeds for the acquisition of businesses, products and technologies that are complementary to our own. We intend to invest the net proceeds of this offering in short-term, interest-bearing, investment-grade securities until they are used.

DIVIDEND POLICY

We have never paid any cash dividends on our common stock and do not anticipate paying any cash dividends in the foreseeable future. We presently intend to retain future earnings, if any, to finance the development of our proprietary technologies and the expansion of our business. Payment of future dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs and plans for expansion.

CAPITALIZATION

The following table sets forth our capitalization of as of December 31, 1999:

- on an actual basis;
- on a pro forma basis to reflect:
  - the sale of 1,666,667 shares of Series D preferred stock for proceeds of approximately $25 million which will convert into shares of our common stock; and
  - the conversion of all of our outstanding Series A, Series B and Series C preferred stock into 28,802,000 shares of common stock, which will occur upon the closing of this offering; and
- on a pro forma as adjusted basis to reflect the sale of the shares of common stock offered in this offering at an assumed initial public offering price of $ per share after deducting the underwriting discount and estimated offering expenses.

You should read this information together with our consolidated financial statements and the notes to those statements appearing elsewhere in this prospectus.

	DECEMBER 31, 1999		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(IN THOUSANDS)		
Long-term obligations, less current portion	$ 4,203	$ 4,203	$ 4,203
Stockholders' equity:			
Preferred stock, $0.01 par value; no shares authorized, issued and outstanding, actual and pro forma; 10,000,000 shares authorized, no shares issued and outstanding, pro forma as adjusted	--	--	--
Convertible preferred stock, $0.01 par value; 40,000,000 shares authorized, 28,802,000 shares issued and outstanding, actual; shares authorized, none issued and outstanding pro forma and pro forma as adjusted	185,209	--	--
Common stock, $0.01 par value; 100,000,000 shares authorized 9,406,000 shares issued and outstanding, actual; 190,000,000 shares authorized, shares issued and outstanding, pro forma; shares issued and outstanding, pro forma as adjusted	2,348	212,557	
Additional paid-in capital	12,722	12,722	12,722
Notes receivable from stockholders	(2,128)	(2,128)	(2,128)
Deferred stock-based compensation	(9,519)	(9,519)	(9,519)
Deficit accumulated during the development stage	(56,360)	(56,360)	(56,360)
Total stockholders' equity	132,272	157,272	
Total capitalization	$136,475	$161,475	$

The number of shares of common stock to be outstanding after the offering is based on the number of shares outstanding as of December 31, 1999 and excludes:

- 1,260,000 shares of common stock issuable upon exercise of outstanding options with a weighted average exercise price of $0.82 per share;
- 73,000 shares of common stock issuable upon exercise of outstanding warrants to purchase common and preferred stock with a weighted average exercise price of $6.40 per share; and
- an additional 604,000 shares reserved as of December 31, 1999 for future stock option grants and purchases under our existing equity compensation plans.

DILUTION

Our net tangible book value per share immediately after this offering will be substantially less than the initial public offering price. Our pro forma net tangible book value as of December 31, 1999 was $153,856,000 or per share. Pro forma net tangible book value per share represents the pro forma amount of total tangible assets less total liabilities, divided by the number of pro forma shares of common stock outstanding after giving effect to the conversion of our outstanding preferred stock into shares of common stock and the effect of our sale of 1,666,667 shares of Series D preferred stock for proceeds of approximately $25 million. After giving effect to the sale by us of the shares of common stock in this offering at an assumed initial public offering price of $ per share, after deducting the underwriting discount and estimated offering expenses, our pro forma as adjusted net tangible book value as of December 31, 1999 would have been $ million, or $ per share. This represents an immediate increase in pro forma as adjusted net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to investors purchasing common stock in this offering. The following table illustrates this per share dilution:

Assumed initial public offering price per share.....		$
Pro forma net tangible book value per share as of December 31, 1999.....	$	
Increase per share attributable to new investors.....		
Pro forma net tangible book value per share after the offering.....		
Dilution per share to new investors.....		$

Assuming the exercise in full of the underwriters' over-allotment option, our pro forma as adjusted net tangible book value at December 31, 1999 would have been approximately $ per share, representing an immediate increase in the pro forma net tangible book value of $ per share to our existing stockholders and an immediate decrease in net tangible book value of $ per share to new investors.

The following table summarizes, on a pro forma as adjusted basis, as of December 31, 1999, the difference between the number of shares of common stock purchased from us, the total consideration paid to us, and the average price per share paid by existing stockholders and by new investors at an assumed initial public offering price of $ per share, before deducting the underwriting discount and estimated offering expenses.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing stockholders.....		%	$218,283,000	%	$
New investors.....					$
Total.....		100.0%	$	100.0%	

The discussion and the tables above assume no exercise of stock options or warrants outstanding on December 31, 1999 and no issuance of shares reserved for future issuance under our equity plans. As of December 31, 1999, there were:

- 1,260,000 shares of common stock issuable upon exercise of outstanding options with a weighted average exercise price of $0.82 per share;
- 73,000 shares of common stock issuable upon exercise of outstanding warrants to purchase common and preferred stock with a weighted average exercise price of $6.40 per share; and
- an additional 604,000 shares reserved for future stock option grants and purchases under our existing equity compensation plans.

SELECTED FINANCIAL DATA

The statement of operations data presented below for the fiscal years ended December 31, 1997, 1998 and 1999, and the balance sheet data as of December 31, 1998 and 1999, have been derived from our consolidated financial statements which have been audited by Ernst & Young LLP, independent auditors, and are included elsewhere in this prospectus. The period from our inception (November 19, 1996) to December 31, 1996 has been included in the consolidated statement of operations for the year ended December 31, 1997 because the operating loss in this period was less than $1,000. The balance sheet data as of December 31, 1997 has been derived from our audited financial statements which are not included in this prospectus. You should read the data presented below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes to those statements appearing elsewhere in this prospectus.

	YEAR ENDED DECEMBER 31,			PERIOD FROM INCEPTION (NOVEMBER 19, 1996) TO DECEMBER 31, 1999
	1997	1998	1999	
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
STATEMENT OF OPERATIONS DATA:				
Operating expenses:				
Research and development	$ 1,834	$ 10,434	$ 32,729	$ 44,997
General and administrative	1,313	2,665	4,901	8,879
Acquired in-process research	--	--	6,934	6,934
Amortization of deferred stock-based compensation	--	--	2,424	2,424
Other stock-based compensation	--	--	779	779
Total operating expenses	3,147	13,099	47,767	64,013
Loss from operations	(3,147)	(13,099)	(47,767)	(64,013)
Interest income, net	183	834	6,636	7,653
Net loss	$(2,964)	$(12,265)	$(41,131)	$(56,360)
Net loss per share	$ (5.24)	$ (6.65)	$ (11.99)	
Shares used in computing net loss per share	566	1,843	3,430	
Pro forma net loss per share			$ (1.34)	
Shares used in computing pro forma net loss per share			30,776	

	DECEMBER 31,		
	1997	1998	1999
	(IN THOUSANDS)		
BALANCE SHEET DATA:			
Cash, cash equivalents and marketable securities	$3,471	$15,242	$114,428
Working capital	2,916	12,637	105,847
Total assets	4,395	20,874	147,175
Long-term liabilities	499	1,610	4,203
Deficit accumulated during development stage	(2,964)	(15,229)	(56,360)
Total stockholders' equity	3,296	16,437	132,272

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH OUR CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES INCLUDED ELSEWHERE IN THIS PROSPECTUS. THE FOLLOWING DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. OUR ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE INDICATED IN SUCH FORWARD-LOOKING STATEMENTS. SEE "SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS".

OVERVIEW

We are pioneering the discovery and development of multivalent drugs, a new class of small molecule drugs that we believe have the potential to treat a broad range of diseases. We have incurred net losses in each of the last three years of approximately $3.0 million in 1997, $12.3 million in 1998 and $41.1 million in 1999. As of December 31, 1999, we had an accumulated deficit of approximately $56.4 million. We expect to incur substantial and increasing losses for at least the next several years as we continue to invest in research and development. We also expect to incur additional substantial charges related to stock-based compensation.

RECENT ACQUISITION

On December 29, 1999, we acquired the net assets of Incara Research Laboratories, a division of Incara Pharmaceuticals Corporation, for $11.0 million in cash. We agreed to pay Incara Pharmaceuticals Corporation up to an additional $4.0 million if we receive milestone payments under a research collaboration and license agreement assumed by us as part of the acquisition. The transaction has been recorded as a purchase for accounting purposes. Consequently, the operating results of Incara Research Laboratories have been included in our consolidated financial statements from the date of acquisition. The purchase price has been allocated to the acquired net tangible and intangible assets based upon their respective estimated fair values as of the date of acquisition. Net tangible and intangible assets totaling $4.1 million will be amortized over their estimated useful lives, generally between three and seven years, resulting in charges to the consolidated statement of operations in future periods. In-process research totaling $6.9 million was charged to operations in 1999 because in our opinion, the technological feasibility of the acquired in-process research had not yet been established at the time of the acquisition. See note 2 of the notes to our consolidated financial statements.

In connection with the acquisition, we assumed the rights and obligations under some sponsored research agreements and several license agreements. Under the sponsored research agreements, we are obligated to fund research in return for the right to license inventions resulting from the research. The license agreements generally provide us with exclusive worldwide rights to some technologies in exchange for license fees and royalties. We may terminate these agreements generally with six months' notice. Unless these agreements are amended or terminated, we expect to incur up to $1.0 million in annual research related expenses until at least 2007.

COMPARISON OF YEARS ENDED DECEMBER 31, 1997, 1998, AND 1999

OPERATING EXPENSES

RESEARCH AND DEVELOPMENT. Research and development expenses consist primarily of salaries and other personnel-related expenses, laboratory supplies, contract research costs for pre-clinical testing, and facility-related costs, including depreciation. Research and development expenses were $1.8 million in the year ended December 31, 1997, compared to $10.4 million in 1998 and $32.7 million in 1999. The increases in these expenditures were primarily due to increased staffing, contract research, and facility costs. The expenses in 1999 include $4.2 million in

additional amortization resulting from the reduction in the useful lives of leasehold improvements to coincide with the remaining period in which we expected to use the related facility. We intend to continue to devote substantial resources to research and development. We expect research and development expenses to increase in future periods as a result of our acquisition of the net assets of Incara Research Laboratories, increased personnel costs, higher costs associated with a new facility, and as product candidates advance into later stages of development.

GENERAL AND ADMINISTRATIVE. General and administrative expenses consist primarily of personnel costs to support our research and development activities, facility-related costs and professional fees. General and administrative expenses were $1.3 million for the year ended December 31, 1997, compared to $2.7 million in 1998 and $4.9 million in 1999. The increase from year to year was primarily attributable to higher employee and facility costs to manage and support our rapid growth. We expect that general and administrative expenses will increase as we increase staffing to manage and support continued growth of our research and development efforts and as we accommodate new demands associated with operating as a public company.

ACQUIRED IN-PROCESS RESEARCH. Acquired in-process research of $6.9 million was expensed during 1999 in connection with our acquisition of the net assets of Incara Research Laboratories, which was effective December 29, 1999. See note 2 of the notes to our consolidated financial statements.

AMORTIZATION OF DEFERRED STOCK-BASED COMPENSATION. Deferred stock-based compensation is the difference between the deemed fair value for financial accounting purposes of our common stock on the date such stock options were granted and their exercise price. During 1999, approximately $11.9 million of deferred stock-based compensation was recorded. This amount is being amortized over the vesting period of the related options, generally four years. We recorded amortization of deferred stock-based compensation of $2.4 million in 1999. There was no amortization of deferred stock-based compensation in the years ended December 31, 1997 and 1998.

In February 2000, we recorded an additional $14.0 million in deferred stock-based compensation related to new stock options granted to employees. We also recorded $22.0 million in stock-based compensation expense in February 2000 and $8.9 million in deferred stock-based compensation as a result of shortening the vesting periods for some stock options from nine years to six years, which resulted in a new measurement date for financial accounting purposes. The amortization of deferred stock-based compensation related to stock options granted through February 2000 as well as the charge recorded for the options with accelerated vesting will aggregate $36.6 million for the year ending December 31, 2000.

OTHER STOCK-BASED COMPENSATION. Other stock-based compensation consists of options granted to non-employees, which are valued using the Black-Scholes method. These options may be subject to periodic re-valuation over their vesting terms based on changes in the value of our common stock. As a result, other stock-based compensation charges in future periods may vary significantly. Other stock-based compensation expense is recorded over the period that service is being rendered by these non-employees. We recorded other stock-based compensation expenses of $779,000 in 1999. There was no other stock-based compensation recorded in the years ended December 31, 1997 and 1998. The charge in 1999 consisted of $673,000 for the stock options issued to non-employees and $106,000 to record the value of warrants granted to a broker in connection with securing the lease agreement for our new facility. See note 7 of the notes to our consolidated financial statements.

INTEREST INCOME, NET

Net interest income represents income earned on our cash, cash equivalents and marketable securities balances, offset by interest expense incurred on notes and capital leases. Net interest income was $183,000 in the year ended December 31, 1997, compared to $834,000 in 1998 and $6.6 million in 1999. The increases in 1998 and 1999 were due to higher average cash balances resulting from the proceeds received from our preferred stock financings.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, we have financed our operations primarily through the net proceeds from private placements of preferred stock, totaling $185.2 million in aggregate net proceeds. As of December 31, 1999, we had $114.4 million in cash, cash equivalents and marketable securities, excluding $4.7 million in restricted cash and cash equivalents. We maintain our cash and investment portfolio in depository accounts and highly liquid, interest bearing, investment grade securities.

Our operating activities used cash of $2.4 million for the year ended December 31, 1997, compared to $10.1 million in 1998 and $20.2 million in 1999. Cash used in operating activities related primarily to funding net operating losses, excluding non-cash charges primarily associated with depreciation, amortization, acquired in-process research and stock-based compensation.

Our investing activities used cash of $2.6 million for the year ended December 31, 1997, compared to $12.8 million in 1998 and $25.2 million in 1999. Additions of property and equipment were $470,000 during the year ended December 31, 1997, compared to $3.0 million in 1998 and $17.9 million in 1999. Of the total property and equipment additions in 1999, approximately $12.3 million related to leasehold improvements and equipment for our new facility, which we occupied in February 2000. Our investing activities in 1999 also included $11.0 million in cash related to the acquisition of the net assets of Incara Research Laboratories. We expect to continue to make significant investments in research and development and our administrative infrastructure, including the purchase of property and equipment to support our expanding operations.

Financing activities provided cash of $6.4 million for the year ended December 31, 1997, compared to $24.9 million in 1998 and $153.4 million in 1999. These amounts consist primarily of net proceeds we received from the sale of preferred stock and proceeds from the issuance of common stock. As of December 31, 1999, we had $6.6 million available under an equipment financing arrangement, which we expect to utilize fully in 2000. As a result, we expect that payments under our capital lease obligations will increase in 2000.

We believe that the net proceeds from this offering, together with our current cash, cash equivalents and marketable securities, will be sufficient to satisfy our anticipated operating needs for working capital, capital expenditures, and commitments for at least the next twelve months. However, it is possible that we may seek additional financing within this timeframe. We may raise funds through public or private financing, collaborative relationships or other arrangements. We cannot assure you that additional funding, if sought, will be available on terms favorable to us, if at all. Further, any additional equity financing may be dilutive to stockholders, and debt financing, if available, may involve restrictive covenants. Our failure to raise capital when needed may harm our business and operating results.

YEAR 2000

To date, we have not experienced any significant disruptions in critical information and non-information technology systems and believe those systems successfully responded to the Year 2000 date change. We are not aware of any material problems resulting from Year 2000 issues,

either with our internal systems, or the products and services of third parties that we rely on for our operations. We will continue to monitor our critical computer applications and those of our suppliers and vendors throughout the year 2000 to ensure that latent Year 2000 matters that may arise are addressed promptly.

DISCLOSURE ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position, operating results or cash flows due to changes in United States interest rates. Our exposure to market risk is confined to our cash and cash equivalents which have maturities of less than three months. We maintain an investment portfolio of depository accounts and highly liquid, interest bearing, investment grade securities. The securities in our investment portfolio are not leveraged, are classified as available-for-sale and, due to their very short-term nature, are subject to minimal interest rate risk. We currently do not hedge interest rate exposure. Because of the short-term maturities of our investments, we do not believe that an increase in market rates would have any significant negative impact on the realized value of our investment portfolio. Our outstanding capital lease obligations and notes payable are all at fixed interest rates, and therefore, have minimal exposure to changes in interest rates.

RECENT ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." Statement of Financial Accounting Standards No. 133 provides a comprehensive and consistent standard for the recognition and measurement of derivatives and hedging activities. In July 1999, the Financial Accounting Standards Board announced the delay of the effective date of Statement of Financial Accounting Standards No. 133 for one year, to the first quarter of 2001. To date, we have not engaged in derivative or hedging activities.

In March 1998, the AICPA issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". SOP 98-1 requires that entities capitalize certain costs related to internal use software once certain criteria have been met. We have adopted the provisions of SOP 98-1 on January 1, 1999. We capitalized costs totaling approximately $856,000 related to software placed in service during December 1999 in accordance with SOP 98-1. The expected asset life is 36 months.

We are pioneering the discovery and development of multivalent drugs, a new class of small molecule drugs that we believe have the potential to treat a broad range of diseases. We have developed a proprietary, interdisciplinary approach that combines biology and chemistry to efficiently discover multivalent drugs. We believe that we are the leader in multivalent technology. We have assembled a world-class scientific team from the pharmaceutical and biotechnology industries to assist us in discovering important new drugs.

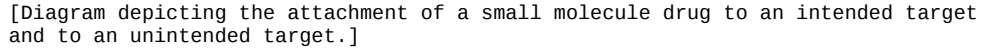
CONVENTIONAL SMALL MOLECULE DRUG DISCOVERY

Most drugs are small molecules. In 1999, 47 of the top 50 selling drug products were small molecules, with total annual worldwide sales of approximately $69 billion. Small molecule drugs work by attaching to biological targets at matching binding sites. Biological targets generally fall into one of three types: enzymes, receptors and ion channels. Enzymes promote biochemical reactions, while receptors and ion channels regulate biological responses and cellular communication. A binding site is a specific region on a biological target into which a drug is designed to fit, analogous to a key fitting into a lock.

The initial step in designing a drug to treat a specific disease is to identify a biological target that plays a role in the disease process. Scientists have identified several hundred targets for which drugs have been proven effective. We expect that advances in biomedical research will add significantly to this number. Once scientists have identified a target, they can attempt to treat the disease by creating a drug that is safe and interacts with this target effectively.

Safety and efficacy considerations are addressed by creating a drug that is well matched to the binding site on its intended target, allowing it to bind tightly and precisely. Tight binding between a drug and its binding site permits more effective and longer interaction between the drug and the target, resulting in greater potency and duration of action. The more precise the fit between the drug and the binding site on its intended target, the better the drug can discriminate between its intended target and similar binding sites on unintended targets. A precise fit can therefore minimize undesired and possibly toxic side effects. The physical properties of a drug, such as charge and solubility, also affect how it can be administered into the body, how it distributes within the body and how readily it is cleared from the body.

[LOGO]



It is difficult to create a superior drug because optimizing a structure often requires accepting a compromise among potency, duration of action and safety.

POTENCY. Potency is a measure of a drug's ability to exert its desired therapeutic effect. Sub-optimal binding strength between a drug and its intended target limits the potency of many existing drugs. For example, many drug-resistant bacteria have targets that are not tightly bound by existing antibiotics. As a result, these drugs lack sufficient potency to effectively treat infections caused by these organisms.

DURATION OF ACTION. Duration of action is a measure of the length of time a drug exerts its therapeutic effect. The duration of action of many existing drugs is limited by sub-optimal binding strength between the drugs and their intended targets. For example, current local anesthetics used for the treatment of post-operative pain provide insufficient duration of action, resulting in substantial post-operative discomfort.

SAFETY. Safety is a measure of the number and severity of side effects produced by a drug. Side effects are often the result of a drug binding to unintended targets. For example, current drugs for the treatment of urinary incontinence do not effectively discriminate between intended and unintended targets, and therefore produce side effects such as severe dry mouth, constipation and blurred vision.

Pharmaceutical companies seek to create superior drugs by improving upon existing drugs or by identifying new classes of drugs. Conventional drug discovery involves systematic trial and error that includes making incremental atom-by-atom changes to find the best fit between a drug and a

single binding site. This process is expensive and time-consuming, with an average cost from discovery through development of approximately $500 million.

THE ADVANCED MEDICINE ADVANTAGE

We are pioneering the discovery and development of multivalent drugs, a new class of small molecule drugs that we believe have the potential to treat a broad range of diseases. A multivalent drug simultaneously attaches to a biological target at multiple sites, unlike a conventional drug that attaches to only one site. We have shown that simultaneously attaching to multiple sites on a target can multiply the binding strength and selectivity of a drug, thereby significantly improving one or more of its key therapeutic properties, such as potency, duration of action or safety. We have developed a proprietary, interdisciplinary approach that combines biology and chemistry to efficiently discover multivalent drugs. We believe that we are the leader in multivalent technology. We have assembled a world-class scientific team from the pharmaceutical and biotechnology industries to assist us in discovering important new drugs.

We are initially applying our technology to discover and develop multivalent drug candidates in substantial markets where current drugs fail to fully address medical needs due to limitations in potency, duration of action, or safety. We have focused on several disease categories in a broad range of markets where we believe our technology will provide a competitive advantage. These markets currently include post-operative pain, neuropathic pain, asthma, bacterial infection and urinary incontinence. In less than 30 months, our approach has yielded multivalent lead compounds in programs related to these five markets. In animal models that we believe are predictive of activity in humans, our multivalent lead compounds have demonstrated substantial improvements in potency, duration of action, or safety when compared to leading conventional drugs. One compound in our post-operative pain program has been advanced to pre-clinical testing. In addition, we have initiated exploratory research efforts into other significant therapeutic areas.

We expect that a variety of important new drug targets for diseases such as cancer, chronic inflammation, and central nervous system disorders will emerge from biomedical research. We expect that the majority of these targets will be enzymes, receptors, and ion channels, target types for which we have already demonstrated the advantages of multivalency. We therefore believe that our multivalent drug discovery technology will allow us to produce drug candidates for some of these new targets. We plan to pursue some of these opportunities in collaboration with partners.

OUR STRATEGY

Our objective is to discover, develop and commercialize important new drugs. To discover new drug compounds, the pharmaceutical industry expends significant effort and resources to make new compounds for proven targets as well for new targets that come from biomedical research. Improving existing drugs for proven targets continues to be a successful strategy; seven of the top ten selling drug products in 1999 were significant improvements to existing drugs that failed to fully address medical needs. In addition, we believe that the many new targets that emerge from biomedical research and the exploration of the human genome will represent a significant opportunity to create new drugs. We intend to apply our technology to both proven and emerging targets, initially focusing on targets for which there are existing drugs that fail to fully address medical needs. To achieve our objective, we intend to:

DISCOVER AND DEVELOP DRUG CANDIDATES FOR PROVEN TARGETS IN LARGE MARKETS

We are initially concentrating our efforts on discovering and developing drug candidates for proven targets. We are focused on opportunities where:

- existing drugs, although proven effective against a biological target, do not fully address medical needs relating to potency, duration of action or safety;

- we believe our multivalent technology can be applied to create superior drug candidates that satisfy these unmet medical needs;

- there are well-established and predictive animal models for pre-clinical testing that we believe will improve the probability of success in human clinical trials; and

- there is a large market.

Consistent with these criteria, we are currently focusing on the following areas:

- pain management, a market with approximately $17.0 billion in 1999 worldwide drug sales;

- bacterial infection, a market with approximately $24.7 billion in 1999 worldwide drug sales;

- asthma, a market with approximately $8.9 billion in 1999 worldwide drug sales; and

- urinary incontinence, a market with approximately $0.7 billion in 1999 worldwide drug sales.

In addition, we have initiated exploratory efforts into other significant therapeutic areas.

RETAIN SIGNIFICANT COMMERCIAL RIGHTS TO MULTIVALENT DRUGS FOR PROVEN TARGETS

In countries and medical markets where we can reach the market with a modest sales organization, we intend to retain the rights to commercialize our multivalent drugs developed against proven targets. We also intend to commercialize hospital-based products in the United States and possibly in Europe. In addition, we plan to enter into strategic alliances to commercialize products in therapeutic markets that require greater sales efforts and in countries where we may not be able to reach the market on our own, such as Japan.

COLLABORATE WITH PARTNERS TO DISCOVER AND DEVELOP DRUG CANDIDATES FOR NEW TARGETS

We expect many new biological targets to emerge from advances in biomedical research and the exploration of the human genome. We expect that the majority of these targets will be enzymes, receptors and ion channels, target types for which we have already demonstrated the advantages of multivalency. We therefore believe that our multivalent technology will be applicable to many of these targets. We plan to enter into strategic alliances to pursue some of these opportunities because they will require substantially more time and resources than our current projects directed toward proven targets.

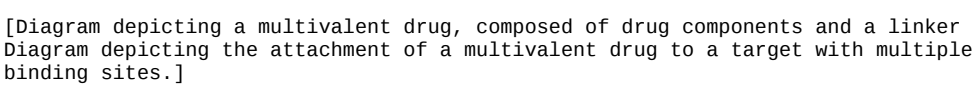
CONTINUE TO ENHANCE OUR TECHNOLOGY PLATFORM

We will continue to invest significantly in multivalent and other related technologies to maintain our leadership position. We may license or acquire technologies that complement our core capabilities. We intend to vigorously protect and build on our existing intellectual property portfolio. In addition, we intend to augment our scientific and clinical expertise by hiring and working with leading scientists in academia and the pharmaceutical and biotechnology industries.

OUR TECHNOLOGY

Multivalency refers to a single molecule simultaneously binding to multiple sites on a target. Multivalency can multiply both the strength and the selectivity of individual binding interactions. When applied to the interactions between drugs and biological targets, multivalency provides the basis for a novel approach to drug discovery. Multivalent drugs consist of multiple individual small molecule drug components joined by chemical linkers.

[LOGO]


[Diagram depicting a multivalent drug, composed of drug components and a linker Diagram depicting the attachment of a multivalent drug to a target with multiple binding sites.]

Our multivalent drug technology is based on an integration of the following biological and chemical insights:

- many biological targets have multiple binding sites;
- molecules that simultaneously attach to multiple binding sites can do so with considerably greater strength and selectivity than molecules that attach to only one binding site; and
- greater strength and selectivity in binding provides the basis for superior therapeutic effects, including enhanced potency, increased duration of action or improved safety.

MANY BIOLOGICAL TARGETS HAVE MULTIPLE BINDING SITES

The existence, location and orientation of multiple binding sites on a target can be

- visualized through structural methods such as x-ray crystallography and molecular modeling;
- indicated by biochemical experiments using unlinked compounds; or

- inferred from gene sequencing information.

Application of these methods has provided clear evidence for the existence of multiple binding sites on the major types of biological targets.

MULTIVALENT DRUGS MAY BE DESIGNED FOR THESE BIOLOGICAL TARGETS

Our approach takes advantage of the increased binding strength and selectivity that comes from simultaneous interactions at multiple binding sites. Our technology platform enables us to optimize these interactions by varying a unique series of multivalent drug design characteristics, including the individual drug molecule components, linker attachment points on these components, linker length, geometry and physical properties.

DRUG MOLECULE COMPONENTS. We may choose identical or different drug molecule components depending upon the nature of the multiple binding sites on the target. Our choice of the individual components is guided by the extensive efforts that have gone into the discovery and optimization of conventional drugs that attach at single binding sites.

POSITIONS OF ATTACHMENT. The position where a linker is attached to an individual drug component determines that component's orientation relative to its intended binding site. We use target structural information and information about the effects of structural modifications on the activity of drug components to choose the points at which to attach linkers to the drug molecule components.

LINKER LENGTH AND GEOMETRY. The spatial relationships between multiple binding sites on a target determine the linker lengths and angles that allow for multivalent binding. Therefore, the relative geometry in which the multiple drug components are displayed upon a linker is a key factor in determining the quality of multivalent binding. We use target structure information to guide our selection of linker length and geometry. We vary linker lengths and angles in order to optimize the fit between the multivalent compounds and their intended targets.

LINKER PHYSICAL PROPERTIES. The physical properties of linkers, such as their charge or solubility, provide another means for influencing multivalent binding interactions. Linker physical properties can also impact key drug properties such as absorption, distribution, metabolism and excretion.

MULTIVALENT DRUGS MAY HAVE ENHANCED THERAPEUTIC PROPERTIES

The pronounced increases in binding strength and selectivity that we have observed with multivalent interactions are typically greater than increases achieved through incremental atom-by-atom modifications of drugs that attach to single binding sites. Our studies to date indicate that these significant increases in binding strength and selectivity may translate into enhanced therapeutic effects by improving potency, duration of action or safety.

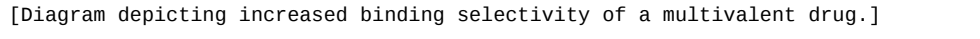
[LOGO]

[Diagram comparing the multivalent drug discovery process with the conventional drug discovery process.]

STRENGTH OF BINDING. A drug's potency and duration of action are influenced by the strength of its attachment to its target. Often, a drug's fit with its target is not tight enough to achieve optimal potency and duration. Because the attachment of one component of a multivalent drug facilitates and synergistically improves the attachment of the other components, multivalent drugs can bind more tightly than drugs that are able to attach to only one binding site.

SELECTIVITY OF BINDING. A drug's safety profile depends upon its ability to discriminate among biological targets. Often, a drug will attach to a binding site on an unintended biological target that is similar to that of the intended target, thereby exerting undesired and potentially toxic side effects. Unlike conventional drugs, multivalent compounds can distinguish among biological targets on the basis of differences in the spatial relationships of their multiple binding sites. We believe this provides a unique advantage for discovering more selective drug candidates.

[LOGO]



INTEGRATED DRUG DISCOVERY AND DEVELOPMENT PLATFORM

We have established an interdisciplinary approach to drug discovery and development that involves a unique combination of biology and chemistry. We use our insight into biological structures to systematically identify and evaluate targets with multiple binding sites. We combine this insight with our capabilities in multivalent chemical design and synthesis to create novel small molecules that can attach to multiple binding sites. Once we are able to produce multivalent lead compounds that are comparable or superior to the best compounds made by conventional methods and we believe that we can substantially improve upon them, we use our expertise in medicinal chemistry, analytical chemistry, biochemistry and pharmacology to refine these lead compounds into drug candidates. This interdisciplinary approach has yielded multivalent lead compounds in five programs. One compound in our post-operative pain program has been advanced to pre-clinical testing. Our drug discovery process involves the following four steps:

TARGET IDENTIFICATION AND PROJECT SELECTION

Consistent with our strategy, we identify large markets where current therapies fail to fully address medical needs. To best evaluate these opportunities, we supplement our internal expertise with that of external scientific and research and development advisory boards that include leading scientists, clinicians and pharmaceutical executives. Using our knowledge and perspective of structural biology, we analyze proven targets relevant to unmet medical needs to determine which targets have multiple binding sites. Among these targets, we further evaluate whether the

application of multivalent technology can be expected to lead to improved therapeutic benefit. We prioritize these targets to focus our discovery efforts where we believe we can create multivalent drugs that are the best drugs in their therapeutic classes. We then identify the critical limitations we must overcome and the animal models that will allow us to determine our probability for success.

We also believe we can apply our multivalent technology to the discovery of drug candidates for new targets that emerge from advances in biomedical research and exploration of the human genome. We expect that the majority of these new targets will be enzymes, receptors and ion channels. We have demonstrated the benefits of multivalency when applied to these target types.

MULTIVALENT CHEMICAL DESIGN AND SYNTHESIS

Once we have identified a target that meets our selection criteria and have chosen it for exploratory research, we design and create ordered libraries of multivalent compounds, known as arrays. The goal of array design and synthesis is to generate lead compounds for optimization. We use advanced techniques to create these arrays, including combinatorial chemistry, parallel synthesis and high throughput purification and analysis. In these arrays, we systematically vary the distinctive characteristics of the multivalent compounds, including the individual drug molecule components, linker attachment points on these components, and linker length, geometry and physical properties.

LEAD IDENTIFICATION AND OPTIMIZATION

We identify lead compounds from arrays of multivalent compounds by performing a series of biochemical and pharmacological tests known as screens. We design high throughput screens that are specific to each target and from which results can be obtained rapidly and reproduced consistently.

We test our multivalent compounds in cell-free assays to study their binding to the desired target in isolation. From these results, we are able to identify which compounds bind most tightly to their intended targets. In whole-cell assays, we analyze the activity of our multivalent compounds in a representative cellular environment. Whole-cell assays test a compound's effectiveness, cellular toxicity and ability to penetrate the cell.

We use pharmacological screens in animal models to predict the activity of our multivalent compounds in the human body. These screens test potency, duration of action and safety, as well as other important drug properties such as absorption, distribution, metabolism and excretion.

Multivalent compounds that exhibit activities comparable or superior to the best current drugs are advanced to the next stage as lead compounds. To date, we have identified lead compounds in five programs.

Once a lead compound has been identified, we focus on making further improvements in the strength and selectivity of its binding to its intended target. This is achieved by systematically altering the lead compound's characteristics in smaller increments and conducting more refined biological and pharmacological assays. We focus on achieving potency, duration of action or safety profiles in animal models that we believe are predictive of superior therapeutic profiles in human patients. We also concentrate on pharmacological properties that are predictive of convenience of use, such as oral delivery or once-daily dosing.

DRUG CANDIDATE SELECTION AND DEVELOPMENT

We conclude the lead identification and optimization process with the selection of a drug candidate to be advanced to pre-clinical testing. A candidate must display a clear potential to be the best drug in its therapeutic class. Furthermore, we only advance compounds that have well

understood, acceptable safety profiles in animal toxicology models. The selection of drug candidates is made by our internal management team in conjunction with our research and development board. Our lead optimization efforts have yielded a drug candidate for post-operative pain, AMI-3817, that has entered pre-clinical testing.

We have assembled a team of internal and external experts in drug development and marketing. This team prepares detailed development plans for our lead compounds and establishes rigorous target profiles for the selection of drug candidates. This team may also initiate early development activities on lead compounds based on the likelihood that these activities might significantly accelerate or improve the drug development process. These activities may include early pre-clinical safety studies, formulation activities, early manufacturing and market and competitive research.

Once we select a drug candidate for development, we plan and manage drug manufacturing and formulation, pre-clinical safety studies and clinical trials. We possess expertise in pharmaceutical research and development, safety/toxicology, project management and clinical trial design. We have qualified a group of contract research organizations with expertise in our therapeutic areas of interest. These contract research organizations provide us with bulk manufacturing, formulation services and conduct our pre-clinical testing and will conduct clinical trials.

OUR DRUG DISCOVERY AND DEVELOPMENT PROGRAMS

We have applied our multivalent technology in programs spanning a range of target types and therapeutic areas. We have shown in predictive animal models substantial increases in potency and duration of action for enzyme, receptor and ion channel targets, and increases in selectivity for receptor targets. We currently have one drug candidate for the management of post-operative pain in pre-clinical testing and lead compounds in four additional programs. In addition, we have initiated exploratory efforts in other therapeutic areas.

The following table summarizes information relating to our drug discovery and development programs. As used in the table, the term "pre-clinical testing" refers to pharmacology and toxicology testing in animal models required to gather data necessary to comply with applicable regulatory protocols prior to submission of an Investigational New Drug application to the FDA. The

term "lead identification and optimization" refers to the stage in which we are identifying and refining multivalent lead compounds from arrays through biochemical and pharmacological screens.

PROGRAM	STATUS	KEY ACHIEVEMENTS
PAIN MANAGEMENT		
Post-operative pain	Pre-clinical Testing	- Discovered compounds with increased duration of action in predictive animal models - Advanced AMI-3817 to pre-clinical testing
Neuropathic pain	Lead Identification and Optimization	- Discovered compounds that are potent against a proven neuropathic pain target - Demonstrated activity, oral availability and ability to penetrate the central nervous system in predictive animal models
ASTHMA	Lead Identification and Optimization	- Discovered compounds that are potent and selective against a proven asthma target - Demonstrated extended duration of action in a predictive animal model
BACTERIAL INFECTION	Lead Identification and Optimization	- Discovered compounds that rapidly kill certain drug-resistant bacteria and are active in predictive animal models of drug-resistant infection
URINARY INCONTINENCE	Lead Identification and Optimization	- Discovered compounds that are potent against a proven urinary incontinence target - Demonstrated increased potency while minimizing known side effects in predictive animal models

PAIN MANAGEMENT

POST-OPERATIVE PAIN. Local anesthetics are widely used during surgical procedures, both to anesthetize incisions as well as to provide post-operative pain relief. According to the Centers for Disease Control and Prevention, there are approximately 50 million operations performed in the United States annually. A large number of these involve the use of local anesthetics. Current local anesthetics provide insufficient duration of action, resulting in substantial post-operative discomfort.

We are developing AMI-3817, a novel multivalent local anesthetic. Animal models indicate that AMI-3817 has a duration of action of approximately 24 hours. If our results are reproduced in humans, AMI-3817 would represent a breakthrough relative to the longest-acting local anesthetic currently available, bupivacaine, which generally provides four to six hours of post-operative pain relief. Our data in relevant animal models also indicate that AMI-3817 is at least as safe as bupivacaine. Pre-clinical testing of AMI-3817 to enable the filing of an Investigational New Drug application is underway.

NEUROPATHIC PAIN. Neuropathic pain is a chronic condition resulting from nerve damage. Current therapies typically provide only partial pain relief and produce side effects, including dizziness, constipation, sedation and, potentially, respiratory depression.

Our goal is to produce a drug that is a significant advance in safely alleviating neuropathic pain. Using biochemical assays, we have identified a series of lead compounds that have demonstrated potency against a proven target for neuropathic pain. In predictive animal models, our lead compounds have demonstrated activity against neuropathic pain, oral availability or the ability to penetrate the central nervous system.

ASTHMA

Asthma is a disease characterized by episodic constriction of the bronchial airways. It is one of the most prevalent chronic conditions, affecting more than 14 million people in the United States alone. Current treatment options consist primarily of inhaled therapies that typically require multiple dosing regimens, generally two to four times per day, and have significant side effects.

Our goal is to produce a drug to control asthma that is long-acting and safe. Using biochemical assays, we have identified potent and selective compounds for a proven asthma target. We have demonstrated extended duration of action in a predictive animal model.

BACTERIAL INFECTIONS

Despite the variety of antibiotics currently available, bacterial infections are a significant and growing medical problem. According to statistics from the Centers for Disease Control and Prevention, an estimated two million patients develop hospital-acquired bacterial infections in the United States each year, resulting in approximately 90,000 deaths. The need for more effective drugs is particularly acute because many bacterial strains, including some staphylococci, have become resistant to current drugs. As staphylococci can be particularly virulent and rapid-growing, there is a need for an antibiotic that is capable of not only killing these organisms but doing so rapidly.

Our objective is to produce a drug that rapidly kills drug-resistant bacteria. Using biochemical assays, we have discovered potent lead compounds that rapidly kill disease-causing bacteria, including certain drug-resistant strains. In predictive animal models of drug-resistant infections, these compounds exhibit activity superior to that of existing leading antibiotics.

URINARY INCONTINENCE

Urinary incontinence is characterized by the involuntary discharge of urine from the bladder. According to the Agency for Health Care Policy and Research, 13 million Americans suffer from urinary incontinence. Current therapies for the treatment of urinary incontinence lack selectivity for the bladder and produce side effects such as severe dry mouth, constipation and blurred vision.

Our goal is to produce a drug that controls urinary incontinence without causing significant side effects. Using biochemical assays, we have identified potent compounds for a proven incontinence target. In predictive animal models, one of these compounds demonstrates potency with reduced side effects when compared to existing drugs.

GOVERNMENT REGULATION

The development and commercialization of our drug candidates and our ongoing research will be subject to extensive regulation by governmental authorities in the United States and abroad. Before marketing in the United States, any drug we develop must undergo rigorous pre-clinical testing and clinical trials and an extensive regulatory clearance process implemented by the FDA under the federal Food, Drug and Cosmetic Act. Outside the United States, our ability to market a product depends upon receiving a marketing authorization from the appropriate regulatory authorities. The requirements governing the conduct of clinical trials, marketing authorization, pricing and reimbursement vary widely from country to country. In any country, however, we will only be permitted to commercialize our drugs if the appropriate regulatory authority is satisfied that we have presented adequate evidence of the safety, quality and efficacy of our drugs.

Before commencing clinical trials in humans in the United States, we must submit to, and receive approval from, the FDA for an Investigational New Drug application. The application is required to include the results of pre-clinical testing. Clinical trials are usually carried out in three phases and must be conducted under FDA oversight. Before receiving FDA clearance to market a product, we must demonstrate that the product is safe and effective on the patient population. If we obtain regulatory clearance of a product, this clearance will be limited to those disease states and conditions for which the product is effective, as demonstrated through clinical trials. Even if this regulatory clearance is obtained, a marketed product, its manufacturer and its manufacturing facilities are subject to continual review and periodic inspections by the FDA. Discovery of previously unknown problems with a product, manufacturer or facility may result in restrictions on the product or manufacturer, including costly recalls or withdrawal of the product from the market.

CORPORATE COLLABORATIONS

We have retained the rights to all of our compounds, with the exception of some compounds acquired in connection with our acquisition of the net assets of Incara Research Laboratories. We intend to continue to invest our own funds to retain rights to significant product opportunities that we plan to commercialize ourselves. However, in the future we may pursue strategic collaborations to leverage the sales organizations of third parties in product markets we will be unable to effectively reach with a modest sales force. We may also enter into collaborations in countries where our potential products will need additional sales support, such as Japan. In addition, we plan to pursue strategic collaborations to develop and commercialize drugs for targets emerging from biomedical research.

COMPETITION

Our research and development efforts are at an early stage. As the principles of multivalent drug design become more widely known and appreciated based on patent publications, scientific publications and regulatory filings, we expect the field to become highly competitive.

Pharmaceutical companies, biotechnology companies and academic and research institutions may seek to develop drug candidates based upon the principles underlying our multivalent technologies.

In addition, any drug candidate that we successfully develop may compete with existing drugs that have long histories of safe and effective use and new therapeutic agents.

Many of our potential competitors have substantially greater financial, technical and personnel resources than we do. In addition, many of these competitors have significantly greater drug commercialization experience than we do.

Our ability to compete successfully will depend, in part, on our ability to:

- discover and develop products that are superior to other products in the market;

- attract qualified scientific and product development personnel;

- obtain patent or other proprietary protection for our products and technologies;

- obtain required regulatory approvals; and

- successfully manufacture, market and sell any product that we develop.

PATENTS AND PROPRIETARY RIGHTS

We will be able to protect our technology from unauthorized use by third parties only to the extent that our technology is covered by valid and enforceable patents or is effectively maintained as trade secrets. Our commercial success will depend in part on obtaining this patent protection. Accordingly, patents and other proprietary rights are essential elements of our business. Our policy is to seek United States and international patent protection for novel technologies and compositions of matter that are commercially important to the development of our business. We also seek protection through confidentiality and proprietary information agreements. We are a party to various license agreements that give us rights to compounds and technologies for use in our research and development processes. In connection with our acquisition of Incara Research Laboratories, we assumed a license agreement under which Incara exclusively licensed to Merck & Co., Inc. rights to certain anti-infective compounds discovered in a research program that terminated in 1999. As a result of our assumption of this agreement, we are entitled to receive certain royalties if Merck commercializes products arising out of this research program.

As of March 1, 2000, we had filed 85 patent applications in the United States. We have also filed 48 Patent Cooperation Treaty applications which permit us to pursue patents outside of the United States. These applications include claims covering compositions of matter, including our potential drug candidates, methods of use, pharmaceutical formulations, and processes for making compounds along with methods of design, synthesis, selection and use relevant to multivalent drugs in general and to our research and development programs in particular.

EMPLOYEES

As of December 31, 1999, we had 176 full-time employees, 49 of whom hold Ph.D. or M.D. degrees and 148 of whom were primarily engaged in research activities. None of our employees are represented by a labor union. We have not experienced any work stoppages and consider our employee relations to be good.

ADVISORY BOARDS

We have assembled a core team of scientific advisors and consultants who assist in evaluating our development approach and focusing our research strategy and direction.

SCIENTIFIC ADVISORY BOARD

Our scientific advisors include researchers in the basic and clinical sciences in areas related to our technologies and therapeutic programs. Current members of our scientific advisory board include:

- GEORGE WHITESIDES, SCIENTIFIC ADVISORY BOARD CHAIRMAN

  Mallinckrodt Professor of Chemistry, Harvard University

- JOSEPH BONVENTRE

  Robert H. Ebert Professor of Molecular Medicine, Harvard University Medical School

- GERALD CRABTREE

  Professor of Pathology & Developmental Biology, Investigator, Howard Hughes Medical Institute, Stanford University

- DANIEL KAHNE

  Professor of Chemistry, Princeton University

- ARNOLD LEVINE

  President, The Rockefeller University

- STUART SCHREIBER

  Professor of Chemistry & Chemical Biology and Molecular & Cellular Biology, Harvard University

- THOMAS WANDLESS

  Assistant Professor of Chemistry, Stanford University

RESEARCH AND DEVELOPMENT BOARD

A research and development board, consisting of current and former industry leaders, reviews all of our potential drug candidates. Current members of our research and development board include:

- P. ROY VAGELOS, RESEARCH AND DEVELOPMENT BOARD CHAIRMAN

  Retired Chairman and Chief Executive Officer, Merck & Co., Inc.

- DEL BOKELMAN

  Retired Vice President, Safety Assessment, Merck Research Laboratories

- PAUL FRIEDMAN

  President, DuPont Pharmaceuticals Research Laboratories

- SEEMON PINES

  Retired Vice President, Process Research & Development, Merck & Co., Inc.

- LEON ROSENBERG

  Retired President of Research & Development, Bristol-Myers Squibb Company

- REYNOLD SPECTOR

  Retired Executive Vice President Clinical Sciences, Merck & Co., Inc.

FACILITIES

Our headquarters are currently located in a facility in South San Francisco, California, consisting of approximately 110,000 square feet under a lease that will expire on March 31, 2012, This lease may be extended for two additional five-year periods. The current annual rental expense under this lease is approximately $1.9 million, subject to annual increases beginning in the year 2001. We also have an option to lease an additional 40,000 square feet in a second building which would be constructed adjacent to our facility in South San Francisco. In addition, we also maintain a facility in Cranbury, New Jersey, consisting of approximately 31,000 square feet under a lease that will expire in May 2007. The current annual rental expense under this lease is approximately $824,000. We believe that we will require additional space as our business expands.

LEGAL PROCEEDINGS

We are not a party to any material legal proceedings. However, we may become involved in litigation from time to time in the ordinary course of our business.

The following table sets forth our executive officers, directors and key employees, their ages and the positions they held as of March 1, 2000.

NAME	AGE	POSITION
EXECUTIVE OFFICERS AND DIRECTORS		
James B. Tananbaum, M.D.	36	President, Chief Executive Officer, Director
Burton G. Christensen, Ph.D.	69	Senior Vice President, Research
Marty Glick	50	Senior Vice President, Finance and Chief Financial Officer
Ted W. Love, M.D.	40	Senior Vice President, Development
Bradford J. Shafer	39	Senior Vice President, General Counsel and Secretary
P. Roy Vagelos, M.D. (1)(2)	70	Chairman of the Board of Directors
Julian C. Baker (1)(2)	33	Director
Jeffrey M. Drazan (1)(2)	41	Director
Robert V. Gunderson, Jr. (1)	48	Director
Arnold J. Levine, Ph.D.	60	Director
Wesley D. Sterman, M.D.(2)	39	Director
George M. Whitesides, Ph.D. (1)	60	Director
KEY EMPLOYEES		
David E. Boone	56	Vice President and Chief Patent Counsel
John H. Griffin, Ph.D.	38	Vice President and Chief Scientific Officer
A. Gregory Sturmer	37	Vice President, Finance

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(1) Member of Compensation Committee.

(2) Member of Audit Committee.

EXECUTIVE OFFICERS AND DIRECTORS

JAMES B. TANANBAUM, M.D., co-founded Advanced Medicine in 1996 and has served as our President and Chief Executive Officer and a director since our inception. From 1994 to 1996, he was a partner of Sierra Ventures, a private venture capital firm.

Earlier in his career, Dr. Tananbaum held a variety of line operating management positions at Merck & Co., Inc. In 1991, Dr. Tananbaum founded GelTex Pharmaceuticals. While at Sierra Ventures, Dr. Tananbaum was also a founding investor and member of the board of directors of Intensiva Healthcare, Novamed Eyecare Management, and a founding investor in Healtheon.

Dr. Tananbaum is the Vice-Chairman of the Harvard Medical School Advisory Council for Cell Biology and Pathology, a founding member of the Harvard/MIT Health Sciences and Technology Advisory Group and a member of the board of directors of the California Healthcare Institute. He is also a member of the Young Presidents' Organization. Dr. Tananbaum holds an M.D. degree from Harvard Medical School, an M.B.A. degree from Harvard Business School and B.S.E.E. and B.S. degrees from Yale University.

BURTON G. CHRISTENSEN, Ph.D., co-founded Advanced Medicine in 1996 and has served as our Senior Vice President, Research since 1998. From 1992 until 1998, he served as a consultant to a number of pharmaceutical and biotechology companies. Dr. Christensen was employed by Merck

Research Laboratories, where he held various positions from 1956 until 1992, when he retired as a Senior Vice President.

Dr. Christensen is a member of the American Chemical Society and the American Institute of Chemists and a fellow in the American Association for the Advancement of Science. Among his honors are the sixth Cecil L. Brown lectureship, the Thomas Alva Edison Patent Award, the Merck Directors Scientific Award and the Chemical Pioneer Award. Dr. Christensen holds a Ph.D. and an A.M. degree in Chemistry from Harvard University and a B.S. degree in Chemistry from Iowa State University.

MARTY GLICK has been our Senior Vice President, Finance and Chief Financial Officer, since 1998. From 1987 to 1997 he was employed with Genentech, Inc., most recently as a Vice President of Finance. He earned an M.B.A. in Finance from the Kellogg School of Management at Northwestern University and a B.S.B.A. from Creighton University, where he graduated MAGNA CUM LAUDE. Mr. Glick is also a Certified Public Accountant and a Chartered Accountant (Canada).

Mr. Glick is chair of the Biotechnology Industry Organization's Tax and Finance Committee.

TED W. LOVE, M.D., has been our Senior Vice President, Development since 1998. From 1992 to 1998 he was employed with Genentech, Inc., most recently as Vice President of Product Development and Regulatory.

Dr. Love holds an M.D. degree from Yale Medical School and a B.A. degree in Molecular Biology from Haverford College. He was a Robert Wood Johnson Foundation Scholar from 1988 to 1992 and received the International Thrombosis and Haemostasis Young Investigator Award in 1989. He serves as a Trustee on the Board of Managers of Haverford College.

BRADFORD J. SHAFER, Esq. has been our Senior Vice President, General Counsel and Secretary since August 1999. From 1996 to 1999, he served as General Counsel of Heartport, Inc. From 1993 to 1996, Mr. Shafer was a partner in the Business and Technology Group at the law firm of Brobeck, Phleger & Harrison LLP.

Mr. Shafer holds a J.D. from the University of California, Hastings College of the Law, where he was Editor-in-Chief of THE HASTINGS CONSTITUTIONAL LAW QUARTERLY from 1984 to 1985, and a B.A. MAGNA CUM LAUDE from the University of the Pacific.

P. ROY VAGELOS, M.D., co-founded Advanced Medicine in 1996 and has served as Chairman of our board of directors since inception. He was Chairman of the Board of Trustees of the University of Pennsylvania from 1994 to 1999, and has served as a trustee since 1988. Dr. Vagelos served as Chief Executive Officer of Merck & Co., Inc., from 1985 to 1994, and Chairman of the board of directors of Merck from 1986 until 1994.

Dr. Vagelos received the Enzyme Chemistry Award of the American Chemical Society in 1967. He is a member of the National Academy of Arts and Sciences and the American Philosophical Society. He has received honorary Doctor of Science degrees from Washington University, Brown University, the University of Medicine and Dentistry of New Jersey, New York University, Columbia University, the New Jersey Institute of Technology and Mount Sinai Medical Center; an honorary Doctor of Laws degree from Princeton University; and an honorary Doctor of Humane Letters from Rutgers University. He has received the Thomas Alva Edison Award from the State of New Jersey, the Lawrence A. Wien Prize from Columbia University, and the C. Walter Nichols Award from New York University's Stern School of Business.

Dr. Vagelos is a Director of The Prudential Insurance Company of America, PepsiCo, Inc. and The Estee Lauder Companies, Inc. He is Chairman of the Board of Regeneron Pharmaceuticals, Inc. He is Co-Chairman of the New Jersey Performing Arts Center, a Trustee of The Danforth Foundation and a member of The Business Council.

Dr. Vagelos holds an A.B. degree from the University of Pennsylvania and an M.D. from Columbia University College of Physicians and Surgeons.

JULIAN C. BAKER has served as a director since January 1999. Together with his brother Felix J. Baker, he has managed healthcare investments for the Tisch family since 1994. The Baker brothers and their affiliates also manage other investment funds focused on the life sciences industry. Prior to his partnership with the Tisch family, Mr. Baker was employed by the merchant banking divisions of Credit Suisse First Boston and its affiliates.

Mr. Baker is also a director of Neurogen Corporation, a pharmaceutical company, and several private companies. Mr. Baker holds an A.B MAGNA CUM LAUDE from Harvard University.

JEFFREY M. DRAZAN has served as a director since December 1999. Mr. Drazan has been a General Partner with Sierra Ventures, a private venture capital firm, since 1985. Mr. Drazan currently serves as a Director of Vertel Corporation, as well as several private companies.

Mr. Drazan holds a B.S.E. degree in Engineering from Princeton University and an M.B.A. degree from New York University's Graduate School of Business Administration.

ROBERT V. GUNDERSON, JR., Esq. has served as a director since September 1999. He is a founding partner of the law firm of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, where he has practiced since 1995.

Mr. Gunderson holds a J.D. from the University of Chicago where he was Executive Editor of THE UNIVERSITY OF CHICAGO LAW REVIEW and is currently a member of the Law School's Visiting Committee. Mr. Gunderson also received an M.B.A. in finance from The Wharton School, University of Pennsylvania and an M.A. from Stanford University. Mr. Gunderson is a director of Heartport, Inc., as well as several private companies.

ARNOLD J. LEVINE, Ph.D., has served as a director since inception. He has been President of The Rockefeller University since 1998. He was the Harry C. Wiess Professor in Life Sciences and former Chairman of the Department of Molecular Biology at Princeton University from 1984 until 1996.

Dr. Levine has been a member of the board of directors of Baxter International, Inc., a healthcare life sciences company, since 1994. He is a member of the National Academy of Sciences and has won the Lila Gruber Award from the American Academy of Dermatology, the first Charles Rodolphe Brupbacher Foundation Award from Zurich, Switzerland, the Memorial Sloan-Kettering Katharine Berkan Judd Award, the Josef Steiner Cancer Foundation Prize from Berne, Switzerland and the 17th Annual Bristol-Myers Squibb Award for Distinguished Achievement in Cancer Research. He has received honorary doctorates from the University Pierre and Marie Curie in Paris and the University of Pennsylvania. Most recently he has been elected to The Institute of Medicine of the National Academy of Sciences and has received the Thomas A. Edison Science Award from the State of New Jersey and the Ciba Drew Award in Biomedical Research. Dr. Levine was Editor-in-Chief of the JOURNAL OF VIROLOGY from 1984 to 1994 and is a member of scientific advisory boards of several cancer centers. Dr. Levine holds a B.A. from Harpur College, SUNY at Binghampton and a Ph.D. in Microbiology from the University of Pennsylvania.

WESLEY D. STERMAN, M.D., has served as a director since April 1997. Dr. Sterman co-founded Heartport, Inc., a cardiovascular medical device company, in 1992, and served as its President and Chief Executive Officer until 1998. He previously founded Endovascular Technologies, Inc., a vascular medical device company which is now a division of Guidant Corporation, and served as its President and Chief Executive Officer from 1989 to 1991.

Dr. Sterman earned B.S. degrees with honors in Biology and in Chemistry from Stanford University, an M.B.A. from Stanford University Graduate School of Business, where he was selected

as Arjay Miller Scholar, and an M.D. from Stanford University School of Medicine. He holds a California Medical License. He is currently a director of Heartport, Inc., Healthcentral.com, Inc., and several private companies. He is also a member of the Young President's Organization.

GEORGE M. WHITESIDES, Ph.D., co-founded Advanced Medicine in 1996 and has served as a member of our board of directors since that time. He has been Mallinckrodt Professor of Chemistry at Harvard University since 1986. From 1982 until 1991 he was a member of the Department of Chemistry at Harvard University, and Chairman of the Chemistry Department from 1986 until 1989. He was a faculty member of the Massachusetts Institute of Technology from 1963 until 1982.

Dr. Whitesides was a 1998 recipient of the National Medal of Science. In addition, he was recently awarded the Defense Advanced Research Projects Agency Award for Significant Technical Achievement and the Madison Marshall Award of the American Chemical Society, both in 1996. Among his recent advisory roles are positions with the National Research Council, the National Science Foundation, the Department of Commerce and the Department of Defense. He is a member of the American Academy of Arts and Sciences, the National Academy of Sciences, and the American Philosophical Society, and a fellow of the American Association for the Advancement of Science. He is a member of the editorial boards of 14 scientific journals and a reviewing editor for SCIENCE. Dr. Whitesides holds a Ph.D. in Chemistry from California Institute of Technology and a B.A. from Harvard University.

KEY EMPLOYEES

DAVID E. BOONE, Esq., has been our Vice President and Chief Patent Counsel since January 2000. From March 1999 to December 1999, he was Of Counsel in the Intellectual Property Department at the law firm of Dorsey & Whitney LLP. From 1990 to 1998, Mr. Boone held a variety of positions in the patent department of Eli Lilly and Company, most recently as General Patent Counsel and Deputy General Counsel.

Mr. Boone holds a J.D. from DePaul University, and a Ph.D. in Organic Chemistry and a B.S. in Chemistry from Oklahoma State University.

JOHN H. GRIFFIN, Ph.D., co-founded Advanced Medicine in 1996 and has served as our Chief Scientific Officer since inception. From 1990 to 1997, he was an Assistant Professor of Chemistry at Stanford University.

Dr. Griffin is the recipient of a number of research and teaching awards, including an Arthur C. Cope Scholar Award from the American Chemical Society and the Dean's Award for Distinguished Teaching from Stanford University. He is a member of the American Chemical Society and the American Academy of Arts and Sciences. Dr. Griffin earned a B.S. degree in Chemistry SUMMA CUM LAUDE from Hope College and a Ph.D. degree in Chemistry from the California Institute of Technology.

A. GREGORY STURMER has been our Vice President, Finance since 1998. He was Corporate Controller of Vivus, Inc. from 1995 to 1998, Chief Financial Officer of a Northern California hospital from 1991 to 1995 and a manager with Arthur Andersen, LLP from 1984 to 1991. Mr. Sturmer is a Certified Public Accountant and has an M.B.A. from Pepperdine University and a B.S. SUMMA CUM LAUDE from California State University, Hayward.

ELECTION OF OFFICERS AND DIRECTORS

Our executive officers are elected by our board of directors on an annual basis and serve until their successors are duly elected and qualified. There are no family relationships among any of our executive officers or directors.

All of our current directors were elected under the Amended and Restated Voting Agreement dated January 25, 1999, between us and some of our stockholders. Prior to the completion of this offering, we will increase the size of the board of directors by three members. We will fill two of these seats with directors nominated by current holders of a majority of our Series C Preferred Stock and approved by a majority of our directors.

COMMITTEES OF THE BOARD OF DIRECTORS

Our board of directors has appointed a compensation committee consisting of Messrs. Baker, Drazan, Gunderson, Vagelos and Whitesides. The compensation committee reviews and evaluates the compensation and benefits of all of our officers, reviews general policy matters relating to compensation and benefits and makes recommendations concerning these matters to the board of directors. The compensation committee also administers our equity benefit plans.

Our board of directors has also appointed an audit committee consisting of Messrs. Baker, Drazan, Sterman and Vagelos. The audit committee reviews, with our independent auditors, the scope and timing of the auditors' services, the independent auditors' report on our financial statements following completion of their audit, and our internal accounting and financial control policies and procedures. In addition, the audit committee will make annual recommendations to the board of directors for the appointment of independent auditors for the ensuing year.

DIRECTOR COMPENSATION

Directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the board of directors and for meetings of any committees of the board of directors on which they serve. Directors are also eligible to participate in our 2000 Director Option Plan and our 2000 Equity Incentive Plan. See "--Employee Benefit Plans."

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The current members of our compensation committee of our board of directors are Messrs. Baker, Drazan, Gunderson, Vagelos and Whitesides. No member of our board of directors serves as member of the board of directors or compensation committee of any entity that has one or more officers serving as a member of our board of directors or compensation committee.

EXECUTIVE COMPENSATION

The following table sets forth the compensation earned by James B. Tananbaum, our chief executive officer, and the executive officers during the fiscal year ended December 31, 1999 whose salary and bonus exceeded $100,000 for such fiscal year for services rendered in all capacities to us during the fiscal year ended December 31, 1999:

SUMMARY COMPENSATION TABLE

	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS	
NAME AND PRINCIPAL POSITION	SALARY($)	BONUS($)	SECURITIES UNDERLYING OPTIONS(#)	ALL OTHER COMPENSATION ($)
James B. Tananbaum, PRESIDENT AND CHIEF EXECUTIVE OFFICER	343,031	160,000	--	--
Burton G. Christensen, SENIOR VICE PRESIDENT, RESEARCH	264,440	100,000	--	129,633(1)
Marty Glick, SENIOR VICE PRESIDENT, FINANCE AND CHIEF FINANCIAL OFFICER	245,347	71,051	--	--
Ted W. Love, SENIOR VICE PRESIDENT, DEVELOPMENT	215,558	62,808	--	--

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(1) Consists of reimbursement of housing and transportation expenses.

EMPLOYMENT AGREEMENTS

We have not entered into employment agreements with any of our executive officers.

CHANGE IN CONTROL SEVERANCE ARRANGEMENTS

The compensation committee of the board of directors, as plan administrator of the 2000 Equity Incentive Plan, has the authority to provide for accelerated vesting of the shares of common stock subject to outstanding options under these plans in connection with a change in control of our company. Also, in connection with our adoption of the 2000 Equity Incentive Plan, we have provided that upon a change in control, each outstanding option and all shares of restricted stock will generally not accelerate vesting as long as the surviving corporation assumes the option or award or replaces it with a comparable award. In addition, an assumed option or award will become fully exercisable and fully vested if the holder's employment or service is involuntarily terminated within twenty-four months following a change in control.

Our board of directors has adopted a Change in Control Severance Plan. Under our Change in Control Severance Plan, an employee is entitled to a cash payment equal to 100% of his then current base salary plus target bonus if he is involuntarily terminated within twenty-four months after a change in control. The Chief Executive Officer is entitled to a cash payment equal to 150% of his then current base salary plus target bonus if he is involuntarily terminated within twenty-four months after a change in control. A change in control includes:

- a merger of Advanced Medicine after which our own stockholders own 50% or less of the surviving corporation or its parent company;

- a sale of all or substantially all of our assets;

- a proxy contest that results in the replacement of more than one-half of our directors over a 24-month period; or

- an acquisition of 50% or more of our outstanding stock by any person or group, other than a person related to Advanced Medicine, such as a holding company owned by our stockholders.

EMPLOYEE BENEFIT PLANS

1997 STOCK PLAN AND THE LONG TERM STOCK OPTION PLAN

Our 1997 Stock Plan was adopted by our board of directors and approved by our stockholders in June 1997. This plan provides for the grant of incentive stock options to our employees and nonstatutory stock options to our employees, directors and consultants. As of March 1, 2000, 5,994,000 shares of common stock were reserved for issuance under this plan. Of these shares, 2,571,000 were issued upon exercise of stock options, 2,169,000 shares were subject to outstanding options and 1,254,000 shares were available for future grant.

Our Long Term Stock Option Plan was adopted by our board of directors in June 1998 and approved by our stockholders in August 1998. This plan provides for the grant of incentive stock options to our employees and nonstatutory stock options to our employees, directors and consultants. As of March 1, 2000, 2,265,000 shares of common stock were reserved for issuance under this plan. Of these shares, 2,180,000 shares were issued upon exercise of stock options, and 85,000 shares were subject to outstanding options and no shares were available for future grant.

No further option grants will be made under our 1997 Stock Plan or the Long Term Stock Option Plan after this offering. The options outstanding after this offering under the 1997 Stock Plan and the Long Term Stock Option Plan will continue to be governed by their existing terms, except that our board of directors has elected to extend the change in control acceleration feature of the 2000 Equity Incentive Plan, described below, to awards outstanding under these two plans.

2000 EQUITY INCENTIVE PLAN

Our board of directors adopted our 2000 Equity Incentive Plan on February 26, 2000 to be effective on the effective date of the registration statement of which this prospectus is a part.

SHARE RESERVE. We have reserved a number of shares of our common stock for issuance under our 2000 Equity Incentive Plan equal to the difference between (i) twelve percent of the number of shares of common stock outstanding after this offering and (ii) the shares reserved under the 2000 Director Option Plan. In general, if options or shares awarded under our 2000 Equity Incentive Plan are forfeited, then those options or shares will become available for awards under our 2000 Equity Incentive Plan.

ADMINISTRATION. The compensation committee of our board of directors administers the 2000 Equity Incentive Plan. The committee has the complete discretion to make all decisions relating to our 2000 Equity Incentive Plan. The compensation committee may also reprice outstanding options and modify outstanding awards in other ways.

ELIGIBILITY. Employees, members of our board of directors who are not employees and consultants are eligible to participate in our 2000 Equity Incentive Plan:

TYPES OF AWARD. Our 2000 Equity Incentive Plan provides for the following types of awards:

- incentive and nonstatutory stock options to purchase shares of our common stock;

- restricted shares of our common stock; and

- stock appreciation rights and stock units.

CHANGE IN CONTROL. If a change in control occurs, an option or restricted stock award under our 2000 Equity Incentive Plan will generally not accelerate vesting if the the surviving corporation assumes the option or award or replace it with a comparable award. An option or award will become fully exercisable and fully vested if the holder's employment or service is involuntarily terminated within 24 months following the effective date of the change in control.

AMENDMENTS OR TERMINATION. Our board may amend or terminate the 2000 Equity Incentive Plan at any time. If our board amends the plan, it does not need to ask for stockholder approval of the amendment unless applicable law requires it. The 2000 Equity Incentive Plan will continue in effect indefinitely, unless the board decides to terminate the plan.

2000 DIRECTOR OPTION PLAN

Our board of directors adopted our 2000 Director Option Plan on February 26, 2000.

SHARE RESERVE. We have reserved 500,000 shares of our common stock for issuance under the plan. In general, if options granted under our 2000 Director Option Plan are forfeited, then those options will again become available for grants under the plan.

ADMINISTRATION. The Director Option Plan will be administered by the compensation committee of our board of directors, although all grants under the plan are automatic and non-discretionary.

ELIGIBILITY. Only the non-employee members of our board of directors will be eligible for option grants under the 2000 Director Option Plan.

INITIAL GRANTS. Each non-employee director who first joins our board after the effective date of the 2000 Director Option Plan will receive an initial option for 50,000 shares. The initial grant of this option will occur when the director takes office. The initial options vest in three equal annual installments following the date of grant.

ANNUAL GRANTS. At the time of each of our annual stockholders' meetings, beginning in 2001, each non-employee director who will continue to be a director after that meeting will automatically be granted an option for 10,000 shares of our common stock. However, a new non-employee director who is receiving the initial option will not receive this option in the same calendar year. These options are fully vested on the date of grant.

AMENDMENTS OR TERMINATION. Our board may amend or terminate the 2000 Director Option Plan at any time. If our board amends the plan, it does not need to ask for stockholder approval of the amendment unless applicable law requires it. The 2000 Director Option Plan will continue in effect indefinitely, unless the board decides to terminate the plan.

EMPLOYEE STOCK PURCHASE PLAN

Our board of directors adopted our Employee Stock Purchase Plan on February 26, 2000, to be effective on the effective date of the registration statement of which this prospectus is a part. Our Employee Stock Purchase Plan is intended to qualify under Section 423 of the Internal Revenue Code.

SHARE RESERVE. We have reserved 750,000 shares of our common stock for issuance under the plan. In addition, on January 1 of each year, starting with the year 2001, the number of shares in the reserve will automatically increase by 0.5% of the total number of shares of common stock that are outstanding at that time or, if less, by 500,000 shares.

ADMINISTRATION The compensation committee of our board of directors will administer the plan.

ELIGIBILITY. All of our employees are eligible to participate if we employ them for more than 20 hours per week and for more than five months per year. Eligible employees may begin participating in the Employee Stock Purchase Plan at the start of any offering period.

PURCHASE PRICE. The price of each share of common stock purchased under our Employee Stock Purchase Plan will be 85% of the lower of:

- the fair market value per share of common stock on the date immediately before the first day of the applicable offering period, or

- the fair market value per share of common stock on the purchase date.

In the case of the first offering period, the price per share under the plan will not exceed 85% of the initial price per share to the public in this offering.

LIMITATION OF LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

Upon the closing of this offering, we will adopt and file a new Amended and Restated Certificate of Incorporation and will restate our By-Laws. Our new Amended and Restated Certificate of Incorporation and Amended and Restated By-Laws provide that we will indemnify our directors and officers to the fullest extent permitted by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities reasonably incurred in connection with their service for or on behalf of us. In addition, the new Amended and Restated Certificate of Incorporation provides that our directors will not be personally liable for monetary damages to us for breaches of their fiduciary duty as directors, unless they violated their duty of loyalty to us or our stockholders, acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions or derived an improper personal benefit from their action as directors. We intend to obtain liability insurance which insures our directors and officers against certain losses and which insures us against our obligations to indemnify our directors and officers.

In addition, we have entered into indemnification agreements with each of our directors and officers. These agreements, among other things, require us to indemnify each director and officer to the fullest extent permitted by Delaware law, including indemnification of expenses such as attorneys' fees, judgments, fines and settlement amounts incurred by the director or officer in any action or proceeding, including any action or proceeding by or in right of us, arising out of the person's services as a director or officer. At present, we are not aware of any pending or threatened litigation or proceeding involving any of our directors, officer, employees or agents in which indemnification would be required or permitted. We believe provisions in our new Amended and Restated Certificate of Incorporation and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

TRANSACTIONS WITH AFFILIATES

In April 1997, we entered into a consulting agreement with Dr. George M. Whitesides, one of our directors. Under the agreement, Dr. Whitesides has agreed to provide us with research, consulting, advisory and other technical services in exchange for an annual fee of $50,000. This agreement expires on April 6, 2001. In connection with this agreement, we sold 1,000,000 shares of our common stock to Dr. Whitesides for an aggregate purchase price of $10,000. We are permitted to repurchase these shares at cost from Dr. Whitesides upon his termination of service. Our repurchase right lapses in monthly installments through September 30, 2000. At December 31, 1999 our repurchase right had lapsed with respect to 811,703 of these shares.

In November 1998, we entered into an agreement with Dr. P. Roy Vagelos in connection with his role as chairman of our board of directors. Under the agreement, Dr. Vagelos has agreed to provide half of his time assisting us with strategic management matters. This agreement is at-will and may be terminated by us or Dr. Vagelos at any time. In connection with this agreement, we loaned Dr. Vagelos $400,000 to assist him with the exercise of an option to purchase 800,000 shares of common stock at an exercise price of $0.50 per share. The agreement provides that the

loan is due upon the completion of vesting of the stock options granted to Dr. Vagelos. We are permitted to repurchase these shares at cost from Dr. Vagelos upon his termination of service. This repurchase right lapses in equal monthly increments ending in November 2008. We may accelerate the vesting of Dr. Vagelos' options in the discretion of our board of directors. We have also agreed to assist Dr. Vagelos with the purchase of a residence on the West Coast by providing him with $10,000 per month in housing support upon his request. To date, we have made no payments to Dr. Vagelos under this provision.

During the fiscal year ended December 31, 1999, we retained the services of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, a law firm of which Mr. Gunderson, one of directors, is a founding partner. We expect to continue to retain the services of Gunderson Dettmer in the future.

On October 2, 1998, we loaned James B. Tananbaum, our chief executive officer, $400,000 to exercise an option to purchase 800,000 shares of our common stock at a purchase price of $0.50 per share. We are permitted to repurchase these shares at cost from Dr. Tananbaum if he resigns without cause or is terminated for good reason. This repurchase right lapses in equal monthly increments ending in October 2002. This loan bears no interest and is due September 30, 2005. As of March 1, 2000, the full amount of the loan remained outstanding. The entire amount of this loan will be forgiven at the time of full vesting if Dr. Tananbaum is then an employee.

On December 14, 1998, we loaned Burton G. Christensen, our senior vice president, research, $110,250 to exercise an option to purchase 225,000 shares of our common stock at a purchase price of $0.50 per share. On October 2, 1998 we loaned Dr. Christensen $37,050 to exercise an option to purchase 285,000 shares of our common stock at a purchase price of $0.13 per share. We are permitted to repurchase these shares at cost from Dr. Christensen if he resigns without cause or is terminated for good reason. This repurchase right lapses in equal monthly increments ending in February 2002. These loans bear no interest and are due on May 20, 2007 and January 17, 2002. As of March 1, 2000, the full amount of these loans remained outstanding. The entire amount of these loans will be forgiven at the time of full vesting if Dr. Christensen is then an employee.

On October 2, 1998, we made two loans to Marty Glick, our senior vice president, finance and chief financial officer, for $100,000 each to purchase 400,000 shares of our common stock a purchase price of at $0.50 per share. We are permitted to repurchase these shares at cost from Mr. Glick if he resigns without cause or is terminated for good reason. This repurchase right lapses in equal monthly increments ending in July 2002 and July 2004. These loans bear no interest and are due on June 30, 2002 and June 30, 2007. As of March 1, 2000, the full amount of these loans remained outstanding. The entire amount of these loans will be forgiven at the time of full vesting if Mr. Glick is then an employee.

On October 2, 1998, we made three loans to Ted W. Love, our senior vice president, development, for $74,000, $26,000 and $100,000 to purchase an aggregate of 400,000 shares of our common stock at a purchase price of $0.50 per share. We are permitted to repurchase these shares at cost from Dr. Love if he resigns without cause or is terminated for good reason. This repurchase right lapses in equal monthly increments ending in February 2002 and February 2004. These loans bear no interest and are due February 27, 2007 and February 27, 2002. As of March 1, 2000, the full amount of these loans remained outstanding. The entire amount of these loans will be forgiven at the time of full vesting if Dr. Love is then an employee.

On June 28, 1999, we sold 11,765 shares of our Series C Convertible Preferred Stock to Dr. Wesley D. Sterman, one of our directors, at a purchase price of $8.50 per share.

On March 9, 1999, we sold 28,325 shares of our Series C Convertible Preferred Stock to G&H Partners for a purchase price of $8.50 per share. Mr. Gunderson, one of our directors, is a partner in G&H Partners.

On January 25, 1999, we sold 2,441,176 shares of our Series C Convertible Preferred Stock to Four Partners, L.P. for a purchase price of $8.50 per share. Mr. Baker, one of our directors, is a partner in Four Partners.

On January 25, 1999, we sold 429,412 shares of Series C Convertible Preferred Stock to Sierra Ventures VI, L.P. for a purchase price of $8.50 per share and 41,176 shares of Series C Preferred Stock to Sierra Ventures Associates VI, L.P. for a purchase price of $8.50 per share. Mr. Drazan, one of our directors, is a general partner of SV Associates VI, L.P., the general partner of Sierra Ventures VI, L.P. and Sierra Ventures Associates VI, L.P.

On January 25, 1999 we sold 235,924 shares of our Series C Convertible Preferred Stock to P. Roy Vagelos, chairman of our board of directors, for a purchase price of $8.50 per share.

On October 5, 1999, we sold 10,000 shares of our Series C Convertible Preferred Stock to Bradford J. Shafer for a purchase price of $8.50 per share and 10,000 shares of Series C Preferred Stock to a trust for the benefit of Mr. Shafer's children, for a purchase price of $8.50 per share.

On February 11, 2000, we loaned Bradford J. Shafer, our senior vice president, general counsel, $255,000 to purchase 300,000 shares of our common stock at a purchase price of $0.85 per share. We are permitted to repurchase these shares at cost from Mr. Shafer if he resigns without cause or is terminated for good reason. This repurchase right lapses in equal monthly increments ending in August 2003 and August 2005. These loans bear no interest and are due in August 2003 and August 2005. As of March 1, 2000 the full amount of these loans remained outstanding. The full amount of these loans will be forgiven at the full time of vesting if Mr. Shafer is then an employee.

We believe that all transactions set forth above were made on terms no less favorable to us than would have been obtained from unaffiliated third parties. We have adopted a policy providing that all future transactions between us and any of our officers, directors and affiliates will be on terms no less favorable to us than could be obtained from unaffiliated third parties and will be approved by a majority of the disinterested members of our board of directors.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information known to us regarding beneficial ownership of our common stock as of March 1, 2000 and as adjusted to reflect the sale of the shares of common stock in this offering of and the conversion of all outstanding shares of our convertible preferred stock by:

- each person known by us to be the beneficial owner of more than 5% of our common stock;
- our named executive officers;
- each of our directors; and
- all executive officers and directors as a group.

Unless otherwise indicated, to our knowledge, each stockholder possesses sole voting and investment power over the shares listed, except for shares owned jointly with that person's spouse.

The number of shares of common stock deemed outstanding includes shares issuable upon exercise of options and warrants held by the respective person or group which may be exercised within 60 days after March 1, 2000. For purposes of calculating each person's or group's percentage of beneficial ownership, stock options and warrants exercisable within 60 days after March 1, 2000 are included for that person or group but not the stock options and warrants of any other person or group.

NAME AND ADDRESS OF BENEFICIAL OWNER(1)	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF SHARES BENEFICIALLY OWNED	
		BEFORE OFFERING	AFTER OFFERING
5% STOCKHOLDERS			
Sierra Ventures VI, L.P.(2)	4,450,588	11.4%	
Sierra Ventures Associates VI, L.P.(3)	4,450,588	11.4%	
William H. Gates, III(4)	2,941,175	7.5%	
Baker/Tisch Madison Partners, L.P.(5)	2,376,940	6.1%	
MSD Portfolio L.P. - Investments	2,117,647	5.4%	
EXECUTIVE OFFICERS AND DIRECTORS			
James B. Tananbaum, M.D.(6)	2,600,000	6.7%	
Marty Glick(7)	412,000	1.1%	
Burton G. Christensen, Ph.D(8)	525,000	1.3%	
Ted W. Love, M.D.(9)	400,000	1.0%	
Julian C. Baker(10)	2,441,176	6.3%	
Jeffrey M. Drazan(11)	4,450,588	11.4%	
Robert V. Gunderson, Jr.(12)	141,641	*	
Arnold J. Levine, Ph.D.(13)	110,000	*	
Wesley D. Sterman, M.D.(14)	679,765	1.7%	
George M. Whitesides, Ph.D.(15)	1,213,000	3.1%	
P. Roy Vagelos, M.D.(16)	2,135,294	5.5%	
All executive officers and directors as a group (12 persons)	15,428,464	39.6%	

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* Represents beneficial ownership of less than one percent of our outstanding common stock.

(1) Unless otherwise indicated, the address for each beneficial owner is c/o Advanced Medicine, Inc., 901 Gateway Boulevard, South San Francisco, California 94080.

(2) c/o Sierra Ventures, 3000 Sand Hill Road, Building 4, Suite 210, Menlo Park, California 94025. Includes 389,497 shares held by Sierra Ventures Associates VI, L.P. SV Associates VI, L.P. is the general partner of Sierra Ventures Associates VI, L.P. and Sierra Ventures VI, L.P.

(3) c/o Sierra Ventures, 3000 Sand Hill Road, Building 4, Suite 210, Menlo Park, California 94025. Includes 4,061,091 shares held by Sierra Ventures VI, L.P. SV Associates VI, L.P. is the general partner of Sierra Ventures Associates VI, L.P. and Sierra Ventures VI, L.P.

(4) c/o 2365 Carillon Point, Kirkland, Washington 98033. Includes 1,764,705 shares held by Castle Gate LLC and 1,176,470 shares held by Cascade Investment LLC, each of which are affiliated with Mr. Gates.

(5) c/o 667 Madison Avenue, New York, New York 10021 Mr. Baker, one of our directors, is the managing member of Baker/Tisch Capital, LLC, which is the general partner of Baker/Tisch Madison Partners, LP.

(6) Includes 599,652 shares subject to repurchase by us if Dr. Tananbaum resigns without cause or is terminated for good reason. Also includes 2,000,000 shares held by various trusts of which Dr. Tananbaum is a trustee. Does not include 87,500 shares of common stock subject to a stock option granted to Dr. Tananbaum on March 16, 2000.

(7) Includes 261,111 shares subject to repurchase by us if Mr. Glick resigns without cause or is terminated by us for good reason. Does not include 43,750 shares of common stock subject to an immediately exercisable stock option granted to Mr. Glick on March 16, 2000.

(8) Includes 365,041 shares subject to repurchase by us if Dr. Christensen resigns without cause or is terminated by us for good reason. Does not include 43,750 shares of common stock subject to an immediately exercisable stock option granted to Dr. Christensen on March 16, 2000.

(9) Includes 233,334 shares subject to repurchase by us if Dr. Love resigns without cause or is terminated by us for good reason. Does not include 43,750 shares of common stock subject to an immediately exercisable stock option granted to Dr. Love on March 16, 2000.

(10) Includes 2,376,940 shares held by Baker/Tisch Madison Partners, LP, and 64,236 shares held by FBB Associates. Mr. Baker is the managing member of Baker/Tisch Capital, LLC, which is the general partner of Baker/Tisch Madison Partners, LP. Mr. Baker is a general partner of FBB Associates.

(11) c/o Sierra Ventures, 3000 Sand Hill Road, Building 4, Suite 210, Menlo Park, California 94025. Includes 4,061,091 shares held by Sierra Ventures VI, L.P. and 389,497 shares held by Sierra Ventures Associates VI, L.P. Mr. Drazan, one of our directors, is a general partner of SV Associates VI, L.P. SV Associates VI, L.P. is the general partner of Sierra Ventures VI, L.P. and Sierra Ventures Associates VI, L.P. Mr. Drazan disclaims beneficial ownership of the shares held by Sierra Ventures VI, L.P. and Sierra Ventures Associates VI, L.P.

(12) c/o Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, 155 Constitution Drive, Menlo Park, California 94025. Includes 81,641 shares held by G&H Partners, of which Mr. Gunderson is a general partner. Mr. Gunderson disclaims beneficial ownership of such shares except to the extent of his pecuniary interest in G&H Partners. Also includes 50,000 shares subject to repurchase by us if Mr. Gunderson resigns as a director.

(13) Includes 75,937 shares subject to repurchase by us if Dr. Levine resigns as a director.

(14) Includes 50,000 shares subject to repurchase by us if Dr. Sterman resigns as a director.

(15) Includes 339,257 shares subject to our right to repurchase if Dr. Whitesides ceases providing consulting services other than that of a director to us.

(16) Includes 946,296 shares subject to our right to repurchase if Dr. Vagelos ceases providing services to us. Also includes 180,000 shares of common stock held in trust for the benefit of Dr. Vagelos' grandchildren, of which Dr. Vagelos is a trustee.

DESCRIPTION OF CAPITAL STOCK

We intend to file a new Amended and Restated Certificate of Incorporation upon the closing of this offering. Effective upon the closing of this offering and the filing of our new Amended and Restated Certificate of Incorporation, our authorized capital stock will consist of 190,000,000 shares of common stock, par value $0.01 per share, and 10,000,000 shares of preferred stock, par value $0.01 per share.

Prior to the closing of this offering, and in accordance with our current Restated Certificate of Incorporation, as amended and then in effect, we were authorized to issue up to 100,000,000 shares of common stock, par value $0.01 per share, of which 10,232,000 shares were issued and outstanding as of March 1, 2000 and 40,000,000 shares of preferred stock, par value $0.01 per share, of which 28,802,000 shares were issued and outstanding as of March 1, 2000. Upon the closing of this offering, all outstanding shares of our preferred stock will automatically convert into 28,802,000 shares of common stock.

The following summary description of our capital stock is not intended to be complete and is qualified by reference to the provisions of applicable law and to our new Amended and Restated Certificate of Incorporation and Amended and Restated By-laws, both of which will be in effect at the time of closing of this offering filed as exhibits to the registration statement of which this prospectus is a part.

COMMON STOCK

As of March 1, 2000, there were 10,232,000 shares of common stock outstanding held by stockholders of record. Based upon the number of shares outstanding as of that date and giving effect to the issuance of the shares of common stock offered by us in this offering and the conversion of the outstanding shares of preferred stock, there will be shares of common stock outstanding upon the closing of this offering. In addition, as of March 1, 2000, there were outstanding stock options for the purchase of 2,354,000 shares of common stock and outstanding warrants for the purchase an aggregate of 53,000 shares of preferred stock, which will convert into warrants to purchase shares of common stock on a one to one basis upon closing of this offering.

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Directors are elected by a plurality of the votes of the shares present in person or by proxy at the meeting and entitled to vote in such election. Holders of our common stock are entitled to receive ratably such dividends, if any, as the board of directors may declare out of funds legally available therefor, after provision has been made for any preferential dividend rights of outstanding preferred stock. Upon the liquidation, dissolution or winding up of our affairs, the holders of our common stock are entitled to receive ratably our net assets available after the payment of all our debts and other liabilities, and after the satisfaction of the rights of any of our outstanding preferred stock. Holders of our common stock have no preemptive, subscription, redemption or conversion rights, nor are they entitled to the benefit of any sinking fund. The outstanding shares of our common stock are, and the shares offered by us in this offering will be, when issued and paid for, validly issued, fully paid and non-assessable. The rights, powers, preferences and privileges of holders of our common stock are subordinate to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which our board of directors may designate and issue in the future.

PREFERRED STOCK

Upon closing of this offering, our new Amended and Restated Certificate of Incorporation authorizes 10,000,000 shares, all of which are undesignated.

BLANK CHECK PREFERRED STOCK

Our board of directors will be authorized, without further stockholder approval, to issue from time to time up to an additional 10,000,000 shares of preferred stock in the aggregate, in one or

more series. Each series of preferred stock shall have such number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as shall be determined by the board of directors, which may include, among others, dividend rights, voting rights, redemption and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights.

Our stockholders have granted our board of directors authority to issue the preferred stock and to determine its rights and preferences in order to eliminate delays associated with a stockholder vote on specific issuances. The rights of the holders of common stock will be subordinate to the rights of holders of any preferred stock issued in the future.

DELAWARE LAW AND CERTAIN CHARTER AND BY-LAWS PROVISIONS; ANTI-TAKEOVER EFFECTS

EXCLUSION FROM SECTION 203 OF THE DELAWARE GENERAL CORPORATION LAW

Section 203 of the Delaware General Corporation Law is a business combination statute that generally prohibits an "interested stockholder" (defined generally as a person beneficially owning 15% or more of a corporation's voting stock or an affiliate or associate of such person) from engaging in a "business combination" (defined to include a variety of transactions, including mergers and sales of 10% or more of a corporation's assets) with a Delaware corporation for three years following the time at which this person became an interested stockholder. This prohibition does not apply if:

- the transaction resulting in a person becoming an interested stockholder, or the business combination, is approved by the board of directors of the corporation before the person becomes an interested stockholder;

- the interested stockholder acquired 85% or more of the outstanding voting stock of the corporation in the same transaction that makes it an interested stockholder (excluding shares owned by persons who are both officers and directors of the corporation, and shares held by certain employee stock ownership plans); or

- at or subsequent to the time the person becomes an interested stockholder, the business combination is approved by the corporation's board of directors and by the holders of at least 66 2/3% of the corporation's outstanding voting stock at an annual or special meeting, excluding shares owned by the interested stockholder.

Section 203 permits the board of directors of a corporation to defend against takeover attempts and could act as a deterrent to potential takeover attempts as well. By electing not to be governed by Section 203, the board has concluded that it is in the best interests of the company not to preclude the company from entering into transactions with its large stockholders in the future.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is ChaseMellon Shareholder Services, LLC.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock. Future sales of substantial amounts of our common stock in the public market could adversely affect prevailing market prices from time to time. Furthermore, since only a limited number of shares will be available for sale shortly after this offering because of certain contractual and legal restrictions on resale described below, sales of substantial amounts of our common stock in the public market after the restrictions lapse could adversely affect the prevailing market price and our ability to raise equity capital in the future.

SALES OF RESTRICTED SHARES

Based on shares outstanding on March 1, 2000, upon completion of this offering, we will have outstanding an aggregate of shares of common stock, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options or warrants. Of these shares, the shares sold in this offering (with the exception of up to shares which may be sold to some of our existing stockholders) will be freely tradable without restrictions or further registration under the Securities Act, unless one of our existing affiliates as that term is defined in Rule 144 under the Securities Act purchases such shares.

The remaining shares of our common stock held by existing stockholders are restricted shares or are restricted by the contractual provisions described below. Restricted shares may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144, 144(k) or 701 of the Securities Act, which are summarized below. Of these restricted shares, shares will be available for resale in the public market in reliance on Rule 144(k), all of which shares are restricted by the terms of the lock-up agreements described below. An additional shares will be available for resale in the public market in reliance on Rule 144, all of which shares are restricted by the terms of the lock-up agreements. The remaining shares become eligible for resale in the public market at various dates thereafter, all of which shares are restricted by the terms of the lock-up agreements.

Under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned restricted shares for at least one year and has complied with the requirements described below would be entitled to sell some of its shares within any three-month period. That number of shares cannot exceed the greater of one percent of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering, or the average weekly trading volume of our common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 reporting the sale. Sales under Rule 144 are also restricted by manner of sale provisions, notice requirements and the availability of current public information about our company. Rule 144 also provides that our affiliates who are selling shares of our common stock that are not restricted shares must nonetheless comply with the same restrictions applicable to restricted shares with the exception of the holding period requirement.

Under Rule 144(k), a person who is not deemed to have been one of our affiliates at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least two years is entitled to sell those shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. Accordingly, unless otherwise restricted, these shares may be sold immediately upon the completion of this offering.

OPTIONS

Rule 701 provides that the shares of common stock acquired upon the exercise of currently outstanding options or other rights granted under our equity plans may be resold, to the extent not restricted by the terms of the lock-up agreements, by persons, other than affiliates, beginning 90 days after the date of this prospectus, restricted only by the manner of sale provisions of Rule 144, and by affiliates in accordance with Rule 144, without compliance with its one-year minimum holding period. As of March 1, 2000, shares will be available for resale in the public market in reliance on Rule 701, all of which shares are restricted by the terms of the lock-up agreements. As of March 1, 2000, our board of directors had authorized an aggregate of up to shares of common stock for issuance under our existing equity plans. As of March 1, 2000 options to purchase a total of shares of common stock were outstanding, all of which options are exercisable but restricted by our right to repurchase unvested shares upon the termination of an optionee's business relationship with us. Of these options, shares are no longer restricted by our right of repurchase and will be eligible for sale, if not restricted by the terms

of the lock-up agreements, in the public market in accordance with Rule 701 under the Securities Act beginning 90 days after the date of this prospectus. All of the shares issuable upon exercise of these options are restricted by the terms of the lock-up agreements.

We intend to file one or more registration statements on Form S-8 under the Securities Act following this offering to register all shares of our common stock which have been issued or are issuable upon exercise of outstanding stock options or other rights granted under our equity plans. These registration statements are expected to become effective upon filing. Shares covered by these registration statements will thereupon be eligible for sale in the public market, upon the expiration or release from the terms of the lock-up agreements, to the extent applicable.

WARRANTS

As of March 1, 2000, we had outstanding warrants exercisable for a total of 53,000 shares of our preferred stock, all of which are currently exercisable. All of these shares are restricted by the terms of the lock-up agreements. These shares of preferred stock are convertible into common stock on a one for one basis upon closing of this offering.

LOCK-UP AGREEMENTS

Except for sales of common stock to the underwriters in accordance with the terms of the underwriting agreement, we and our executive officers, directors, stockholders and substantially all of our optionholders have agreed not to sell or otherwise dispose of, directly or indirectly, any shares of our common stock (or any security convertible into or exchangeable or exercisable for common stock) without the prior written consent of Goldman, Sachs & Co. and Merrill Lynch & Co. for a period of 180 days from the date of this prospectus. In addition, for a period of 180 days from the date of this prospectus, except as required by law, we have agreed that our board of directors will not consent to any offer for sale, sale or other disposition, or any transaction which is designed or could be expected to result in the disposition by any person, directly or indirectly, of any shares of our common stock without the prior written consent of Goldman Sachs and Merrill Lynch. Goldman Sachs and Merrill Lynch, in their sole discretion, at any time or from time to time and without notice, may release for sale in the public market all or any portion of the shares restricted by the terms of the lock-up agreements. In addition, up to shares of our common stock which may be purchased by some of our existing stockholders will also be subject to similar lock-up agreements.

REGISTRATION RIGHTS

Upon the expiration of the contractual lock-up period, certain of our stockholders will be entitled to require us to register under the Securities Act up to a total of shares of outstanding common stock under the terms of an Amended and Restated Investors' Rights Agreement dated March 20, 2000. The Investor Rights Agreement provides that if we propose to register in a firm commitment underwritten offering any of our securities under the Securities Act at any time or times, if not restricted by the underwriters of the offering, the stockholders having registration rights shall be entitled to include shares of our common stock held by them in such registration. However, the managing underwriter of any offering may exclude for marketing reasons some or all of the shares from the registration. Some of these stockholders also have the right to require us, on no more than one occasion, to prepare and file a registration statement under the Securities Act registering the shares of common stock held by them. The Investor Rights Agreement terminates in 2005 on the fifth anniversary of this offering.

UNDERWRITING

Advanced Medicine and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Bear, Stearns & Co. Inc. are the representatives of the underwriters.

Underwriters	Number of Shares
Goldman, Sachs & Co.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Bear, Stearns & Co. Inc.	
Total	

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional shares from Advanced Medicine to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to of this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by Advanced Medicine. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

Paid by Advanced Medicine

	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

In addition, Bear, Stearns & Co. Inc. will receive a fee of $ from Advanced Medicine at the closing of this offering.

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the underwriters to certain other brokers or dealers at a discount of up to $ per share from the initial public offering price. If all the shares are not sold at the initial offering price, the representatives may change the offering price and the other selling terms.

Advanced Medicine and its officers, directors, and security holders have agreed with the underwriters not to dispose of or hedge any of its common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

At the request of Advanced Medicine, the underwriters have reserved at the initial public offering price up to shares of common stock for sale to some of the holders of Advanced Medicine's preferred stock. Any shares purchased by these stockholders will be subject to a lock-up agreement pursuant to which these stockholders will agree not to dispose or hedge any common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated. At the request of Advanced Medicine, the underwriters have also reserved for sale at the initial public offering price up to shares of common stock for sale to directors, officers and employees of Advanced Medicine and others that Advanced Medicine believes have contributed to its growth. There can be no assurance that any of the reserved shares will be so purchased. The number of shares available for sale to the general public in this offering will be reduced by the number of reserved shares sold. Any reserved shares not so purchased will be offered to the general public on the same basis as the other shares offered hereby.

Prior to this offering, there has been no public market for the common stock. The initial public offering price will be negotiated among Advanced Medicine and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be Advanced Medicine's historical performance, estimates of Advanced Medicine's business potential and earnings prospects, an assessment of Advanced Medicine's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

Advanced Medicine has applied for quotation of its common stock on the Nasdaq National Market under the symbol "ADVM".

In connection with this offering, the underwriters may purchase and sell shares of the common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the common stock while the offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, the underwriters may discontinue them at any time. These transactions may be effected on the Nasdaq National Market, in the over-the-counter market or otherwise.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

Advanced Medicine estimates that its share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $.

Advanced Medicine has agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

LEGAL MATTERS

The validity of the shares of common stock to be issued in this offering will be passed upon for Advanced Medicine by Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, Menlo Park, California, and for the underwriters by Shearman & Sterling, Menlo Park, California. Members of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, participating in the consideration of legal matters related to the common stock offered by us in this offering are the beneficial owners of 159,059 shares of our common stock.

EXPERTS

Ernst & Young LLP, independent auditors, have audited the financial statements of Advanced Medicine, Inc. at December 31, 1998 and 1999, and for each of the three years in the period ended December 31, 1999, as set forth in their report. We have included our financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

Ernst & Young LLP, independent auditors, have audited the financial statements of Incara Research Laboratories at December 31, 1998 and 1999, and for each of the two years in the period ended December 31, 1999, as set forth in their report. We have included our financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act registering the common stock to be sold in this offering. As permitted by the rules and regulations of the Commission, this prospectus omits certain information contained in the registration statement and the exhibits and schedules filed as a part of the registration statement. For further information concerning our company and the common stock to be sold in this offering, you should refer to the registration statement and to the exhibits and schedules filed as part of the registration statement. Statements contained in this prospectus regarding the contents of any agreement or other document filed as an exhibit to the registration statement are not necessarily complete, and in each instance reference is made to the copy of the agreement filed as an exhibit to the registration statement each statement being qualified by this reference. The registration statement, including the exhibits and schedules filed as a part of the registration statement, may be inspected at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at its regional offices located at Seven World Trade Center, New York, New York 10007 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and copies of all or any part thereof may be obtained from such offices upon payment of the prescribed fees. You may call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference rooms and you can request copies of the documents upon payment of a duplicating fee, by writing to the Commission. In addition, the Commission maintains a web site that contains reports, proxy and information statements and other information regarding registrants (including us) that file electronically with the Commission which can be accessed at http://www.sec.gov.

INDEX TO FINANCIAL STATEMENTS

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders of Advanced Medicine, Inc.

We have audited the accompanying consolidated balance sheets of Advanced Medicine, Inc. (a development stage company) as of December 31, 1998 and 1999 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999 and for the period from inception (November 19, 1996) to December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Advanced Medicine, Inc. at December 31, 1998 and 1999 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 and for the period from inception (November 19, 1996) to December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Palo Alto, California
February 4, 2000, except for Notes 1, 8, and 10,
as to which the date is March 20, 2000

ADVANCED MEDICINE, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	DECEMBER 31,		UNAUDITED PRO FORMA STOCKHOLDERS' EQUITY AT DECEMBER 31,
	1998	1999	1999
ASSETS			
Current assets:			
Cash and cash equivalents	$ 3,438	$111,428	
Marketable securities	11,804	3,000	
Receivables	--	1,448	
Prepaid and other current assets	222	671	
Total current assets	15,464	116,547	
Property and equipment, net	5,243	21,988	
Intangible assets	--	3,416	
Restricted cash and cash equivalents	--	4,701	
Other long-term assets	167	523	
Total assets	$ 20,874	$147,175	
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 1,212	$ 5,817	
Accrued personnel-related expenses	788	1,564	
Accrued expenses	212	1,273	
Current portion of notes payable	67	433	
Current portion of capital lease obligations	548	1,613	
Total current liabilities	2,827	10,700	
Long-term portion of notes payable	84	934	
Long-term portion of capital lease obligations	1,526	3,269	
Commitments			
Stockholders' equity:			
Convertible preferred stock, $0.01 par value; 40,000 shares authorized; 10,057 and 28,802 issued and outstanding at December 31, 1998 and 1999, respectively, at amount paid in (none pro forma); issuable in series; aggregate liquidation preference of $190,913 at December 31, 1999	31,592	185,209	
Common stock, $0.01 par value; 100,000 shares authorized; 9,346 and 9,406 shares issued and outstanding at December 31, 1998 and 1999, respectively, at amount paid in (38,208 shares pro forma)	2,265	2,348	$187,557
Additional paid-in capital	--	12,722	12,722
Notes receivable from stockholders	(2,201)	(2,128)	(2,128)
Deferred stock-based compensation	--	(9,519)	(9,519)
Accumulated other comprehensive income	10	--	--
Deficit accumulated during the development stage	(15,229)	(56,360)	(56,360)
Total stockholders' equity	16,437	132,272	$132,272
Total liabilities and stockholders' equity	$ 20,874	$147,175	

See accompanying notes.

ADVANCED MEDICINE, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31,			PERIOD FROM INCEPTION (NOVEMBER 19, 1996) TO DECEMBER 31, 1999
	1997	1998	1999	
Operating expenses:				
Research and development	$ 1,834	$ 10,434	$ 32,729	$ 44,997
General and administrative	1,313	2,665	4,901	8,879
Acquired in-process research	--	--	6,934	6,934
Amortization of deferred stock-based compensation	--	--	2,424	2,424
Other stock-based compensation	--	--	779	779
Total operating expenses	3,147	13,099	47,767	64,013
Loss from operations	(3,147)	(13,099)	(47,767)	(64,013)
Interest income, net	183	834	6,636	7,653
Net loss	$(2,964)	$(12,265)	$(41,131)	$(56,360)
Net loss per share	$ (5.24)	$ (6.65)	$ (11.99)	
Shares used in computing net loss per share	566	1,843	3,430	
Pro forma net loss per share			$ (1.34)	
Shares used in computing pro forma net loss per share			30,776	

See accompanying notes.

ADVANCED MEDICINE, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE PERIOD FROM INCEPTION (NOVEMBER 19, 1996) TO DECEMBER 31, 1999
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	NOTES RECEIVABLE FROM STOCKHOLDERS	DEFERRED STOCK-BASED COMPENSATION
	SHARES	AMOUNT	SHARES	AMOUNT			
Issuance of common stock to founders for cash at $0.01 and $0.13 per share in March, April, and September 1997	--	$ --	4,310	$ 46	$ --	$ --	$ --
Issuance of Series A convertible preferred stock to private investors and warrant exercises for cash at $1.25 per share in April, June, and December 1997, net of issuance costs of $10	4,980	$ 6,215	--	--	--	--	--
Net loss and comprehensive loss for the period from inception (November 19,1996) to December 31, 1997	--	--	--	--	--	--	--
Balance at December 31, 1997	4,980	6,215	4,310	46	--	--	--
Issuance of Series A convertible preferred stock to private investors for cash at $4.00 per share in November 1998	8	32	--	--	--	--	--
Issuance of Series B convertible preferred stock to private investors and warrant exercises for cash at $5.00 per share in March, April, November, and December 1998	5,069	25,345	--	--	--	--	--
Stock option exercises at prices ranging from $0.13 to $0.50 per share for cash and notes during the year	--	--	5,036	2,219	--	(2,201)	--
Comprehensive loss:							
Net loss	--	--	--	--	--	--	--
Net unrealized gain on marketable securities	--	--	--	--	--	--	--
Total comprehensive loss	--	--	--	--	--	--	--
Balance at December 31, 1998	10,057	31,592	9,346	2,265	--	(2,201)	--
Issuance of Series C convertible preferred stock to private investors for cash at $8.50 per share in January, February, and March 1999, net of issuance costs of $5,716	18,745	153,617	--	--	--	--	--
Stock option and warrant exercises at prices ranging from $0.13 to $0.85 per share for cash and notes during the year, net of repurchases	--	--	60	83	--	73	--
Other stock-based compensation related to grants of warrants, and stock options to non-employees	--	--	--	--	779	--	--
Deferred stock-based compensation	--	--	--	--	11,943	--	(11,943)
Amortization of deferred stock-based compensation	--	--	--	--	--	--	2,424
Comprehensive loss:							
Net loss	--	--	--	--	--	--	--
Net change in accumulated unrealized gain/loss on marketable securities	--	--	--	--	--	--	--
Total comprehensive loss	--	--	--	--	--	--	--
Balance at December 31, 1999	28,802	$185,209	9,406	$2,348	$12,722	$(2,128)	$ (9,519)

	ACCUMULATED OTHER COMPREHENSIVE INCOME	DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE	TOTAL STOCKHOLDERS' EQUITY
Issuance of common stock to founders for cash at $0.01 and $0.13 per share in March, April, and September 1997	$ --	$ --	$ 46
Issuance of Series A convertible			

preferred stock to private investors and warrant exercises for cash at $1.25 per share in April, June, and December 1997, net of issuance costs of $10.....	--	--	6,215
Net loss and comprehensive loss for the period from inception (November 19,1996) to December 31, 1997.....	--	(2,964)	(2,964)
Balance at December 31, 1997.....	--	(2,964)	3,297
Issuance of Series A convertible preferred stock to private investors for cash at $4.00 per share in November 1998.....	--	--	32
Issuance of Series B convertible preferred stock to private investors and warrant exercises for cash at $5.00 per share in March, April, November, and December 1998.....	--	--	25,345
Stock option exercises at prices ranging from $0.13 to $0.50 per share for cash and notes during the year.....	--	--	18
Comprehensive loss:			
Net loss.....	--	(12,265)	(12,265)
Net unrealized gain on marketable securities.....	10	--	10
Total comprehensive loss.....	--	--	(12,255)
Balance at December 31, 1998.....	10	(15,229)	16,437
Issuance of Series C convertible preferred stock to private investors for cash at $8.50 per share in January, February, and March 1999, net of issuance costs of $5,716.....	--	--	153,617
Stock option and warrant exercises at prices ranging from $0.13 to $0.85 per share for cash and notes during the year, net of repurchases.....	--	--	156
Other stock-based compensation related to grants of warrants, and stock options to non-employees.....	--	--	779
Deferred stock-based compensation.....	--	--	--
Amortization of deferred stock-based compensation.....	--	--	2,424
Comprehensive loss:			
Net loss.....	--	(41,131)	(41,131)
Net change in accumulated unrealized gain/loss on marketable securities.....	(10)	--	(10)
Total comprehensive loss.....	--	--	(41,141)
Balance at December 31, 1999.....	$ --	$(56,360)	$132,272

See accompanying notes.

ADVANCED MEDICINE, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			PERIOD FROM INCEPTION (NOVEMBER 19, 1996) TO DECEMBER 31, 1999
	1997	1998	1999	
OPERATING ACTIVITIES				
Net loss	$(2,964)	$(12,265)	$(41,131)	$(56,360)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	154	570	6,262	6,986
Acquired in-process research	--	--	6,934	6,934
Amortization of deferred stock-based compensation	--	--	2,424	2,424
Other stock-based compensation	--	--	779	779
Changes in operating assets and liabilities:				
Receivables, prepaids and other current assets	(45)	(177)	(1,897)	(2,119)
Accounts payable and accrued expenses	229	1,195	5,607	7,031
Accrued personnel-related expenses	183	605	776	1,564
Net cash used in operating activities	(2,443)	(10,072)	(20,246)	(32,761)
INVESTING ACTIVITIES				
Acquisition of net assets of IRL	--	--	(11,000)	(11,000)
Purchases of property and equipment	(470)	(2,957)	(17,919)	(21,346)
Purchases of marketable securities	(2,151)	(19,598)	(17,023)	(38,772)
Maturities of marketable securities	--	9,955	25,817	35,772
Restricted cash and cash equivalents and other long-term assets	(11)	(156)	(5,057)	(5,224)
Net cash used in investing activities	(2,632)	(12,756)	(25,182)	(40,570)
FINANCING ACTIVITIES				
Proceeds from notes payable	205	--	680	885
Repayments of notes payable	--	(54)	(160)	(214)
Payments of capital lease obligations	(71)	(395)	(875)	(1,341)
Net proceeds from issuances of convertible preferred stock	6,215	25,377	153,617	185,209
Net proceeds from issuances of common stock	46	18	156	220
Net cash provided by financing activities	6,395	24,946	153,418	184,759
Net increase in cash and cash equivalents	1,320	2,118	107,990	111,428
Cash and cash equivalents at beginning of period	--	1,320	3,438	--
Cash and cash equivalents at end of period	$ 1,320	$ 3,438	$111,428	$111,428
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES				
Property and equipment acquired under capital lease arrangements	$ 552	$ 1,988	$ 2,923	$ 5,463
Issuances of common stock for notes receivable	$ --	$ 2,201	$ 22	$ 2,223

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Advanced Medicine, Inc. ("Advanced Medicine" or the "Company"), an emerging pharmaceutical company, is developing a novel class of small molecules known as multivalent drugs. The period from inception (November 19, 1996) to December 31, 1996 has been included in the consolidated statement of operations for the year ended December 31, 1997 because the operating loss in this period was less than $1,000. Through December 31, 1999, the Company has been primarily involved in performing research and development activities, hiring personnel, and raising capital to support and expand these activities. Accordingly, the Company is in the development stage.

UNAUDITED PRO FORMA STOCKHOLDERS' EQUITY

In February 2000, the board of directors authorized management of the Company to file a registration statement with the Securities and Exchange Commission permitting the Company to sell shares of its common stock to the public. Unaudited pro forma stockholders' equity has been adjusted for the assumed conversion to common stock of all shares of preferred stock outstanding at December 31, 1999.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of Advanced Medicine include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments purchased with a maturity of three months or less from the date of purchase to be cash equivalents. Cash equivalents are carried at cost, which approximated fair value at December 31, 1998 and 1999.

Under certain lease agreements and letters of credit, the Company may be required from time to time to set aside cash as collateral. At December 31, 1999, there was $4.7 million of restricted cash and cash equivalents related to such agreements.

MARKETABLE SECURITIES

The Company classifies its marketable securities as available-for-sale. Available-for-sale securities are carried at estimated fair value, with the unrealized gains and losses, if any, reported in stockholders' equity and included in accumulated other comprehensive income or loss. The cost of securities in this category is adjusted for amortization of premiums and accretion of discounts from

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
the date of purchase to maturity. Such amortization is included in "interest income, net." Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are also included in interest income. The cost of securities sold is based on the specific identification method.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years. Leasehold improvements and assets under capital leases are amortized over the shorter of their estimated useful lives or the related lease term.

INTANGIBLE ASSETS

Intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from three to seven years.

LONG-LIVED ASSETS

Long-lived assets include property, equipment, and intangible assets. The carrying value of long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate that the asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. No impairment losses have been recognized to date.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred. Research and development costs consist of direct and indirect internal costs related to specific projects as well as fees paid to other entities which conduct certain research and development activities on behalf of the Company. Costs to acquire technologies to be used in research and development but which have no alternative future use or have not reached technological feasibility are expensed when incurred.

NET LOSS PER SHARE

Net loss per share is calculated based on the weighted-average number of common shares outstanding during the period, less the weighted-average shares subject to repurchase. The computation of pro forma net loss per share includes shares issuable upon the conversion of outstanding shares of convertible preferred stock (using the as-if converted method) from the original date of issuance.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following table presents the calculations of actual and pro forma net loss per share:

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Actual:			
Net loss	$(2,964)	$(12,265)	$(41,131)
Weighted average shares of common stock outstanding	2,469	5,022	9,376
Less: weighted average shares subject to repurchase	(1,903)	(3,179)	(5,946)
Shares used in computing net loss per share	566	1,843	3,430
Net loss per share	$ (5.24)	$ (6.65)	$ (11.99)
Pro forma:			
Shares used above			3,430
Pro forma adjustment to reflect weighted average effect of assumed conversion of preferred stock			27,346
Shares used in computing pro forma net loss per share			30,776
Pro forma net loss per share			$ (1.34)

The Company has excluded all convertible securities, shares subject to repurchase, outstanding options, and outstanding warrants from the calculation of net loss per share because such securities are antidilutive for all periods presented. Had the Company been in a net income position, these securities would have been included in the calculation. These potentially dilutive securities consist of the following:

	DECEMBER 31,		
	1997	1998	1999
	(IN THOUSANDS)		
Convertible preferred stock	4,980	10,057	28,802
Repurchasable common shares outstanding	2,936	6,926	5,298
Outstanding common stock options	361	132	1,260
Outstanding warrants	4	8	73
Total	8,281	17,123	35,433

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STOCK-BASED COMPENSATION

The Company accounts for grants of stock options and common stock purchase rights to its employees according to the intrinsic value method and, thus, recognizes no stock-based compensation expense for options granted with exercise prices equal to or greater than the fair value of the Company's common stock on the date of grant. The Company records deferred stock-based compensation when the deemed fair value of the Company's common stock for financial accounting purposes exceeds the exercise price of the stock options or purchase rights on the date of grant. Any such deferred stock-based compensation is amortized over the vesting period of the individual options. Pro forma net loss information using the fair value method of accounting for grants of stock options to employees is included in Note 8.

Options granted to non-employees are accounted for at fair value using the Black-Scholes method and may be subject to periodic re-valuation over their vesting terms. The resulting stock-based compensation expense is recorded over the service period in which the individual provides services to the Company.

COMPREHENSIVE LOSS

Comprehensive loss is comprised of net loss and other comprehensive income or loss. Other comprehensive income or loss includes certain changes in equity that are excluded from net loss. Specifically, unrealized holding gains and losses on available-for-sale securities, which are reported separately in stockholders' equity, are included in accumulated other comprehensive loss. Comprehensive loss approximates net loss for all periods presented.

RECENT ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 provides a comprehensive and consistent standard for the recognition and measurement of derivatives and hedging activities. In July 1999, the Financial Accounting Standards Board announced the delay of the effective date of SFAS 133 for one year, to the first quarter of 2001. To date, the Company has not engaged in derivative or hedging activities.

In March 1998, the AICPA issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 requires that entities capitalize certain costs related to internal use software once certain criteria have been met. The Company adopted the provisions of SOP 98-1 on January 1, 1999. The Company capitalized costs totaling approximately $856,000 related to software placed in service during December 1999 in accordance with SOP 98-1. The expected asset life is 36 months.

2. RECENT ACQUISITION

On December 29, 1999, the Company acquired substantially all of the net assets of Incara Research Laboratories ("IRL"), a division of Incara Pharmaceuticals Corporation ("Incara") for $11.0 million in cash. The Company agreed to pay Incara up to an additional $4.0 million if the

2. RECENT ACQUISITION (CONTINUED)
company receives milestone payments under a research collaboration and license agreement assumed by the Company as part of the acquisition. The transaction has been recorded as a purchase for accounting purposes. Consequently, the operating results of IRL have been included in the Company's consolidated financial statements from the date of acquisition. The purchase price has been allocated to the acquired net tangible and intangible assets based upon their respective fair values as of the date of the acquisition, as follows:

	AMOUNT	ESTIMATED USEFUL LIFE
	(IN THOUSANDS)	
Property and equipment	$ 2,165	3-7 years
Assumed liabilities and acquisition costs	(1,515)	
Fair value of net tangible assets	650	
Intangible assets:		
Core technology and other intangible assets	3,063	7 years
Assembled workforce	353	3 years
Fair value of intangible assets	3,416	
Fair value of acquired assets	4,066	
Fair value of aquired in-process research	6,934	
Total purchase price	$11,000	

Management determined the allocation of the purchase price. The fair value of fixed assets purchased and assumed liabilities were determined to equal their respective historical net book value. The amount assigned to in-process research was determined based upon the estimated present value of the estimated risk adjusted future net cash flows from each potential product that could result from research projects in process at the time of the acquisition. The net cash flows of each in-process research project were estimated by forecasting total estimated revenues from sales and related operating expenses and other cash outlays. The resultant net cash flows were then multiplied by each project's estimated percentage of completion as of the purchase date to arrive at a risk adjusted forecast of cash flows attributable to projects prior to the purchase date. Finally, the net present value of these risk adjusted forecasts of net cash flows were calculated by applying discount rates of 35% to 40%, which reflect the level of risk and early stage of the research. The resulting risk adjusted net present value of $6.9 million was charged to operations in 1999 because the Company concluded that technological feasibility of the acquired in-process research had not yet been established at the acquisition date.

The fair value of the core technology was estimated using the relief from royalty methodology, which estimates the present value of the technology based on the amount of royalties the Company might pay to an unrelated third party for the use of the technology. Core technology was valued at $2.0 million. Forecasted revenues expected to result from the technology were multiplied by

2. RECENT ACQUISITION (CONTINUED)
assumed royalty rates ranging from 0.75% to 1.50%. The resulting royalty stream was calculated by applying a discount rate of 23%.

The assembled workforce was valued using the replacement cost method. This method estimates the value of the assembled workforce based on the cost to recruit and train a replacement workforce.

The following pro forma consolidated results of operations have been prepared as if the acquisition of the net assets of IRL had occurred at the beginning of 1998 and 1999:

	YEAR ENDED DECEMBER 31,	
	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	
Pro Forma:		
Collaborative revenue	$ 927	$ 1,975
Net loss	$(28,096)	$(47,505)
Net loss per share	$ (15.24)	$ (13.85)
Shares used in computing pro forma net loss per share	1,843	3,430

Collaborative revenue represents research support and milestone payments that IRL received under a research collaboration and license agreement. There will be no additional research support revenue under this agreement as the research collaboration expired in December 1999. These revenues are not reflected in the Company's consolidated financial statements as the payments preceded the acquisition of the net assets of IRL. The pro forma net loss and net loss per share amounts for each period above include the acquired in-process research charge. The pro forma consolidated results do not purport to be indicative of results that would have occurred had the acquisition been in effect for the period presented, nor do they purport to be indicative of the results that will be obtained in the future.

3. COLLABORATIVE AGREEMENTS

In connection with the acquisition of the net assets of IRL, the Company assumed the rights and obligations under some sponsored research and several license agreements. Under the sponsored research agreements, the Company is obligated to fund certain research in return for the right to license inventions resulting from the research. The license agreements generally provide the Company with exclusive worldwide rights to some technologies in exchange for license fees and royalties. The Company is obligated to pay annual maintenance fees until the termination of the agreements. In some cases, if the product covered under these agreements is commercialized, royalties paid will reduce these annual maintenance fees. The Company may terminate the agreements generally with six months' notice. Unless these agreements are amended or terminated, the Company will incur up to $1.0 million in annual research-related expenses until at least 2007.

4. MARKETABLE SECURITIES

The following is a summary of the Company's available-for-sale securities:

	DECEMBER 31,				
	1998			1999	
	AMORTIZED COST	UNREALIZED GAINS	ESTIMATED FAIR VALUE	AMORTIZED COST	ESTIMATED FAIR VALUE
	(IN THOUSANDS)				
U.S. government agencies	$ 3,925	$ 5	$ 3,930	$ --	$ --
U.S. corporate notes	2,220	--	2,220	--	--
U.S. commercial paper	5,753	4	5,757	98,701	98,701
Certificates of deposit	1,185	1	1,186	11,274	11,274
Money market funds	71	--	71	3,252	3,252
Total	13,154	10	13,164	113,227	113,227
Less amounts classified as cash and cash equivalents	(1,360)	--	(1,360)	(105,526)	(105,526)
Less restricted amounts classified as long-term assets	--	--	--	(4,701)	(4,701)
Amounts classified as marketable securities	$11,794	$10	$11,804	$ 3,000	$ 3,000

The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. Realized gains or losses on available-for-sale securities for all periods presented were not significant. At December 31, 1999, the remaining contractual maturity of marketable securities was approximately four months.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	DECEMBER 31,	
	1998	1999
	(IN THOUSANDS)	
Construction in progress	$ --	$12,256
Leasehold improvements	2,537	6,564
Laboratory equipment	2,722	7,343
Computer equipment, software, and systems implementation costs	508	2,566
Furniture and fixtures	200	245
	5,967	28,974
Less accumulated depreciation and amortization	(724)	(6,986)
Property and equipment, net	$5,243	$21,988

5. PROPERTY AND EQUIPMENT (CONTINUED)

In anticipation of the Company's occupancy of its new facility in February 2000, the Company shortened the remaining estimated useful lives of leasehold improvements in its existing facility to coincide with the remaining period in which the Company expected to utilize the related facility. This change in estimate resulted in an increase in amortization expense of $4.2 million which was included in research and development expense in the statement of operations in 1999.

6. LONG-TERM OBLIGATIONS

At December 31, 1999, the Company's aggregate commitments under notes payable and capital lease agreements was as follows:

	NOTES PAYABLE	CAPITAL LEASES
	(IN THOUSANDS)	
Year ending December 31,		
2000	$ 551	$ 1,996
2001	522	1,558
2002	229	1,010
2003	84	573
2004	84	542
Thereafter	206	--
Total minimum note or lease payments	1,676	5,679
Amount representing interest	(309)	(797)
Present value of future payments	1,367	4,882
Current portion	(433)	(1,613)
Long-term portion	$ 934	$ 3,269

CAPITAL LEASE AGREEMENTS

Equipment and leasehold improvements financed under capital lease arrangements are included in property and equipment and the related amortization is included in depreciation and amortization expense. The cost of assets financed under capital leases was $2.5 million and $5.6 million for the years ended December 31, 1998 and 1999, respectively. The related accumulated amortization was $510,000 and $1.5 million at December 31, 1998 and 1999, respectively.

In March 1999, the Company completed all lease draws available under a capital lease agreement entered into in May 1997, which provided for an aggregate draw of up to $3.0 million. Each lease is scheduled to be repaid over 48 months and the Company has the option to purchase the assets at the end of the term at the then fair value. In connection with this capital lease agreement, the Company issued warrants in May 1997 and April 1998 to purchase 32,000 and 24,000 shares of the Company's Series A and Series B convertible preferred stock at a purchase price of $1.25 and $5.00 per share, respectively. The warrants are exercisable for seven years after the date of issuance or three years after the Company's initial public offering, whichever is longer.

6. LONG-TERM OBLIGATIONS (CONTINUED)
The value of the warrants was not considered significant, and therefore, no value for the warrants was recorded in the Company's consolidated financial statements.

In May 1999, the Company entered into a capital lease agreement for up to $9.0 million with a financing company. At December 31, 1999, $2.4 million in equipment has been financed under this arrangement. Each lease is scheduled to be repaid over 60 months, and the Company has the option to purchase the assets at the end of the term at the then fair value. The agreement includes a liquidity covenant that requires the Company to maintain an unrestricted cash balance of at least $50.0 million on the last day of each calendar quarter during the 60-month term of any lease schedule. Each lease schedule is collateralized by the underlying assets and, from time to time, the Company is also required to set aside cash as collateral.

As part of the acquisition of the net assets of IRL, the Company assumed capital lease agreements which have remaining lease terms ranging from one to four years and interest rates ranging from 5% to 10%. The agreements require the purchase of the leased assets at the end of the term at up to 25% of the original cost.

NOTES PAYABLE

In 1999, the Company financed, through notes payable to a financing company, approximately $732,000 of costs related to software licensing and systems implementation. The notes are payable in equal quarterly installments over 36 months at effective interest rates ranging from approximately 8.3% to 9.0%. At December 31, 1999, $587,000 of principal was outstanding under these notes.

As part of the acquisition of the net assets of IRL, the Company assumed two notes issued for the purchase of computer and laboratory equipment and leasehold improvements. These notes are payable in monthly installments, bear interest at an annual rate between 11.5% and 13.4%, and expire in June 2002 and June 2007, respectively. At December 31, 1999, $695,000 of principal was outstanding under these notes.

7. OPERATING LEASES

At December 31, 1999, the Company's future minimum lease payments under non-cancelable operating leases are as follows:

	MINIMUM LEASE PAYMENTS (IN THOUSANDS)
Year ending December 31,	
2000	$ 2,757
2001	3,321
2002	3,411
2003	3,498
2004	3,578
Thereafter	24,431
	$40,996

7. OPERATING LEASES (CONTINUED)

Rent expense for the years ended December 31, 1997, 1998 and 1999, and for the period from inception (November 19, 1996) to December 31, 1999 was $112,000, $563,000, $650,000, and $1.3 million, respectively.

In February 1999, the Company entered into an operating lease agreement for a new facility comprising approximately 110,000 square feet. The 12-year term of the lease commenced upon the Company's occupancy of the facility in February 2000. The lease agreement provides for scheduled rent increases annually over the lease term and future minimum lease payments total approximately $34.8 million. The Company also has an option to lease an additional 40,000 square feet in a building which would be constructed adjacent to its current facility.

The Company will recognize rent expense on a straight-line basis and record deferred rent up to an aggregate of $1.5 million through December 2005. The lease agreement provides the Company with a tenant improvement allowance of $5.0 million (the "Allowance") of which $1.7 million has been drawn and $1.4 million is recorded as a receivable at December 31, 1999. In addition, the landlord will provide the Company, at its request, a loan of up to $2.8 million to be applied toward the completion of tenant improvements after the Allowance is disbursed. The loan will bear interest at 12% per annum and must be repaid by the Company over the lease term. Concurrently with the execution of the lease agreement, the Company delivered a letter of credit in the amount of $2.8 million as security for the Company's performance of its future obligations under the lease. An equal amount of $2.8 million has been set aside as restricted cash in connection with the letter of credit. In addition, the Company issued warrants to a broker in February 1999 for the purchase of 20,000 shares of the Company's Series C convertible preferred stock at a purchase price of $8.50 per share. The warrants are exercisable for five years after the date of issuance and remain outstanding at December 31, 1999. The Company calculated the fair value of the warrants using the Black-Scholes method. A charge of $106,000 was recorded as commission expense in 1999 for the value of the warrants.

The Company's operating lease commitments for its previously occupied facilities extend through the year 2005 and aggregate $5.2 million. This amount has been excluded from the table above as the Company is currently negotiating with several parties to sublease this facility at rates that are higher than the Company's lease commitment.

As part of the acquisition of the net assets of IRL, the Company assumed an operating lease commitment for a 32,000 square foot facility with a remaining lease term of eight years. Aggregate future minimum lease payments under this commitment total approximately $6.2 million.

8. STOCKHOLDERS' EQUITY

CONVERTIBLE PREFERRED STOCK

During 1997, the Company sold 4,980,000 shares of Series A convertible preferred stock to private investors for net proceeds of $6.2 million. During 1998, the Company sold an additional 8,000 shares of Series A convertible preferred stock and 5,069,000 shares of Series B convertible preferred stock for net proceeds of $32,000 and $25.3 million, respectively. During 1999, the

8. STOCKHOLDERS' EQUITY (CONTINUED)
Company sold 18,745,000 shares of Series C convertible preferred stock for net proceeds of $153.6 million.

In connection with the Series C convertible preferred stock financing in January 1999, the Company issued warrants to purchase 50,000 shares of the Company's common stock at a purchase price of $0.85 per share and 25,000 shares of the Company's Series C convertible preferred stock at a purchase price of $10.20 per share. Of these, warrants to purchase 20,000 and shares of the Company's common stock and 25,000 shares of the Company's Series C convertible preferred stock remain outstanding at December 31, 1999. Because these warrants are considered equity issuance costs, no value was recorded since the net impact on stockholders' equity would have been zero.

All series of preferred stock are convertible at the option of the holder at any time into common stock on a one-for-one basis, subject to certain adjustments for antidilution, and carry voting rights equivalent to common stock. Each share of preferred stock automatically converts into one share of common stock in the event of an initial public offering of the Company's common stock in which gross offering proceeds exceed $30.0 million and the offering price is at least $10.00 per share, or as of the date specified by consent of the holders of at least 66 2/3% of the then outstanding shares of preferred stock. Holders of convertible preferred stock are entitled to noncumulative dividends if and when declared by the board of directors. No dividends have been declared through December 31, 1999. Upon liquidation, the Series A, B, and C preferred stockholders are entitled to receive an amount equal to $1.25, $5.00, and $8.50 per share, respectively, plus the aggregate amount of any declared but unpaid dividends. After the above distributions have been made, remaining amounts shall be distributed among the holders of common stock.

The convertible preferred stock authorized, issued, and outstanding at December 31, 1999 is as follows (in thousands):

	AUTHORIZED SHARES	SHARES ISSUED AND OUTSTANDING	AGGREGATE LIQUIDATION PREFERENCE
Series A	5,020	4,988	$ 6,235
Series B	5,100	5,069	25,345
Series C	18,823	18,745	159,333
	28,943	28,802	$190,913
Undesignated	11,057		
	40,000		

STOCK OPTION PLANS

In June 1997, the board of directors adopted the 1997 Stock Option Plan (the "1997 Plan"). In June 1998, the board of directors adopted the Long-Term Option Plan (the "Long-Term Plan"). These plans provide for the granting of incentive and nonstatutory stock options to employees, officers, directors, and consultants of the Company. Incentive stock options may be granted with

8. STOCKHOLDERS' EQUITY (CONTINUED)
exercise prices not less than fair value, and nonstatutory stock options may be granted with an exercise price not less than 85% of the fair value of the common stock on the date of grant. Stock options granted to a stockholder owning more than 10% of voting stock of the Company may be granted with an exercise price of not less than 110% of the fair value of the common stock on the date of grant. The board of directors determines the fair value of common stock. Stock options are generally granted with terms of up to ten years and vest over a period of four years under the 1997 Plan and over five years beginning after the fourth year of employment or service under the Long-Term Plan.

In February 2000, the board of directors approved the shortening of the vesting period of options granted under the Long-Term Plan from the original vesting period of nine years to six years, with vesting beginning as of the employee's respective hire date. This change will result in a remeasurement for financial accounting purposes, and the Company expects to record a stock-based compensation charge of $22.0 million and deferred stock-based compensation of $8.9 million in February 2000 related to these options which will be amortized over the remaining vesting periods.

In addition to options granted under the 1997 Plan and the Long-Term Plan, in December 1998 the Company granted options to purchase 1,350,000 shares of common stock at an exercise price of $0.50 per share to certain outside directors and a key employee, of which 85,000 shares were repurchased in 1999. These options were exercised in full for full-recourse notes (see below) during 1998, subject to the Company's repurchase rights which lapse over a period ranging from four to nine years or upon the achievement of certain milestones.

During 1998, the Company allowed all stock option holders to exercise their options at the date of grant by executing stock purchase agreements and full-recourse notes payable to the Company. The stock purchase agreements provide the Company with the right to repurchase these shares upon terms consistent with the vesting schedules of the underlying options. The Company shall forgive the entire unpaid principal sum of the note if the optionee remains in continuous service from the date of the note until its maturity date. Such maturity date corresponds to the end of the vesting period of the underlying option and ranges from four to nine years from the date of the original option grant. As of December 31, 1999, the unpaid balance on the notes totaled $2.1 million.

The Company accounts for employee stock options using their intrinsic value at the date of grant. Pro forma information regarding net loss has been determined as if the Company had accounted for its employee stock options granted since inception under the fair value method. The effect of applying the minimum value method to the Company's stock option grants did not result in pro forma net loss materially different from historical amounts reported. As a result, pro forma information regarding net loss is not presented. The assumptions used to value these options were as follows for 1997, 1998, and 1999, respectively: weighted-average risk-free interest rates of 6.0%, 6.0%, and 5.5%, respectively; no dividend yield; and a weighted-average expected life of the option of four years and nine years under the 1997 Plan and Long Term Plan, respectively. The weighted-average estimated fair value of stock options granted during 1997, 1998 and 1999 was $0.04, $0.18, and $9.73, respectively.

8. STOCKHOLDERS' EQUITY (CONTINUED)

During the year ended December 31, 1999, in connection with the grant of certain stock options to employees, the Company recorded deferred stock-based compensation of $11.9 million representing the difference between the exercise price and the deemed fair value of the Company's common stock for financial accounting purposes on the date these stock options were granted. Deferred stock-based compensation is included as a reduction of stockholders' equity and is being amortized over the vesting periods of the related options. During the year ended December 31, 1999, the Company recorded amortization of deferred stock-based compensation of approximately $2.4 million. At December 31, 1999, the Company had a total of approximately $9.5 million remaining to be amortized over the corresponding vesting period of each respective option, generally four years. Additional deferred stock-based compensation of approximately $14.0 million is expected to be recorded based on the deemed fair value of common stock options granted to employees in February 2000.

Through December 31, 1999, the Company has granted options to purchase 322,000 shares of common stock to non-employees with exercise prices ranging from $0.50 to $0.85 per share. These stock options may be periodically subject to re-valuation using a Black-Scholes model. The following weighted average assumptions were used for 1999: estimated volatility of 0.7, risk-free interest rate of 5.5%, no dividend yield, and an expected life of the option equal to the full term, generally ten years from the date of grant. In 1999, the Company recognized an expense of $673,000 in connection with these transactions. No expense was recognized in prior years as such amounts were not significant. In February 2000, the Company granted an additional 801,000 common stock options to non-employees that may be periodically subject to re-valuation using a Black-Scholes model beginning in 2000.

8. STOCKHOLDERS' EQUITY (CONTINUED)

The following table summarizes option activity under the 1997 Plan and the Long-Term Plan, and related information:

	SHARES AVAILABLE FOR GRANT	OPTIONS OUTSTANDING	WEIGHTED-AVERAGE EXERCISE PRICE PER SHARE
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Shares authorized	1,800	--	--
Options granted	(361)	361	$0.13
Balance at December 31, 1997	1,439	361	$0.13
Additional shares authorized	2,615	--	--
Options granted	(3,499)	3,499	$0.44
Options exercised	--	(3,686)	$0.42
Options forfeited	42	(42)	$0.40
Balance at December 31, 1998	597	132	$0.21
Additional shares authorized	1,300	--	--
Options granted	(1,402)	1,402	$0.85
Options exercised	--	(230)	$0.70
Options forfeited	44	(44)	$0.52
Shares repurchased	65	--	$0.42
Balance at December 31, 1999	604	1,260	$0.82

At December 31, 1999, all the outstanding options to purchase common stock of the Company were exercisable. These options are summarized in the following table:

EXERCISE PRICE PER SHARE	NUMBER OF OPTIONS OUTSTANDING	NUMBER OF OPTIONS VESTED	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE
	(IN THOUSANDS)	(IN THOUSANDS)	(IN YEARS)
$0.13	45	25	7.72
$0.50	7	2	8.93
$0.85	1,208	84	9.64
	1,260	111	9.57

STOCK SUBJECT TO REPURCHASE

At December 31, 1999, 5,298,000 shares of the Company's common stock were subject to the Company's right to repurchase. Giving effect to the February 2000 reduction of the vesting periods of the Long-Term Options, 4,532,000 shares of the Company's common stock would have been subject to the Company's right to repurchase at December 31, 1999. These shares are the result of the exercise of unvested stock options by employees and the execution of certain stock purchase agreements. The Company's repurchase rights lapse pursuant to the terms of the underlying agreements, which is generally four years.

8. STOCKHOLDERS' EQUITY (CONTINUED)
WARRANTS

The following is a summary of outstanding warrants and stock issuance agreements to purchase the Company's stock at December 31, 1999:

	NUMBER OF SHARES	EXERCISE PRICE	TERM IN YEARS	YEAR OF EXPIRATION
	(IN THOUSANDS)			
Common stock	20	$ 0.85	10	2009
Series A convertible preferred stock	4	$ 1.25	7	2004
Series B convertible preferred stock	4	$ 5.00	7	2005
Series C convertible preferred stock	45	$8.50 - 10.20	5	2004
Total	73			

RESERVED SHARES

At December 31, 1999, the Company has reserved shares of common stock for future issuance as follows (in thousands):

Outstanding warrants	73
Stock option plans	
Outstanding	1,260
Reserved for future grants	604
Conversion of preferred stock	28,802
Total	30,739

9. INCOME TAXES

Due to operating losses and the inability to recognize an income tax benefit therefrom, there is no provision for income taxes for 1997, 1998 and 1999.

9. INCOME TAXES (CONTINUED)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	DECEMBER 31,	
	1998	1999
	(IN THOUSANDS)	
Deferred tax assets:		
Net operating loss carryforwards	$ 5,100	$ 12,232
Research and development tax credit carryforwards	300	2,700
Capitalized research and development expenditures	700	1,960
Reserves and accruals	200	812
Deferred compensation	--	1,300
Fixed assets and acquired intangible assets	--	5,835
Valuation allowance	(6,300)	(24,839)
Net deferred tax assets	$ --	$ --

Realization of deferred tax assets is dependent on future earnings, if any, the timing and the amount of which are uncertain. Accordingly, a valuation allowance, in an amount equal to the net deferred tax asset as of December 31, 1998 and 1999 has been established to reflect these uncertainties. The change in the valuation allowance was a net increase of approximately $1.3 million, $5.0 million, and $18.5 million for the fiscal years ended December 31, 1997, 1998 and 1999, respectively.

As of December 31, 1999, the Company had federal and state net operating loss carryforwards of approximately $35.8 million and $800,000, respectively, which will expire at various dates from 2004 through 2019, if not utilized. As of December 31, 1999, the Company also had federal and state research and development tax credit carryforwards of approximately $1.8 million and $1.4 million, respectively, which will expire at various dates from 2011 through 2019, if not utilized.

Utilization of net operating loss and tax credit carryforwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitation may result in expiration of net operating loss and tax credit carryforwards before full utilization.

10. SUBSEQUENT EVENTS (UNAUDITED)

INITIAL PUBLIC OFFERING

In February 2000, the board of directors authorized the filing of a registration statement with the Securities and Exchange Commission to register shares of its common stock in connection with a proposed Initial Public Offering (the "Offering"). If the Offering is consummated, the preferred stock outstanding as of the closing date will be converted into shares of the Company's common stock. The pro forma stockholders' equity in the accompanying consolidated balance sheet as of

10. SUBSEQUENT EVENTS (UNAUDITED) (CONTINUED)
December 31, 1999 reflects conversion of the outstanding preferred stock into 28,802,000 shares of common stock. Pro forma net loss per share is computed as if the outstanding preferred stock had been converted into common stock on the date of issuance.

Following the Offering, the Company will file a new Amended and Restated Certificate of Incorporation to increase the number of shares authorized for issuance to 190,000,000 shares of common stock and 10,000,000 shares of preferred stock for which the board of directors will have the power to determine designations and preferences and to issue at some future time without additional stockholder action.

The new Amended and Restated Certificate of Incorporation includes provisions governing the rights and preferences of the preferred stock and common stock, provisions governing director and stockholder meeting and provisions governing the indemnification of directors. Holders of common stock are entitled to one vote for each share held on all matters submitted to the stockholders.

2000 EMPLOYEE STOCK PURCHASE PLAN

In February 2000, the board of directors approved the 2000 Employee Stock Purchase Plan ("2000 Purchase Plan"), subject to stockholder approval. The 2000 Purchase Plan will have four overlapping offering periods commencing in each calendar year, with each period consisting of 27 months. Eligible employees may only participate in one offering period at a time and may authorize payroll deductions of up to 15% of their base compensation to purchase common stock at a price equal to 85% of the lower of the fair market value as of the beginning of the offering period and the fair market value as of the end of each purchase period.

The Company has reserved 750,000 shares of common stock for issuance under the 2000 Purchase Plan. This reserve amount will be increased each January 1 beginning January 1, 2001 equal to the lesser of 0.5% of the number of shares of common stock outstanding on that date or 500,000 shares.

CHANGES IN OPTION PLANS

In February 2000, the board of directors approved the 2000 Equity Incentive Plan (the "2000 Plan"), subject to stockholder approval. A number of shares of common stock equal to the difference between 12% of the number of shares of common stock outstanding after the offering and the shares reserved under the 2000 Director Option Plan are reserved for issuance under the 2000 Equity Incentive Plan plus any remaining available shares under the 1997 Plan and the Long-Term Plan. The 2000 Plan provides for acceleration of vesting equal to 100% upon a change in control of the Company for awards that are not assumed by the successor corporation. In addition, if an optionee suffers involuntary termination within twenty-four months following the change of control, the individual's options will accelerate and become fully vested.

In February 2000, the board of directors also approved the 2000 Director Option Plan, subject to stockholder approval. 500,000 shares of common stock have been reserved for issuance under the 2000 Director Option Plan. This reserve amount will be increased each January 1 beginning January 1, 2001 and ending January 1, 2005, by 100,000 shares of common stock or such lesser

10. SUBSEQUENT EVENTS (UNAUDITED) (CONTINUED)
number as the board of directors may determine. Upon election to the board of directors, each non-employee director will receive options to purchase 50,000 shares of common stock that vest in three equal annual installments follwoing the date of grant. Beginning in 2001, each non-employee directors will receive an annual grant of options to purchase 10,000 shares of common stock, which shall become fully vested upon the first anniversary of the grant date. However, a new non-employee director who is also receiving the initial option will not receive the follow-on until the next calender year. All options granted under the plan will become fully vested upon a change in control of the Company.

SALE OF SERIES D PREFERRED STOCK

In March 2000, the Company irrevocably committed to issue 1,666,667 shares of Series D convertible preferred stock to investors for an aggregate purchase price of approximately $25.0 million. The rights and preferences of these shares are generally consistent with the Series A, B, and C convertible preferred stock, except that the ratio at which the shares will convert into common stock depends upon the initial public offering price. The conversion formula will result in the shares of Series D preferred stock converting into common stock at a conversion price ranging from 80% to 90% of the initial public offering price. The dividend rate is $1.20 per share of Series D preferred stock and the liquidation preference is $15.00 per share of Series D preferred stock. In connection with this preferred stock issuance, the company will record a deemed dividend, representing the difference between the conversion price and the deemed fair value, for financial accounting purposes, of the security at the date of issuance.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders of Advanced Medicine, Inc.

We have audited the accompanying balance sheets of Incara Research Laboratories ("Incara") as of December 31, 1998 and 1999, and the related statements of operations and cash flows for the years then ended. These financial statements are the responsibility of Incara's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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 financial statements referred to above present fairly, in all material respects, the financial position of Incara at December 31, 1998 and 1999, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Raleigh, North Carolina
February 9, 2000

INCARA RESEARCH LABORATORIES

BALANCE SHEETS

(IN THOUSANDS)

	DECEMBER 31,	
	1998	1999
ASSETS		
Security deposits and other current assets	$ 26	$ 10
Total current assets	26	10
Property and equipment, net	2,799	2,165
Other assets	76	76
Total assets	$ 2,901	$ 2,251
LIABILITIES AND PARENT EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 425	$ 33
Accrued expenses	602	268
Current portion of notes payable	152	172
Current portion of capital lease obligations	322	508
Total current liabilities	1,501	981
Long-term portion of notes payable	685	523
Long-term portion of capital lease obligations	881	251
Commitments		
Parent equity (deficit)	(166)	496
Total liabilities and parent equity (deficit)	$ 2,901	$ 2,251

SEE ACCOMPANYING NOTES.

INCARA RESEARCH LABORATORIES

STATEMENTS OF OPERATIONS

(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,	
	1998	1999
Collaborative revenue	$ 927	$ 1,975
Operating expenses:		
Research and development	6,080	6,531
General and administrative	844	724
Amortization of deferred stock-based compensation	1,175	631
Write-off of property and equipment	852	--
Total operating expenses	8,951	7,886
Loss from operations	(8,024)	(5,911)
Interest expense	742	332
Net loss	$ (8,766)	$ (6,243)

SEE ACCOMPANYING NOTES.

INCARA RESEARCH LABORATORIES

STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	YEAR ENDED DECEMBER 31	
	1998	1999
OPERATING ACTIVITIES		
Net loss	$ (8,766)	$ (6,243)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	698	658
Write-off of property and equipment	852	--
Amortization of deferred stock-based compensation	1,175	631
Gain on sale of equipment	--	(11)
Changes in operating assets and liabilities:		
Security deposits and other assets	150	16
Accounts payable	(71)	(392)
Accrued expenses	(1,167)	(334)
Deferred revenues	(334)	--
Net cash used in operating activities	(7,463)	(5,675)
INVESTING ACTIVITIES		
Purchases of property and equipment	(392)	(13)
FINANCING ACTIVITIES		
Payments on notes payable and capital lease obligations	(227)	(585)
Advances from Parent	7,976	6,273
Net cash provided by financing activities	7,749	5,688
Net decrease in cash and cash equivalents	(106)	--
Cash and cash equivalents at beginning of year	106	--
Cash and cash equivalents at end of year	$ --	$ --

SEE ACCOMPANYING NOTES.

INCARA RESEARCH LABORATORIES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. ORGANIZATION

Incara Research Laboratories ("Incara") was a division of Incara Pharmaceuticals Corporation ("the Parent"). Incara is engaged in the research and development of human therapeutic health care products based on proprietary technologies. Prior to the Parent's purchase of Incara on May 8, 1998, Incara was a development stage company which was a majority-owned subsidiary of Interneuron Pharmaceuticals, Inc. ("Interneuron"). On December 29, 1999, Incara was sold to Advanced Medicine, Inc. ("Advanced Medicine"). For financial reporting purposes, results for the year ended December 31, 1999 represent Incara's operations for the period January 1, 1999 through December 29, 1999 (date of acquisition by Advanced Medicine). Further, "Parent" refers to Incara or Interneuron, depending on the period of ownership.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements have been prepared as if Incara had existed as a separate, stand-alone entity during the periods presented and include the historical assets, liabilities, revenues and expenses that are directly related to Incara's operations. However, these financial statements are not necessarily indicative of the financial position and results of operations which would have occurred had Incara been an independent company.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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.

REVENUE RECOGNITION

Historically, revenues have represented contract fees under strategic alliances as certain agreed upon milestones are achieved or license fees are earned. Cash received in advance of revenue recognition is recorded as deferred revenue.

INCOME TAXES

The results of Incara's operations were included in the consolidated income tax returns of the Parent. No provision for income taxes has been included in these financial statements since the business's significant operating losses would have precluded recording any deferred tax assets if Incara was a stand-alone taxpayer.

PARENT EQUITY (DEFICIT)

Because Incara operated as a division of the Parent, its equity accounts have been combined and presented as "Parent Equity (Deficit)" which includes net amounts advanced to Incara by the Parent and deferred stock-based compensation from issuance of stock options.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
PROPERTY AND EQUIPMENT

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the individual assets, ranging from three to five years. In connection with the Parent's acquisition of Incara, Incara wrote off $852,000 of property and equipment.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred. Research and development costs consist of direct and indirect internal costs related to specific projects as well as fees paid to other entities which conduct certain research and development activities on behalf of Incara.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	DECEMBER 31	
	1998	1999
	(IN THOUSANDS)	
Computer equipment and software	$ 350	$ 350
Laboratory equipment	1,128	1,141
Leasehold improvements	1,716	1,716
	3,194	3,207
Accumulated depreciation and amortization	(395)	(1,042)
Property and equipment, net	$ 2,799	$ 2,165

The cost of equipment and leasehold improvements financed under capital lease arrangements was $642,000 at December 31, 1998 and 1999, respectively. The related accumulated amortization was $149,000 and $371,000 at December 31, 1998 and 1999, respectively.

4. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	DECEMBER 31	
	1998	1999
	(IN THOUSANDS)	
Employee bonuses, benefits and severance	$ 351	$ 85
Legal	154	173
Amount due to Interneuron	85	--
Other	12	10
	$ 602	$ 268

5. LONG-TERM OBLIGATIONS

At December 31, 1999, Incara's aggregate commitments under notes payable and capital lease agreements was as follows:

	NOTES PAYABLE	CAPITAL LEASES
	(IN THOUSANDS)	
Year ending December 31:		
2000	$ 261	$ 597
2001	221	245
2002	84	14
2003	84	7
2004	84	--
Thereafter	204	--
Total minimum note or lease payments	938	863
Amounts representing interest	(243)	(104)
Present value of future payments	695	759
Current portion	(172)	(508)
Long-term portion	$ 523	$ 251

NOTES PAYABLE

Incara is obligated under two note payable agreements for the purchase of computer and laboratory equipment and leasehold improvements. These notes are payable monthly, bear interest at an annual rate between 11.5% and 13.4% and expire in June 2002 and June 2007, respectively.

CAPITAL LEASES

Incara also has various equipment under non-cancelable capital lease agreements which have remaining lease terms ranging from one to four years and interest rates ranging from 5% to 10%. The agreements require the purchase of the leased assets at the end of the term at up to 25% of the original cost.

6. LEASES

Incara leases its facilities under a non-cancelable operating lease agreement, which has a remaining lease term of eight years. Rent expense under these leases was approximately $824,000 in each of the years ended December 31, 1998 and 1999.

6. LEASES (CONTINUED)

At December 31, 1999, Incara's future minimum payments under non-cancelable operating lease arrangements were as follows:

	OPERATING LEASES
	(IN THOUSANDS)
Year ending December 31	
2000	$ 824
2001	824
2002	839
2003	849
2004	849
Thereafter	2,052
Total lease payments	$ 6,237

7. CORPORATE ALLOCATIONS

The Parent provided substantial services to Incara, including, but not limited to, general administration, treasury, tax, financial accounting and reporting, payroll administration, insurance, human resources and legal functions. The Parent has traditionally not charged Incara for certain of these services. An approximate allocation of these costs based on management's time and effort related to Incara has been estimated. The amount of corporate allocations was dependent upon the total amount of anticipated allocable costs incurred by the Parent, less amounts charged as a specific cost or expense rather than by allocation. The amounts allocated are not necessarily indicative of amounts that would have been incurred by Incara had it operated on a stand-alone basis. Management believes that the method of expense allocation is reasonable. This allocation has been included in general and administrative expense in the statement of operations and was $385,000 for the period beginning on May 8, 1998, the date of acquisition by Incara Pharmaceuticals Corporation, and ending on December 31, 1998 and $724,000 for the year ended December 31, 1999.

8. DEFERRED STOCK-BASED COMPENSATION

During the year ended December 31, 1998, in connection with the grant of certain stock options to employees, Incara recorded deferred stock-based compensation of $1.8 million representing the difference between the exercise price and the deemed fair value of the Parent's common stock for financial reporting purposes on the date these stock options were granted. Deferred stock-based compensation is included as a reduction of Parent equity. During the years ended December 31, 1998 and 1999, Incara recorded amortization of deferred stock-based compensation of approximately $1.2 million and $631,000, respectively.

9. COLLABORATIVE AGREEMENTS

Until the acquisition by Advanced Medicine, Incara had rights and obligations under two sponsored research and several license agreements. Under the sponsored research agreements,

9. COLLABORATIVE AGREEMENTS (CONTINUED)
Incara funded some research at a university in return for the right to license inventions resulting from the research. The license agreements generally provided Incara with exclusive worldwide rights to some technologies in exchange for license fees and royalties. Incara was obligated to pay annual maintenance fees until the termination of the agreements. Incara incurred $767,000 and $1.1 million in research and development expenses under these agreements in the years ended December 31, 1998 and 1999, respectively. In connection with Advanced Medicine's acquisition of Incara, these sponsored research and license agreements were assumed by Advanced Medicine.

In July 1997, Incara and Interneuron entered into a research collaboration and licensing agreement (the "Collaboration Agreement") with a pharmaceutical company (the "Collaborator") to discover and commercialize certain novel agents. The agreement provided for the Collaborator to make initial payments totaling $2.5 million, which included a non-refundable commitment fee of $1.5 million and a non-refundable option payment of $1.0 million. In addition, the Collaborator was obligated to pay research support during the first two years of the agreement, which ended in 1999. Based upon estimated relative value of such licenses and rights, the commitment fee and option payment was shared two-thirds by Incara and one-third by Interneuron, Incara's former parent. Incara's share of revenue in conjunction with this agreement was approximately $927,000 and $475,000 for the years ended December 31, 1998 and 1999, respectively. The Collaborator also paid Incara $1.5 million in 1999 upon reaching first milestone under the agreement. In connection with Advanced Medicine's acquisition of Incara, Advanced Medicine assumed the Collaboration Agreement.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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Through and including , 2000 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Shares

ADVANCED MEDICINE, INC.

Common Stock

[LOGO]

JOINT BOOK-RUNNING MANAGERS

GOLDMAN, SACHS & CO.

MERRILL LYNCH & CO.

BEAR, STEARNS & CO. INC.

Representatives of the Underwriters

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Estimated expenses payable in connection with the sale of the common stock in this offering are as follows:

SEC registration fee	$ 45,540
NASD filing fee	$ 17,500
Nasdaq National Market listing fee	$ 95,000
Printing and engraving expenses	$ 300,000
Legal fees and expenses	$ 800,000
Accounting fees and expenses	$ 400,000
Transfer agent and registrar fees and expenses	$ 15,000
Miscellaneous	$ 170,000
Total	$1,800,040

The registrant will bear all of the expenses shown above.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Delaware General Corporation Law, the registrant's charter and by-laws provide for indemnification of the registrant's directors and officers for liabilities and expenses that they may incur in such capacities. In general, directors and officers are indemnified with respect to actions taken in good faith in a manner reasonably believed to be in, or not opposed to, the best interests of the registrant, and with respect to any criminal action or proceeding, actions that the indemnitee had no reasonable cause to believe were unlawful. Reference is made to the registrant's corporate charter filed as Exhibit 3.2 hereto and the registrant's by-laws filed as Exhibit 3.4 hereto.

The Registrant has entered into Indemnification Agreements with its officers and directors, a form of which is attached as Exhibit 10.7 hereto and incorporated herein by reference. The Indemnification Agreements provide the Registrant's "officers and directors with further indemnification to the maximum extent permitted by the Delaware General Corporation Law. The underwriting agreement provides that the underwriters are obligated, under certain circumstances, to indemnify directors, officers and controlling persons of the registrant against certain liabilities, including liabilities under the Securities Act. Reference is made to the form of underwriting agreement filed as Exhibit 1.1 hereto.

The registrant intends to apply for a directors' and officers' insurance policy.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

In the three years preceding the filing of this registration statement, the registrant has sold the following securities that were not registered under the Securities Act:

During the period between March 31, 1997 and March 1, 2000, the registrant sold an aggregate of 10,232,000 shares of its common stock to 156 investors, for a price ranging from $0.01 to $0.85 per share.

During the period between April 17, 1997 and November 1, 1998 the registrant sold an aggregate at 4,952,000 shares of its Series A Convertible Preferred Stock to 43 investors for prices ranging from $1.25 to $4.00 per share.

During the period between March 4, 1998 and March 3, 1999, the registrant sold an aggregate of 5,039,000 shares of its Series B Convertible Preferred Stock to 90 investors for a price of $5.00 per share.

During the period between January 1, 1999 and October 20, 1999, the registrant sold an aggregate of 18,745,166 shares of its Series C Convertible Preferred Stock to 88 investors for a purchase price of $8.50 per share.

On March 20, 2000, the registrant irrevocably committed to sell an aggregate of 1,666,667 shares of its Series D Preferred Stock to 5 investors for a purchase price of $15.00 per share.

On May 7, 1997, the registrant granted a warrant to purchase 32,000 shares of its Series A Preferred Stock at an exercise price of $1.25 per share.

On April 28, 1998, the registrant granted a warrant to purchase 24,000 shares of its Series B Preferred Stock at an exercise price of $5.00 per share.

On October 2, 1998, the registrant granted a warrant to to purchase two warrants to purchase 5,000 shares of its Series B Preferred Stock at an exercise price of $5.00 per share.

On January 25, 1999, the registrant granted a warrant to purchase 25,000 shares of its Series C Preferred Stock at an exercise price of $10.20 per share.

On February 17, 1999, the registrant granted a warrant to purchase 13,000 shares and a warrant to purchase 7,000 shares of its Series C Preferred Stock at an exercise price of $8.50 per share.

On January 25, 1999, the registrant granted two warrants to purchase 20,000 shares and one warrant to to purchase 10,000 shares of its common stock at a exercise price of $0.85 per share.

From September 20, 1997 to February 26, 2000, the registrant granted options to purchase an aggregate of 4,567,345 shares of its common stock under its 1997 Stock Plan, with a weighted average exercise price of $0.63 per share.

From June 27, 1998 to February 26, 2000, the registrant granted options to purchase an aggregate of 2,295,000 shares of its common stock under its Long Term Stock Option Plan, with a weighted average exercise price of $0.55 per share.

No underwriters were involved in the foregoing sales of securities. Such sales were made in reliance upon the exemption provided by Section 4(2) of the Securities Act for transactions not involving a public offering and/or Rule 701 under the Securities Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(A) EXHIBITS:

EXHIBIT NO.	EXHIBIT INDEX
1.1+	Form of Underwriting Agreement
3.1+	Restated Certificate of Incorporation, as amended, of the registrant (currently in effect)
3.2	Form of Amended and Restated Certificate of Incorporation of the registrant to be filed upon the closing of the offering
3.3	By-laws of the registrant
3.4	Form of Amended and Restated By-laws to take effect as of the closing of the offering
4.1+	Specimen certificate representing the common stock of the registrant
5.1+	Opinion of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP
10.1	1997 Stock Plan
10.2	Long-Term Stock Option Plan
10.3	2000 Equity Incentive Plan
10.4	2000 Director Option Plan
10.5	Employee Stock Purchase Plan
10.6	Change in Control Severance Plan
10.7+	Form of Warrant

EXHIBIT NO.	EXHIBIT INDEX
10.8+	Amended and Restated Investor Rights Agreement by and among the registrant and the parties listed therein, dated as of March 20, 2000
10.9	Form of Indemnification Agreement for directors and officers of the registrant
10.10	Lease between the registrant and HMS Gateway Office, L.P. dated February 17, 1999
10.11*+	Asset Purchase Agreement between the registrant and Incara Pharmaceuticals, Inc., dated December 17, 1999
23.1+	Consent of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP (included in Exhibit 5.1)
23.2	Consent of Ernst & Young LLP, Independent Auditors
23.3	Consent of Ernst & Young LLP, Independent Auditors
24.1	Power of Attorney (included on page II-4)
27.1	Financial Data Schedule

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* Confidential materials omitted and filed separately with the Securities and Exchange Commission.

\+ To be filed by amendment.

(B) FINANCIAL STATEMENTS SCHEDULES:

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, the required information is disclosed in the notes to the financial statements or the schedules are inapplicable, and therefore have been omitted.

ITEM 17. UNDERTAKINGS.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to provisions described in Item 14 above, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The registrant hereby undertakes (1) to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser; (2) that for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; and (3) that for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in South San Francisco, California on March 21, 2000.

Advanced Medicine, Inc.

By: /s/ JAMES B. TANANBAUM
James B. Tananbaum
PRESIDENT AND CHIEF EXECUTIVE OFFICER

POWER OF ATTORNEY AND SIGNATURES

The undersigned officers and directors of Advanced Medicine, Inc. hereby constitute and appoint James B. Tananbaum, Marty Glick and Bradford J. Shafer, and each of them singly, with full power of substitution, our true and lawful attorneys-in-fact and agents to take any actions to enable Advanced Medicine, Inc. to comply with the Securities Act, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this registration statement, including the power and authority to sign for us in our names in the capacities indicated below any and all amendments to this registration statement and any other registration statement filed pursuant to the provisions of Rule 462 under the Securities Act.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ JAMES B. TANANBAUM James B. Tananbaum	President and Chief Executive Officer (principal executive officer)	March 21, 2000
/s/ MARTY GLICK Marty Glick	Chief Financial Officer (principal financial and accounting officer)	March 21, 2000
/s/ JULIAN C. BAKER Julian C. Baker	Director	March 21, 2000
/s/ JEFFREY M. DRAZAN Jeffrey M. Drazan	Director	March 21, 2000
/s/ ROBERT V. GUNDERSON, JR. Robert V. Gunderson, Jr.	Director	March 21, 2000

SIGNATURE	TITLE	DATE
/s/ ARNOLD J. LEVINE Arnold J. Levine	Director	March 21, 2000
/s/ WESLEY D. STERMAN Wesley D. Sterman	Director	March 21, 2000
/s/ GEORGE M. WHITESIDES George M. Whitesides	Director	March 21, 2000
/s/ P. ROY VAGELOS P. Roy Vagelos	Director	March 21, 2000

EXHIBIT INDEX

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* Confidential materials omitted and filed separately with the Securities and Exchange Commission.

\+ To be filed by amendment.

EXHIBIT 3.2

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

ADVANCED MEDICINE, INC.

Pursuant to Sections 228, 242 and 245 of the
General Corporation Law of the State of Delaware

Advanced Medicine, Inc. (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify as follows:

1. The name of the Corporation is Advanced Medicine, Inc. The original certificate of incorporation of the Corporation was filed with the office of the Secretary of State of Delaware on November 19, 1996.

2. This Amended and Restated Certificate of Incorporation was recommended to the stockholders for approval as being advisable and in the best interests of the Corporation at a meeting of the Board of Directors on February 26, 2000.

3. That in lieu of a meeting and vote of stockholders, consents in writing have been signed by holders of outstanding stock having not less than the minimum number of votes that is necessary to consent to this amendment and restatement, and, if required, prompt notice of such action shall be given in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

4. This Amended and Restated Certificate of Incorporation restates and integrates and further amends the certificate of incorporation of the Corporation, as heretofore amended or supplemented.

The text of the Corporation's second amended and restated certificate of incorporation is amended and restated in its entirety as follows:

FIRST. The name of the Corporation is Advanced Medicine, Inc.

SECOND. The address of the registered office of the Corporation in the State of Delaware is 15 East North Street, Dover, County of Kent. The name of its registered agent at such address is Incorporating Services, Ltd.

THIRD. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH. The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 200,000,000 shares consisting of shares of 190,000,000 Common Stock with a par value of $.01 per share (the "Common Stock") and 10,000,000 shares of Preferred Stock with a par value of $.01 per share, (the "Preferred Stock").

A description of the respective classes of stock and a statement of the designations, powers, preferences and rights, and the qualifications, limitations and restrictions of the Common Stock and Preferred Stock are as follows:

A. COMMON STOCK

1. GENERAL. All shares of Common Stock will be identical and will entitle the holders thereof to the same rights, powers and privileges. The rights, powers and privileges of the holders of the Common Stock are subject to and qualified by the rights of holders of the Preferred Stock.

2. DIVIDENDS. Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend rights of any then outstanding Preferred Stock.

3. DISSOLUTION, LIQUIDATION OR WINDING UP. In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, whether voluntary or involuntary, each issued and outstanding share of Common Stock shall entitle the holder thereof to receive an equal portion of the net assets of the Corporation available for distribution to the holders of Common Stock, subject to any preferential rights of any then outstanding Preferred Stock.

4. VOTING RIGHTS. Except as otherwise required by law or this Amended and Restated Certificate of Incorporation, each holder of Common Stock shall have one vote in respect of each share of stock held of record by such holder on the books of the Corporation for the election of directors and on all matters submitted to a vote of stockholders of the Corporation. Except as otherwise required by law or provided herein, holders of Common Stock shall vote together with holders of the Preferred Stock as a single class, subject to any special or preferential voting rights of any then outstanding Preferred Stock. There shall be no cumulative voting.

B. PREFERRED STOCK

The Preferred Stock may be issued in one or more series at such time or times and for such consideration or considerations as the Board of Directors of the Corporation may determine. Each series shall be so designated as to distinguish the shares thereof from the shares of all other series and classes. Except as otherwise provided in this Amended and Restated Certificate of

Incorporation, different series of Preferred Stock shall not be construed to constitute different classes of shares for the purpose of voting by classes.

I. UNDESIGNATED PREFERRED STOCK

The Board of Directors is expressly authorized to provide for the issuance of all or any shares of the undesignated Preferred Stock in one or more series, each with such designations, preferences, voting powers (or special, preferential or no voting powers), relative, participating, optional or other special rights and privileges and such qualifications, limitations or restrictions thereof as shall be stated in the resolution or resolutions adopted by the Board of Directors to create such series, and a certificate of said resolution or resolutions (a "Certificate of Designation") shall be filed in accordance with the General Corporation Law of the State of Delaware. The authority of the Board of Directors with respect to each such series shall include, without limitation of the foregoing, the right to provide that the shares of each such series may be: (i) subject to redemption at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock of the Corporation at such price or prices or at such rates of exchange and with such adjustments, if any; (v) entitled to the benefit of such limitations, if any, on the issuance of additional shares of such series or shares of any other series of Preferred Stock; or (vi) entitled to such other preferences, powers, qualifications, rights and privileges, all as the Board of Directors may deem advisable and as are not inconsistent with law and the provisions of this certificate of incorporation.

FIFTH. The Corporation is to have perpetual existence.

SIXTH. The following provisions are included for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its Board of Directors and stockholders:

1. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors of the Corporation.

2. The Board of Directors of the Corporation is expressly authorized to adopt, amend or repeal the by-laws of the Corporation, subject to any limitation thereof contained in the by-laws. The stockholders shall also have the power to adopt, amend or repeal the by-laws of the Corporation.

3. Special meetings of stockholders may be called at any time only by the Chief Executive Officer, the President, the Chairman of the Board of Directors (if any), a majority of the Board of Directors or a majority of the stockholders. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

5. The books of the Corporation may be kept at such place within or without the State of Delaware as the by-laws of the Corporation may provide or as may be designated from time to time by the Board of Directors of the Corporation.

SEVENTH. The provisions of this Article are subject to the rights of the holders of any series of Preferred Stock from time to time outstanding.

1. NUMBER OF DIRECTORS. The number of directors which shall constitute the whole Board of Directors shall be determined by resolution of a majority of the Board of Directors or by action of the stockholders, but in no event shall the number of directors be less than three. The number of directors may be decreased at any time and from time to time by a majority of the directors then in office, but only to eliminate vacancies existing by reason of the death, resignation, removal or expiration of the

term of one or more directors or, for any reason, by action of the stockholders. The directors shall be elected at the annual meeting of stockholders, at any special meeting called for that purpose or by written consent by such stockholders as have the right to vote on such election. Directors need not be stockholders of the Corporation.

2. ELECTION OF DIRECTORS. Elections of directors need not be by written ballot except as and to the extent provided in the by-laws of the Corporation.

3. TERMS OF OFFICE. Each director shall serve for a term ending on the date of the annual meeting at which such director was elected or until earlier removed.

6. TENURE. Notwithstanding any provisions to the contrary contained herein, each director shall hold office until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

7. VACANCIES. Unless and until filled by the stockholders, any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement of the Board of Directors, may be filled by vote of a majority of the directors then in office, even if less than a quorum, or by a sole remaining director or by action of the stockholders. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office, if applicable, and a director chosen to fill a position resulting from an increase in the number of directors shall hold office

until the next election of directors and until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

8. QUORUM. A majority of the total number of the whole Board of Directors shall constitute a quorum at all meetings of the Board of Directors. In the event one or more of the directors shall be disqualified to vote at any meeting, then the required quorum shall be reduced by one for each such director so disqualified; provided, however, that in no case shall less than one-third (1/3) of the number so fixed constitute a quorum. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present.

9. ACTION AT MEETING. At any meeting of the Board of Directors at which a quorum is present, the vote of a majority of those present shall be sufficient to take any action, unless a different vote is specified by law or the Corporation's by-laws.

EIGHTH. No director (including any advisory director) of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director notwithstanding any provision of law imposing such liability; provided, however, that, to the extent provided by applicable law, this provision shall not eliminate the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. If the General Corporation Law of the State of Delaware is amended after approval by the stockholders of this Article to authorize corporate action further eliminating or limiting the personal liability of directors then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware as so amended. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

NINTH. The Corporation reserves the right to amend or repeal any provision contained in this Amended and Restated Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation.

TENTH. The provisions of Section 203 of the Delaware General Corporation Law shall not apply to the Corporation.

IN WITNESS WHEREOF, the undersigned has hereunto signed his name and affirms that the statements made in this Amended and Restated Certificate of Incorporation are true under the penalties of perjury this _____ day of [ ], 2000.

By:

Name: James B. Tananbaum
Title: President

Attest:

By:

Bradford J. Shafer
Secretary

EXHIBIT 3.3

BYLAWS OF

ADVANCED MEDICINE, INC.

A DELAWARE CORPORATION

Date: November 19, 1996

TABLE OF CONTENTS

BYLAWS

ARTICLE I

MEETINGS OF STOCKHOLDERS

Section 1. PLACE OF MEETINGS. All meetings of the stockholders shall be held at such place within or without the State of Delaware as may be fixed from time to time by the board of directors or the chief executive officer, not so designated, at the registered of office of the corporation.

Section 2. ANNUAL MEETING. Annual meetings of stockholders shall be held on the SECOND TUESDAY OF JUNE in each year if not a legal holiday, and if a legal holiday, then on the next secular day following, at 10:00 a.m., or at such other date and time as shall be designated from time to time by the board of directors or the chief executive officer, at which meeting the stockholders shall elect by a plurality vote a board of directors and shall transact such other business as may properly be brought before the meeting. If no annual meeting is held in accordance with the foregoing provisions, the board of directors shall cause the meeting to be held as soon thereafter as convenient, which meeting shall be designated a special meeting in lieu of annual meeting.

Section 3. SPECIAL MEETINGS. Special meetings of the stockholders, for any purpose or purposes, may, unless otherwise prescribed by statute or by the certificate of incorporation, be called by the board of directors or the chief executive officer and shall be called by the chief executive officer or secretary at the request in writing of a majority of the board of directors, or at the request in writing of stockholders owning a MAJORITY in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting. Business transacted at any special meeting shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

Section 4. NOTICE OF MEETINGS. Except as otherwise provided by law, written notice of each meeting of stockholders, annual or special, stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not less than ten or more than sixty days before the date of the meeting, to each stockholder entitled to vote at such meeting.

Section 5. VOTING LIST. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city or town where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the

meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 6. QUORUM. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise provided by statute, the certificate of incorporation or these bylaws. Where a separate vote by a class or classes is required, a majority of the outstanding shares of such class or classes, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter. If no quorum shall be present or represented at any meeting of stockholders, such meeting may be adjourned in accordance with Section 7 hereof, until a quorum shall be present or represented.

Section 7. ADJOURNMENTS. Any meeting of stockholders may be adjourned from time to time to any other time and to any other place at which a meeting of stockholders may be held under these bylaws, which time and place shall be announced at the meeting, by a majority of the stockholders present in person or represented by proxy at the meeting and entitled to vote, (whether or not a quorum is present), or, if no stockholder is present or represented by proxy, by any officer entitled to preside at or to act as secretary of such meeting, without notice other than announcement at the meeting. At such adjourned meeting, any business may be transacted which might have been transacted at the original meeting. If any meeting of stockholders at which a quorum is present or represented is adjourned, then, at such adjourned meeting, any business may be transacted that might have been transacted at the original meeting, whether or not a quorum shall be present or represented at such adjourned meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 8. ACTION AT MEETINGS. When a quorum is present at any meeting, the affirmative vote of the holders of a majority of the stock present in person or represented by proxy, entitled to vote and voting on the matter (or where a separate vote by a class or classes is required, the affirmative vote of the majority of shares of such class or classes present in person or represented by proxy at the meeting) shall decide any matter (other than the election of directors) brought before such meeting, unless the matter is one upon which by express provision of law, the certificate of incorporation or these bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such matter. The stock of holders who abstain from voting on any matter shall be deemed not to have been voted on such matter. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting, entitled to vote and voting on the election of directors.

Section 9. VOTING AND PROXIES. Unless otherwise provided in the certificate of incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote for each share of capital stock having voting power held of record by such stockholder. Each stockholder entitled to vote at a meeting of stockholders, or to express consent or dissent to corporate action in writing without a meeting, may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

Section 10. ACTION WITHOUT MEETING. Any action required to be taken at any annual or special meeting of stockholders, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be (1) signed and dated by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and (2) delivered to the corporation within sixty days of the earliest dated consent by delivery to its registered office in the State of Delaware (in which case delivery shall be by hand or by certified or registered mail, return receipt requested), its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE II

DIRECTORS

Section 1. NUMBER, ELECTION, TENURE AND QUALIFICATION. The number of directors which shall constitute the whole board shall be not less than one. Within such limit, the number of directors shall be determined by resolution of the board of directors or by the stockholders at the annual meeting or at any special meeting of stockholder. The directors shall be elected at the annual meeting or at any special meeting of the stockholders, except as provided in Section 3 of this Article, and each director elected shall hold office until his successor is elected and qualified, unless sooner displaced. Directors need not be stockholders.

Section 2. ENLARGEMENT. The number of the board of directors may be increased at any time by vote of a majority of the directors then in office.

Section 3. VACANCIES. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. In the event of a vacancy in the board of directors, the remaining directors, except as otherwise provided by law or these bylaws, may exercise the powers of the full board until the vacancy is filled.

Section 4. RESIGNATION AND REMOVAL. Any director may resign at any time upon written notice to the corporation at its principal place of business or to the chief executive of officer or secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event. Any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors, unless otherwise specified by law or the certificate of incorporation.

Section 5. GENERAL POWERS. The business and affairs of the corporation shall be managed by its board of directors, which may exercise all powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

Section 6. CHAIRMAN OF THE BOARD. If the board of directors appoints a chairman of the board, he shall, when present, preside at all meetings of the stockholders and the board of directors. He shall perform such duties and possess such powers as are customarily vested in the officer of the chairman of the board or as may be vested in him by the board of directors.

Section 7. PLACE OF MEETINGS. The board of directors may hold meetings, both regular and special, either within or without the State of Delaware.

Section 8. REGULAR MEETINGS. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board; provided that any director who is absent when such a determination is made shall be given prompt notice of such determination. A regular meeting of the board of directors may be held without notice immediately after and at the same place as the annual meeting of stockholders.

Section 9. SPECIAL MEETINGS. Special meetings of the board may be called by the chief executive officer, secretary, or on the written request of two or more directors, or by one director in the event that there is only one director in office. Two days' notice to each director, either personally or by telegram, cable, telecopy, commercial delivery service, telex or similar means sent to his business or home address, or three days' notice by written notice deposited in the mail, shall be given to each director by the secretary or by the officer or one of the directors calling the meeting. A notice or waiver of notice of a meeting of the board of directors need not specify the purposes of the meeting.

Section 10. QUORUM, ACTION AT MEETING, ADJOURNMENTS. At all meetings of the board a majority of directors then in office, but in no event less than one third of the entire board, shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by law or by the certificate of incorporation. For purposes of this section, the term "entire board" shall mean the number of directors last fixed by the stockholders or directors, as the case may be, in accordance with law and these bylaws; provided, however, that if less than all the number so fixed of directors were elected, the "entire board" shall mean the greatest number of directors so elected to hold office at any one time pursuant to such authorization. If a quorum shall not be present at any meeting of the board of directors, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 11. ACTION BY CONSENT. Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all

members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

Section 12. TELEPHONIC MEETINGS. Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the board of directors or of any committee thereof may participate in a meeting of the board of directors or of any committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 13. COMMITTEES. The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the bylaws of the corporation; and, unless the resolution designating such committee or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors. Each committee shall keep regular minutes of its meetings and make such reports to the board of directors as the board of directors may request. Except as the board of directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rule, its business shall be conducted as nearly as possible in the same manner as is provided in these bylaws for the conduct of its business by the board of directors.

Section 14. COMPENSATION. Unless otherwise restricted by the certificate of incorporation or these bylaws, the board of directors shall have the authority to fix from time to time the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and the performance of their responsibilities as directors may be paid a fixed sum for attendance at each meeting of the board of directors and/or a stated salary as director. No such payment shall preclude any director from serving the corporation or its parent or subsidiary corporations in any other capacity and receiving compensation therefor. The board of directors may also allow compensation for members of special or standing committees for service on such committees.

ARTICLE III

OFFICERS

Section 1. ENUMERATION. The officers of the corporation shall be chosen by the board of directors and shall be a president, a secretary and a treasurer and such other officers with such titles, terms of office and duties as the board of directors may from time to time determine, including a chairman of the board, one or more vice-presidents, and one or more assistant secretaries and assistant treasurers. If authorized by resolution of the board of directors, the chief executive officer may be empowered to appoint from time to time assistant secretaries and assistant treasurers. Any number of offices may be held by the same person, unless the certificate of incorporation or these bylaws otherwise provide.

Section 2. ELECTION. The board of directors at its first meeting after each annual meeting of stockholders shall choose a president, a secretary and a treasurer. Other officers may be appointed by the board of directors at such meeting, at any other meeting, or by written consent.

Section 3. TENURE. The officers of the corporation shall hold office until their successors are chosen and qualify, unless a different term is specified in the vote choosing or appointing him, or until his earlier death, resignation or removal. Any officer elected or appointed by the board of directors or by the chief executive officer may be removed at any time, with or without cause, by the affirmative vote of a majority of the board of directors or a committee duly authorized to do so, except that any officer appointed by the chief executive officer may also be removed at any time, with or without cause, by the chief executive officer. Any vacancy occurring in any office of the corporation may be filled by the board of directors, at its discretion. Any officer may resign by delivering his written resignation to the corporation at its principal place of business or to the chief executive officer or the secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

Section 4. PRESIDENT. The president shall be the chief operating officer of the corporation. He shall also be the chief executive officer unless the board of directors otherwise provides. If no chief executive officer shall have been appointed by the board of directors, all references herein to the "chief executive officer" shall be to the president. The president shall, unless the board of directors provides otherwise in a specific instance or generally, preside at all meetings of the stockholders and the board of directors, have general and active management of the business of the corporation and see that all orders and resolutions of the board of directors are carried into effect. The president shall execute bonds, mortgages, and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation.

Section 5. VICE-PRESIDENTS. In the absence of the president or in the event of his inability or refusal to act, the vice-president, or if there be more than one vice-president, the vice presidents in the order designated by the board of directors or the chief executive officer (or in the absence of any designation, then in the order determined by their tenure in office) shall

perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. The vice-presidents shall perform such other duties and have such other powers as the board of directors or the chief executive officer may from time to time prescribe.

Section 6. SECRETARY. The secretary shall have such powers and perform such duties as are incident to the office of secretary. He shall maintain a stock ledger and prepare lists of stockholders and their addresses as required and shall be the custodian of corporate records. The secretary shall attend all meetings of the board of directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the board of directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the board of directors, and shall perform such other duties as may be from time to time prescribed by the board of directors or chief executive officer, under whose supervision he shall be. He shall have custody of the corporate seal of the corporation and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The board of directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Section 7. ASSISTANT SECRETARIES. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the board of directors, the chief executive officer or the secretary (or if there be no such determination, then in the order determined by their tenure in office), shall, in the absence of the secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors, the chief executive officer or the secretary may from time to time prescribe. In the absence of the secretary or any assistant secretary at any meeting of stockholders or directors, the person presiding at the meeting shall designate a temporary or acting secretary to keep a record of the meeting.

Section 8. TREASURER. The treasurer shall perform such duties and shall have such powers as may be assigned to him by the board of directors or the chief executive officer. In addition, the treasurer shall perform such duties and have such powers as are incident to the office of treasurer. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the chief executive officer and the board of directors, when the chief executive officer or board of directors so requires, an account of all his transactions as treasurer and of the financial condition of the corporation.

Section 9. ASSISTANT TREASURERS. The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the board of directors, the chief executive officer or the treasurer (or if there be no such determination, then in the order determined by their tenure in office), shall, in the absence of the treasurer or in the event of his

inability or refusal to act, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the board of directors, the chief executive officer or the treasurer may from time to time prescribe.

Section 10. BOND. If required by the board of directors, any officer shall give the corporation a bond in such sum and with such surety or sureties and upon such terms and conditions as shall be satisfactory to the board of directors, including without limitation a bond for the faithful performance of the duties of his office and for the restoration to the corporation of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control and belonging to the corporation.

ARTICLE IV

NOTICES

Section 1. DELIVERY. Whenever, under the provisions of law, or of the certificate of incorporation or these bylaws, written notice is required to be given to any director or stockholder, such notice may be given by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Unless written notice by mail is required by law, written notice may also be given by telegram, cable, telecopy, commercial delivery service, telex or similar means, addressed to such director or stockholder at his address as it appears on the records of the corporation, in which case such notice shall be deemed to be given when delivered into the control of the persons charged with effecting such transmission, the transmission charge to be paid by the corporation or the person sending such notice and not by the addressee. Oral notice or other in hand delivery (in person or by telephone) shall be deemed given at the time it is actually given.

Section 2. WAIVER OF NOTICE. Whenever any notice is required to be given under the provisions of law or of the certificate of incorporation or of these bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V

INDEMNIFICATION

Section 1. ACTIONS OTHER THAN BY OR IN THE RIGHT OF THE CORPORATION. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good

faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceedings, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of NOLO CONTENDERE or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. ACTIONS BY OR IN THE RIGHT OF THE CORPORATION. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery of the State of Delaware or such other court shall deem proper.

Section 3. SUCCESS ON THE MERITS. To the extent that any person described in Section 1 or 2 of this Article V has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in said Sections, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 4. SPECIFIC AUTHORIZATION. Any indemnification under Section 1 or 2 of this Article V (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of any person described in said Sections is proper in the circumstances because he has met the applicable standard of conduct set forth in said Sections. Such determination shall be made (1) by the board of directors by a majority vote of directors who were not parties to such action, suit or proceeding (even though less than a quorum), or (2) if there are no disinterested directors or if a majority of disinterested directors so directs, by independent legal counsel (who may be regular legal counsel to the corporation) in a written opinion, or (3) by the stockholders of the corporation.

Section 5. ADVANCE PAYMENT. Expenses incurred in defending a pending or threatened civil or criminal action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of any person described in said Section to repay such amount if it shall ultimately be

determined that he is not entitled to indemnification by the corporation as authorized in this Article V.

Section 6. NONEXCLUSIVITY. The indemnification and advancement of expenses provided by, or granted pursuant to, the other Sections of this Article V shall not be deemed exclusive of any other rights to which those provided indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

Section 7. INSURANCE. The board of directors may authorize, by a vote of the majority of the full board, the corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article V.

Section 8. CONTINUATION OF INDEMNIFICATION AND ADVANCEMENT OF EXPENSES. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article V shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 9. SEVERABILITY. If any word, clause or provision of this Article V or any award made hereunder shall for any reason be determined to be invalid, the provisions hereof shall not otherwise be affected thereby but shall remain in full force and effect.

Section 10. INTENT OF ARTICLE. The intent of this Article V is to provide for indemnification and advancement of expenses to the fullest extent permitted by Section 145 of the General Corporation Law of Delaware. To the extent that such Section or any successor section may be amended or supplemented from time to time, this Article V shall be amended automatically and construed so as to permit indemnification and advancement of expenses to the fullest extent from time to time permitted by law.

ARTICLE VI

CAPITAL STOCK

Section 1. CERTIFICATES OF STOCK. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by, the chairman or vice-chairman of the board of directors, or the president or a vice-president and the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by him in the corporation. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the

EXHIBIT 3.4

AMENDED AND RESTATED

BY-LAWS

OF

ADVANCED MEDICINE, INC.

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ARTICLE 1 - STOCKHOLDERS

1.1 PLACE OF MEETINGS. All meetings of stockholders shall be held at such place within or without the State of Delaware as may be designated from time to time by the Chairman of the Board (if any), the board of directors of the Corporation (the "Board of Directors") or the President or, if not so designated, at the principal office of the Corporation.

1.2 ANNUAL MEETING. The annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly be brought before the meeting shall be held on a date to be fixed by the Chairman of the Board (if any), the Board of Directors, the Chief Executive Officer or the President (which date shall not be a legal holiday in the place where the meeting is to be held) at the time and place to be fixed by the Chairman of the Board, the Board of Directors, the Chief Executive Officer or the President and stated in the notice of the meeting.

1.3 SPECIAL MEETINGS. Special meetings of stockholders may be called at any time by the Chairman of the Board (if any), a majority of the Board of Directors, the Chief Executive Officer or the President and shall be held at such place, on such date and at such time as shall be fixed by the Board of Directors or the person calling the meeting. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

1.4 NOTICE OF MEETINGS. Except as otherwise provided by law, written notice of each meeting of stockholders, whether annual or special, shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting. The notices of all meetings shall state the place, date and hour of the meeting. The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his or her address as it appears on the records of the Corporation.

1.5 VOTING LIST. The officer who has charge of the stock ledger of the Corporation shall prepare, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time of the meeting, and may be inspected by any stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

1.6 QUORUM. Except as otherwise provided by law, the Corporation's Certificate of Incorporation, as such may be amended from time to time, or these Amended and Restated By-Laws, as such may be amended from time to time (the "Restated By-Laws"), the holders of a majority of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business. Shares held by brokers which such brokers are prohibited from voting (pursuant to their discretionary authority on behalf of beneficial owners of such shares who have not submitted a proxy with respect to such shares) on some or all of the matters before the stockholders, but which shares would otherwise be entitled to vote at the meeting ("Broker Non-Votes") shall be counted, for the purpose of determining the presence or absence of a quorum, both (a) toward the total voting power of the shares of capital stock of the Corporation and (b) as being represented by proxy. If a quorum has been established for the purpose of conducting the meeting, a quorum shall be deemed to be present for the purpose of all votes to be conducted at such meeting, provided that where a separate vote by a class or classes, or series thereof, is required, a majority of the voting power of the shares of such class or classes, or series, present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter. If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the voting power of the shares of stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another place, date, or time.

1.7 ADJOURNMENTS. Any meeting of stockholders may be adjourned to any other time and to any other place at which a meeting of stockholders may be held under these Restated By-Laws by the stockholders present or represented at the meeting and entitled to vote, although less than a quorum, or, if no stockholder is present, by any officer entitled to preside at or to act as Secretary of such meeting. It shall not be necessary to notify any stockholder of any adjournment of less than 30 days if the time and place of the adjourned meeting are announced at the meeting at which adjournment is taken, unless after the adjournment a new record date is fixed for the adjourned meeting. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

1.8 VOTING AND PROXIES. At any meeting of the stockholders, each stockholder shall have one vote for each share of stock entitled to vote at such meeting held of record by such stockholder and a proportionate vote for each fractional share so held, unless otherwise provided in the Certificate of Incorporation. Each stockholder of record entitled to vote at a meeting of stockholders, or to express consent or dissent to corporate action in writing without a meeting (to the extent not otherwise prohibited by the Certificate of Incorporation or these By-laws), may vote or express such consent or dissent in person or may authorize another person or persons to vote or act for such stockholder by written proxy executed by such stockholder or his or her authorized agent or by a transmission permitted by law and delivered to the Secretary of the Corporation. No such proxy shall be voted or acted upon after three years from the date of its execution, unless the proxy expressly provides for a longer period. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this Section 1.8 may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that

such copy, facsimile telecommunication or reproduction shall be a complete reproduction of the entire original writing or transmission.

In the election of directors, voting shall be by written ballot, and for any other action, voting need not be by ballot.

The Corporation may, and to the extent required by law or the Certificate of Incorporation, shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at such meeting may, and to the extent required by law or the Certificate of Incorporation, shall, appoint one or more inspectors to act at such meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability.

1.9 ACTION AT MEETING. When a quorum is present at any meeting of stockholders, the holders of a majority of the stock present or represented and voting on a matter (or if there are two or more classes of stock entitled to vote as separate classes, then in the case of each such class, the holders of a majority of the stock of that class present or represented and voting on such matter) shall decide any matter to be voted upon by the stockholders at such meeting (other than the election of directors), except when a different vote is required by express provision of law, the Certificate of Incorporation or these Restated By-Laws. Any election of directors by the stockholders shall be determined by a plurality of the votes cast by the stockholders entitled to vote at such election, except as otherwise provided by the Certificate of Incorporation. For the purposes of this paragraph, Broker Non-Votes represented at the meeting but not permitted to vote on a particular matter shall not be counted, with respect to the vote on such matter, in the number of (a) votes cast, (b) votes cast affirmatively, or (c) votes cast negatively.

ARTICLE 2 - DIRECTORS

2.1 GENERAL POWERS. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors, who may exercise all of the powers of the Corporation except as otherwise provided by law or the Certificate of Incorporation. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law or the Certificate of Incorporation, may exercise the powers of the full Board of Directors until the vacancy is filled. Without limiting the foregoing, the Board of Directors may:

(a) declare dividends from time to time in accordance with law;

(b) purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;

(c) authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, to borrow funds and guarantee obligations, and to do all things necessary in connection therewith;

(d) remove any officer of the Corporation with or without cause, and from time to time to devolve the powers and duties of any officer upon any other person for the time being;

(e) confer upon any officer of the Corporation the power to appoint, remove and suspend subordinate officers, employees and agents;

(f) adopt from time to time such stock option, stock purchase, bonus or other compensation plans for directors, officers, employees, consultants and agents of the Corporation and its subsidiaries as it may determine;

(g) adopt from time to time such insurance, retirement, and other benefit plans for directors, officers, employees, consultants and agents of the Corporation and its subsidiaries as it may determine; and

(h) adopt from time to time regulations, not inconsistent herewith, for the management of the Corporation's business and affairs.

2.2 NUMBER; ELECTION AND QUALIFICATION. The number of directors which shall constitute the whole Board of Directors shall be determined by resolution of the Board of Directors or by action of the stockholders, but in no event shall be less than three. The number of directors may be decreased at any time and from time to time by a majority of the directors then in office, but only to eliminate vacancies existing by reason of the death, resignation, removal or expiration of the term of one or more directors, or, for any reason, by action of the stockholders. The directors shall be elected at the annual meeting of stockholders at any special meeting called for that purpose or by written consent by such stockholders as have the right to vote on such election. Directors need not be stockholders of the Corporation.

2.3 TERMS IN OFFICE. Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected or until earlier removed.

2.4 TENURE. Notwithstanding any provisions to the contrary contained herein, each director shall hold office until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

2.5 VACANCIES. Unless and until filled by the stockholders, any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement thereof, may be filled by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director or by action of the stockholders. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office, if any, and a director chosen to fill a position resulting from an increase in the number of directors shall hold office until the next election of directors and until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

2.6 RESIGNATION. Any director may resign by delivering his or her written resignation to the Corporation at its principal office or to the President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

2.7 REGULAR MEETINGS. Regular meetings of the Board of Directors may be held without notice at such time and place, either within or without the State of Delaware, as shall be determined from time to time by the Board of Directors; PROVIDED that any director who is absent when such a determination is made shall be given notice of the determination.

2.8 SPECIAL MEETINGS. Special meetings of the Board of Directors may be held at any time and place, within or without the State of Delaware, designated by the Chairman of the Board (if any), the Chief Executive Officer, the President, two or more directors, or by one director in the event that there is only a single director in office.

2.9 NOTICE OF SPECIAL MEETINGS. Notice of any special meeting of directors shall be given to each director by the Secretary or by the officer or one of the directors calling the meeting. Notice shall be duly given to each director (i) by giving notice to such director in person or by telephone at least 48 hours in advance of the meeting, (ii) by sending a telegram or delivering written notice by facsimile transmission or by hand, to his or her last known business or home address at least 48 hours in advance of the meeting, or (iii) by mailing written notice to his or her last known business or home address at least 72 hours in advance of the meeting. A notice or waiver of notice of a meeting of the Board of Directors need not specify the purposes of the meeting.

2.10 MEETINGS BY TELEPHONE CONFERENCE CALLS. Directors or any members of any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall be deemed to constitute presence in person at such meeting.

2.11 QUORUM. A majority of the total number of the whole Board of Directors shall constitute a quorum at all meetings of the Board of Directors. In the event one or more of the directors shall be disqualified to vote at any meeting, then the required quorum shall be reduced by one for each such director so disqualified; PROVIDED, HOWEVER, that in no case shall less than one-third (1/3) of the total number of the whole Board of Directors constitute a quorum. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present.

2.12 ACTION AT MEETING. At any meeting of the Board of Directors at which a quorum is present, the vote of a majority of those present shall be sufficient to take any action, unless a different vote is specified by law, the Certificate of Incorporation or these Restated By-Laws.

2.13 ACTION BY WRITTEN CONSENT. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee of the Board of Directors may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent to such action in writing, and the written consents are filed with the minutes of proceedings of the Board of Directors or committee.

2.14 REMOVAL. Unless otherwise provided in the Certificate of Incorporation, any one or more or all of the directors may be removed with or without cause by the holders of a majority of the shares entitled to vote at an election of directors.

2.15 COMMITTEES. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of a member of a committee, the member or members of such committee present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at such meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors and subject to the provisions of the General Corporation Law of the State of Delaware, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it. Each such committee shall keep minutes and make such reports as the Board of Directors may from time to time request. Except as the Board of Directors may otherwise determine or as provided herein, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these Restated By-Laws for the Board of Directors. Adequate provisions shall be made for notice to members of all meeting of committees. One-third (1/3) of the members of any committee shall constitute a quorum unless the committee shall consist of one (1) or two (2) members, in which event one (1) member shall constitute a quorum; and all matters shall be

determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of such committee.

2.18 COMPENSATION OF DIRECTORS. Directors may be paid such compensation for their services and such reimbursement for expenses of attendance at meetings as the Board of Directors may from time to time determine. No such payment shall preclude any director from serving the Corporation or any of its parent or subsidiary corporations in any other capacity and receiving compensation for such service.

ARTICLE 3 - OFFICERS

3.1 ENUMERATION. The officers of the Corporation shall consist of a President, a Secretary, a Treasurer and such other officers with such other titles as the Board of Directors shall determine, including, but not limited to, a Chairman of the Board, a Vice-Chairman of the Board, and one or more Vice Presidents, Assistant Treasurers and Assistant Secretaries. The Board of Directors may appoint such other officers as it may deem appropriate.

3.2 ELECTION. The President, Treasurer and Secretary shall be elected annually by the Board of Directors at its first meeting following the annual meeting of stockholders. Other officers may be appointed by the Board of Directors at such meeting or at any other meeting.

3.3 QUALIFICATION. No officer need be a stockholder. Any two or more offices may be held by the same person.

3.4 TENURE. Except as otherwise provided by law, by the Certificate of Incorporation or by these Restated By-Laws, each officer shall hold office until his or her successor is elected and qualified, unless a different term is specified in the vote choosing or appointing such officer, or until his or her earlier death, resignation or removal.

3.5 RESIGNATION AND REMOVAL. Any officer may resign by delivering his or her written resignation to the Chairman of the Board (if any), to the Board of Directors at a meeting thereof, to the Corporation at its principal office or to the President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

Any officer may be removed at any time, with or without cause, by vote of a majority of the directors then in office.

Except as the Board of Directors may otherwise determine, no officer who resigns or is removed shall have any right to any compensation as an officer for any period following his or her resignation or removal, or any right to damages on account of such removal, whether his or her compensation be by the month or by the year or otherwise, unless such compensation is expressly provided in a duly authorized written agreement with the Corporation.

3.6 VACANCIES. The Board of Directors may fill any vacancy occurring in any office for any reason and may, in its discretion, leave unfilled for such period as it may determine any offices other than those of President, Treasurer and Secretary. Each such successor shall hold office for the unexpired term of his predecessor and until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

3.7 CHAIRMAN OF THE BOARD AND VICE-CHAIRMAN OF THE BOARD. The Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and stockholders at which he or she is present and shall perform such duties and possess such powers as are designated by the Board of Directors. If the Board of Directors appoints a Vice-Chairman of the Board, he or she shall, in the absence or disability of the Chairman of the Board, perform the duties and exercise the powers of the Chairman of the Board and shall perform such other duties and possess such other powers as may from time to time be designated by the Board of Directors.

3.8 PRESIDENT. The President shall, subject to the direction of the Board of Directors, have general charge and supervision of the business of the Corporation. Unless otherwise provided by the Board of Directors, and provided that there is no Chairman of the Board or that the Chairman and Vice-Chairman, if any, are not available, the President shall preside at all meetings of the stockholders, and, if a director, at all meetings of the Board of Directors. Unless the Board of Directors has designated another officer as the Chief Executive Officer, the President shall be the Chief Executive Officer of the Corporation. The President shall perform such other duties and shall have such other powers as the Board of Directors may from time to time prescribe. The President shall have the power to enter into contracts and otherwise bind the Corporation in matters arising in the ordinary course of the Corporation's business.

3.9 VICE PRESIDENTS. Any Vice President shall perform such duties and possess such powers as the Board of Directors or the President may from time to time prescribe. In the event of the absence, inability or refusal to act of the President, the Vice President (or if there shall be more than one, the Vice Presidents in the order determined by the Board of Directors) shall perform the duties of the President and, when so performing, shall have all the powers of and be subject to all the restrictions upon the President. The Board of Directors may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other title selected by the Board of Directors. Unless otherwise determined by the Board of Directors, any Vice President shall have the power to enter into contracts and otherwise bind the Corporation in matters arising in the ordinary course of the Corporation's business.

3.10 SECRETARY AND ASSISTANT SECRETARIES. The Secretary shall perform such duties and shall have such powers as the Board of Directors or the President may from time to time prescribe. In addition, the Secretary shall perform such duties and have such powers as are incident to the office of secretary, including without limitation the duty and power to give notices of all meetings of stockholders and special meetings of the Board of Directors, to attend all meetings of stockholders and the Board of Directors and keep a record of the proceedings, to maintain a stock ledger and prepare lists of stockholders and their addresses as required, to be custodian of corporate records and the corporate seal and to affix and attest to the same on documents.

Any Assistant Secretary shall perform such duties and possess such powers as the Board of Directors, the President or the Secretary may from time to time prescribe. In the event of the absence, inability or refusal to act of the Secretary, the Assistant Secretary (or if there shall be more than one, the Assistant Secretaries in the order determined by the Board of Directors) shall perform the duties and exercise the powers of the Secretary.

In the absence of the Secretary or any Assistant Secretary at any meeting of stockholders or directors, the person presiding at the meeting shall designate a temporary secretary to keep a record of the meeting.

3.11 TREASURER AND ASSISTANT TREASURERS. The Treasurer shall perform such duties and shall have such powers as the Board of Directors or the President may from time to time prescribe. In addition, the Treasurer shall perform such duties and have such powers as are incident to the office of treasurer, including without limitation the duty and power to keep and be responsible for all funds and securities of the Corporation, to deposit funds of the Corporation in depositories selected in accordance with these Restated By-Laws, to disburse such funds as ordered by the Board of Directors, to make proper accounts for such funds, and to render as required by the Board of Directors statements of all such transactions and of the financial condition of the Corporation.

The Assistant Treasurers shall perform such duties and possess such powers as the Board of Directors, the President or the Treasurer may from time to time prescribe. In the event of the absence, inability or refusal to act of the Treasurer, the Assistant Treasurer (or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors) shall perform the duties and exercise the powers of the Treasurer.

3.12 SALARIES. Officers of the Corporation shall be entitled to such salaries, compensation or reimbursement as shall be fixed or allowed from time to time by the Board of Directors.

3.13 ACTION WITH RESPECT TO SECURITIES OF OTHER CORPORATIONS. Unless otherwise directed by the Board of Directors, the President or any officer of the Corporation authorized by the President shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which the Corporation may hold securities and otherwise to exercise any

and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

ARTICLE 4 - CAPITAL STOCK

4.1 ISSUANCE OF STOCK. Unless otherwise voted by the stockholders and subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the Corporation or the whole or any part of any issued, authorized capital stock of the Corporation held in its treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board of Directors in such manner, for such consideration and on such terms as the Board of Directors may determine.

4.2 CERTIFICATES OF STOCK. Every holder of stock of the Corporation shall be entitled to have a certificate, in such form as may be prescribed by law and by the Board of Directors, certifying the number and class of shares owned by such stockholder in the Corporation. Each such certificate shall be signed by, or in the name of the Corporation by, the Chairman or Vice-Chairman, if any, of the Board of Directors, or the President or a Vice President, and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation. Any or all of the signatures on such certificate may be a facsimile.

Each certificate for shares of stock which are subject to any restriction on transfer pursuant to the Certificate of Incorporation, the Restated By-Laws, applicable securities laws or any agreement among any number of shareholders or among such holders and the Corporation shall have conspicuously noted on the face or back of such certificate either the full text of such restriction or a statement of the existence of such restriction.

4.3 TRANSFERS. Except as otherwise established by rules and regulations adopted by the Board of Directors, and subject to applicable law, shares of stock may be transferred on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate representing such shares, properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or the authenticity of signature as the Corporation or its transfer agent may reasonably require. Except as may be otherwise required by law, by the Certificate of Incorporation or by these Restated By-Laws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to such stock, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the Corporation in accordance with the requirements of these Restated By-Laws.

4.4 LOST, STOLEN OR DESTROYED CERTIFICATES. The Corporation may issue a new certificate of stock in place of any previously issued certificate alleged to have been lost, stolen, or destroyed, upon such terms and conditions as the President may prescribe, including the presentation of reasonable evidence of such loss, theft or destruction and the giving of such

indemnity as the President may require for the protection of the Corporation or any transfer agent or registrar.

4.5 RECORD DATE. The Board of Directors may fix in advance a date as a record date for the determination of the stockholders entitled to notice of or to vote at any meeting of stockholders or, to the extent permitted by the Certificate of Incorporation and these Restated By-laws, to express consent (or dissent) to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action. Such record date shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action to which such record date relates.

If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day before the day on which notice is given, or, if notice is waived, at the close of business on the day before the day on which the meeting is held. The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting (to the extent permitted by the Certificate of Incorporation and these Restated By-laws) when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed. If no record date is fixed, the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating to such purpose.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; PROVIDED, HOWEVER, that the Board of Directors may fix a new record date for the adjourned meeting.

ARTICLE 5 - GENERAL PROVISIONS

5.1 FISCAL YEAR. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

5.2 CORPORATE SEAL. The corporate seal shall be in such form as shall be approved by the Board of Directors.

5.3 NOTICES. Except as otherwise specifically provided herein or required by law or the Certificate of Incorporation, all notices required to be given to any stockholder, director, officer, employee or agent of the Corporation shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by prepaid telegram or facsimile transmission. Any such notice shall be addressed to such stockholder, director, officer, employee or agent at his or her last known address as the same appears on the books of the Corporation. The time when such notice is received shall be deemed to be the time of the giving of the notice.

5.4 WAIVER OF NOTICE. Whenever any notice whatsoever is required to be given by law, by the Certificate of Incorporation or by these Restated By-Laws, a waiver of such notice either in writing signed by the person entitled to such notice or such person's duly authorized attorney, or by telegraph, facsimile transmission or any other available method, whether before, at or after the time stated in such waiver, or the appearance of such person or persons at such meeting in person or by proxy, shall be deemed equivalent to such notice.

5.5 EVIDENCE OF AUTHORITY. A certificate by the Secretary, or an Assistant Secretary, or a temporary Secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the Corporation shall, as to all persons who rely on the certificate in good faith, be conclusive evidence of such action.

5.6 FACSIMILE SIGNATURES. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Restated By-Laws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

5.7 RELIANCE UPON BOOKS, REPORTS AND RECORDS. Each director, each member of any committee designated by the Board of Directors, and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees or committees of the Board of Directors so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

5.8 TIME PERIODS. In applying any provision of these Restated By-Laws that requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

5.9 CERTIFICATE OF INCORPORATION. All references in these Restated By-Laws to the Certificate of Incorporation shall be deemed to refer to the Amended and Restated Certificate of Incorporation of the Corporation, as amended and in effect from time to time.

5.10 TRANSACTIONS WITH INTERESTED PARTIES. No contract or transaction between the Corporation and one or more of the directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of the directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because such director or officer is present at or participates in the meeting of the Board of Directors or a committee of the Board of Directors which authorizes the contract or transaction or solely because his, her or their votes are counted for such purpose, if:

(1) The material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the

Board or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum;

(2) The material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(3) The contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee of the Board of Directors, or the stockholders.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

5.11 RESERVES. The directors may set apart out of any funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve.

5.12 CHECKS. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

5.13 SEVERABILITY. Any determination that any provision of these Restated By-Laws is for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these Restated By-Laws.

5.14 PRONOUNS. All pronouns used in these Restated By-Laws shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the persons or persons so designated may require.

ARTICLE 6 - INDEMNIFICATION

6.1 ACTIONS OTHER THAN BY OR IN THE RIGHT OF THE CORPORATION. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person who was or is a party or is threatened to be made a party or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person, or a person for whom such person is the legal representative, is or was a director, trustee, partner, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or non-profit entity, against all liability, losses, expenses (including attorneys' fees), judgments,

fines, and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interest of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interest of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

6.2 ACTIONS BY OR IN THE RIGHT OF THE CORPORATION. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, trustee, partner, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or non-profit entity against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that despite the adjudication of liability but in view of all the circumstances of the case, such person fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery of the State of Delaware or such other court shall deem proper.

6.3 SUCCESS ON THE MERITS. To the extent that any person referred to in Sections 6.1 or 6.2 has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to therein, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

6.4. AUTHORIZATION. Any indemnification under Sections 6.1, 6.2 or 6.3 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, trustee, partner, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 6.1 and 6.2. Such determination shall be made: (a) by the Board of Directors, by a majority vote of directors who are not parties to such action, suit or proceeding (whether or not a quorum), or (b) if there are no disinterested directors or if a majority of disinterested directors so directs, by independent legal counsel (who may be regular legal counsel to the Corporation) in a written opinion, or (c) by the stockholders.

6.5 EXPENSE ADVANCE. Expenses (including attorneys' fees) incurred by an officer or director of the Corporation in defending any pending or threatened civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the manner provided in Section 6.4 of this Article upon receipt of an undertaking by or on behalf of such officer or director to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article. Such expenses (including attorneys' fees) incurred by other employees or agents of the Corporation may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

6.6 NONEXCLUSIVITY. The indemnification and advancement of expenses provided by, or granted pursuant to, the other Sections of this Article shall not be deemed exclusive of any other rights to which any person seeking indemnification or advancement of expenses may be entitled under any statute, by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

6.7 INSURANCE. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, partner, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or non-profit entity against any liability asserted against and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article or Section 145 of the Delaware General Corporation Law.

6.8 "THE CORPORATION". For the purposes of this Article, references to "the Corporation" shall include the resulting corporation in a consolidation and, to the extent that the Board of Directors of the resulting corporation so decides, all constituent corporations (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers and employees or agents so that any person who is or was a director, officer, employee or agent of such a constituent corporation or is or was serving at the request of such constituent corporation as director, trustee, partner, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or non-profit entity shall stand in the same position under the provisions of this Article with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued.

6.9 OTHER INDEMNIFICATION. The Corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, trustee, partner, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or non-profit entity shall be reduced by any amount such person may collect as indemnification from such

other corporation, partnership, joint venture, trust or other enterprise or non-profit entity or from insurance.

6.10 OTHER DEFINITIONS. For purposes of this Article, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, trustee, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, trustee, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article.

6.11 CONTINUATION OF INDEMNIFICATION. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall, unless otherwise provided when authorized or ratified, continue as a person who has ceased to be a director, trustee, partner, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE 7 - AMENDMENTS

Except as is otherwise set forth in these Restated By-Laws, these Restated By-Laws may be altered, amended or repealed, or new by-laws may be adopted, by the stockholders or by the Board of Directors, when such powers are conferred upon the Board of Directors by the Certificate of Incorporation, at any meeting of the stockholders or of the Board of Directors.

EXHIBIT 10.1

ADVANCED MEDICINE, INC.

1997 STOCK PLAN

ADOPTED ON JUNE 23, 1997

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ADVANCED MEDICINE, INC. 1997 STOCK PLAN

SECTION 1. ESTABLISHMENT AND PURPOSE.

The purpose of the Plan is to offer selected individuals an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, by purchasing Shares of the Company's Stock. The Plan provides both for the direct award or sale of Shares and for the grant of Options to purchase Shares. Options granted under the Plan may include Nonstatutory Options as well as ISOs intended to qualify under Section 422 of the Code.

Capitalized terms are defined in Section 12.

SECTION 2. ADMINISTRATION.

(a) COMMITTEES OF THE BOARD OF DIRECTORS. The Plan may be administered by one or more Committees. Each Committee shall consist of one or more members of the Board of Directors who have been appointed by the Board of Directors. Each Committee shall have such authority and be responsible for such functions as the Board of Directors has assigned to it. If no Committee has been appointed, the entire Board of Directors shall administer the Plan. Any reference to the Board of Directors in the Plan shall be construed as a reference to the Committee (if any) to whom the Board of Directors has assigned a particular function.

(b) AUTHORITY OF THE BOARD OF DIRECTORS. Subject to the provisions of the Plan, the Board of Directors shall have full authority and discretion to take any actions it deems necessary or advisable for the administration of the Plan. All decisions, interpretations and other actions of the Board of Directors shall be final and binding on all Purchasers, all Optionees and all persons deriving their rights from a Purchaser or Optionee.

SECTION 3. ELIGIBILITY.

(a) GENERAL RULE. Only Employees, Outside Directors and Consultants shall be eligible for the grant of Options or the direct award or sale of Shares. Only Employees shall be eligible for the grant of ISOs.

(b) TEN-PERCENT STOCKHOLDERS. An individual who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company, its Parent or any of its Subsidiaries shall not be eligible for designation as an Optionee or Purchaser unless (i) the Exercise Price is at least 110% of the Fair Market Value of a Share on the date of grant, (ii) the Purchase Price (if any) is at least 100% of the Fair Market Value of a Share and (iii) in the case of an ISO, such ISO by its terms is not exercisable after the expiration of five years from the date of grant. For purposes of this Subsection (b), in determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.

SECTION 4. STOCK SUBJECT TO PLAN.

(a) BASIC LIMITATION. Shares offered under the Plan may be authorized but unissued Shares or treasury Shares. The aggregate number of Shares that may be issued under the Plan (upon exercise of Options or other rights to acquire Shares) shall not exceed 2,415,000(1) Shares, subject to adjustment pursuant to Section 8. The number of Shares that are subject to Options or other rights outstanding at any time under the Plan shall not exceed the number of Shares that then remain available for issuance under the Plan. The Company, during the term of the Plan, shall at all times reserve and keep available sufficient Shares to satisfy the requirements of the Plan.

(b) ADDITIONAL SHARES. In the event that any outstanding Option or other right for any reason expires or is canceled or otherwise terminated, the Shares allocable to the unexercised portion of such Option or other right shall again be available for the purposes of the Plan. In the event that Shares issued under the Plan are reacquired by the Company pursuant to any forfeiture provision, right of repurchase or right of first refusal, such Shares shall again be available for the purposes of the Plan, except that the aggregate number of Shares which may be issued upon the exercise of ISOs shall in no event exceed 2,415,000 Shares (subject to adjustment pursuant to Section 8).

SECTION 5. TERMS AND CONDITIONS OF AWARDS OR SALES.

(a) STOCK PURCHASE AGREEMENT. Each award or sale of Shares under the Plan (other than upon exercise of an Option) shall be evidenced by a Stock Purchase Agreement between the Purchaser and the Company. Such award or sale shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Board of Directors deems appropriate for inclusion in a Stock Purchase Agreement. The provisions of the various Stock Purchase Agreements entered into under the Plan need not be identical.

(b) DURATION OF OFFERS AND NONTRANSFERABILITY OF RIGHTS. Any right to acquire Shares under the Plan (other than an Option) shall automatically expire if not exercised by the Purchaser within 30 days after the grant of such right was communicated to the Purchaser by the Company. Such right shall not be transferable and shall be exercisable only by the Purchaser to whom such right was granted.

(c) PURCHASE PRICE. The Purchase Price of Shares to be offered under the Plan shall not be less than 85% of the Fair Market Value of such Shares, and a higher percentage may be required by Section 3(b). Subject to the preceding sentence, the Purchase Price shall be determined by the Board of Directors at its sole discretion. The Purchase Price shall be payable in a form described in Section 7.

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(1) Includes the 615,000-share increase authorized by the Board of Directors on February 27, 1998, subject to stockholder approval.

(d) WITHHOLDING TAXES. As a condition to the purchase of Shares, the Purchaser shall make such arrangements as the Board of Directors may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with such purchase.

(e) RESTRICTIONS ON TRANSFER OF SHARES AND MINIMUM VESTING. Any Shares awarded or sold under the Plan shall be subject to such special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Board of Directors may determine. Such restrictions shall be set forth in the applicable Stock Purchase Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally. In the case of a Purchaser who is not an officer of the Company, an Outside Director or a Consultant, any right to repurchase the Purchaser's Shares at the original Purchase Price (if any) upon termination of the Purchaser's Service shall lapse at least as rapidly as 20% per year over the five-year period commencing on the date of the award or sale of the Shares. Any such right may be exercised only within 90 days after the termination of the Purchaser's Service for cash or for cancellation of indebtedness incurred in purchasing the Shares.

(f) ACCELERATED VESTING. Unless the applicable Stock Purchase Agreement provides otherwise, any right to repurchase a Purchaser's Shares at the original Purchase Price (if any) upon termination of the Purchaser's Service shall lapse and all of such Shares shall become vested if (i) the Company is subject to a Change in Control before the Purchaser's Service terminates and (ii) the repurchase right is not assigned to the entity that employs the Purchaser immediately after the Change in Control or to its parent or subsidiary. Notwithstanding the foregoing, in the event that (i) there is an Involuntary Termination within twelve months after a Change in Control and (ii) the repurchase right had been assigned to the entity that employs the Purchaser immediately after the Change in Control or to its parent or subsidiary, then the repurchase right shall lapse and an additional number of the Purchaser's Shares shall vest, as if the Purchaser performed Service for an additional twelve months.

SECTION 6. TERMS AND CONDITIONS OF OPTIONS.

(a) STOCK OPTION AGREEMENT. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Board of Directors deems appropriate for inclusion in a Stock Option Agreement. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical.

(b) NUMBER OF SHARES. Each Stock Option Agreement shall specify the number of Shares that are subject to the Option and shall provide for the adjustment of such number in accordance with Section 8. The Stock Option Agreement shall also specify whether the Option is an ISO or a Nonstatutory Option.

(c) EXERCISE PRICE. Each Stock Option Agreement shall specify the Exercise Price. The Exercise Price of an ISO shall not be less than 100% of the Fair Market Value of a Share on

the date of grant, and a higher percentage may be required by Section 3(b). The Exercise Price of a Nonstatutory Option shall not be less than 85% of the Fair Market Value of a Share on the date of grant, and a higher percentage may be required by Section 3(b). Subject to the preceding two sentences, the Exercise Price under any Option shall be determined by the Board of Directors at its sole discretion. The Exercise Price shall be payable in a form described in Section 7.

(d) WITHHOLDING TAXES. As a condition to the exercise of an Option, the Optionee shall make such arrangements as the Board of Directors may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with such exercise. The Optionee shall also make such arrangements as the Board of Directors may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with the disposition of Shares acquired by exercising an Option.

(e) EXERCISABILITY. Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. In the case of an Optionee who is not an officer of the Company, an Outside Director or a Consultant, an Option shall become exercisable at least as rapidly as 20% per year over the five-year period commencing on the date of grant. Subject to the preceding sentence, the exercisability provisions of any Stock Option Agreement shall be determined by the Board of Directors at its sole discretion.

(f) ACCELERATED EXERCISABILITY. Unless the applicable Stock Option Agreement provides otherwise, all of an Optionee's Options shall become exercisable in full if (i) the Company is subject to a Change in Control before the Optionee's Service terminates, (ii) such Options do not remain outstanding, (iii) such Options are not assumed by the surviving corporation or its parent and (iv) the surviving corporation or its parent does not substitute options with substantially the same terms for such Options. Notwithstanding the foregoing, in the event that (i) there is an Involuntary Termination within twelve months after a Change in Control and (ii) the Options had been assumed or substituted by the surviving corporation or its parent, then the repurchase right with respect to the Options shall lapse and an additional number of Shares subject to the Optionee's Options shall become exercisable and vest, as if the Optionee performed Service for an additional twelve months.

(g) BASIC TERM. The Stock Option Agreement shall specify the term of the Option. The term shall not exceed 10 years from the date of grant, and a shorter term may be required by Section 3(b). Subject to the preceding sentence, the Board of Directors at its sole discretion shall determine when an Option is to expire.

(h) NONTRANSFERABILITY. No Option shall be transferable by the Optionee other than by beneficiary designation, will or the laws of descent and distribution. An Option may be exercised during the lifetime of the Optionee only by the Optionee or by the Optionee's guardian or legal representative. No Option or interest therein may be transferred, assigned, pledged or hypothecated by the Optionee during the Optionee's lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

(i) TERMINATION OF SERVICE (EXCEPT BY DEATH). If an Optionee's Service terminates for any reason other than the Optionee's death, then the Optionee's Options shall expire on the

earliest of the following occasions, unless the periods of time for which the Options remain exercisable are otherwise extended by the Board of Directors or Committee:

(i) The expiration date determined pursuant to Subsection (g) above;

(ii) The date three months after the termination of the Optionee's Service for any reason other than Disability; or

(iii) The date six months after the termination of the Optionee's Service by reason of Disability.

The Optionee may exercise all or part of the Optionee's Options at any time before the expiration of such Options under the preceding sentence, but only to the extent that such Options had become exercisable before the Optionee's Service terminated (or became exercisable as a result of the termination) and the underlying Shares had vested before the Optionee's Service terminated (or vested as a result of the termination). The balance of such Options shall lapse when the Optionee's Service terminates. In the event that the Optionee dies after the termination of the Optionee's Service but before the expiration of the Optionee's Options, all or part of such Options may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired such Options directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that such Options had become exercisable before the Optionee's Service terminated (or became exercisable as a result of the termination) and the underlying Shares had vested before the Optionee's Service terminated (or vested as a result of the termination).

(j) LEAVES OF ABSENCE. For purposes of Subsection (i) above, Service shall be deemed to continue while the Optionee is on a bona fide leave of absence, if such leave was approved by the Company in writing and if continued crediting of Service for this purpose is expressly required by the terms of such leave or by applicable law (as determined by the Company).

(k) DEATH OF OPTIONEE. If an Optionee dies while the Optionee is in Service, then the Optionee's Options shall expire on the earlier of the following dates, unless the periods of time for which the Options remain exercisable are otherwise extended by the Board of Directors or Committee:

(i) The expiration date determined pursuant to Subsection (g) above; or

(ii) The date 12 months after the Optionee's death.

All or part of the Optionee's Options may be exercised at any time before the expiration of such Options under the preceding sentence by the executors or administrators of the Optionee's estate or by any person who has acquired such Options directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that such Options had become

exercisable before the Optionee's death or became exercisable as a result of the death. The balance of such Options shall lapse when the Optionee dies.

(l) NO RIGHTS AS A STOCKHOLDER. An Optionee, or a transferee of an Optionee, shall have no rights as a stockholder with respect to any Shares covered by the Optionee's Option until such person becomes entitled to receive such Shares by filing a notice of exercise and paying the Exercise Price pursuant to the terms of such Option.

(m) MODIFICATION, EXTENSION AND ASSUMPTION OF OPTIONS. Within the limitations of the Plan, the Board of Directors may modify, extend or assume outstanding Options or may accept the cancellation of outstanding Options (whether granted by the Company or another issuer) in return for the grant of new Options for the same or a different number of Shares and at the same or a different Exercise Price. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, impair the Optionee's rights or increase the Optionee's obligations under such Option.

(n) RESTRICTIONS ON TRANSFER OF SHARES AND MINIMUM VESTING. Any Shares issued upon exercise of an Option shall be subject to such special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Board of Directors may determine. Such restrictions shall be set forth in the applicable Stock Option Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally. In the case of an Optionee who is not an officer of the Company, an Outside Director or a Consultant, any right to repurchase the Optionee's Shares at the original Exercise Price upon termination of the Optionee's Service shall lapse at least as rapidly as 20% per year over the five-year period commencing on the date of the option grant. Any such repurchase right may be exercised only within 90 days after the termination of the Optionee's Service for cash or for cancellation of indebtedness incurred in purchasing the Shares.

(o) ACCELERATED VESTING. Unless the applicable Stock Option Agreement provides otherwise, any right to repurchase an Optionee's Shares at the original Exercise Price upon termination of the Optionee's Service shall lapse and all of such Shares shall become vested if (i) the Company is subject to a Change in Control before the Optionee's Service terminates and (ii) the repurchase right is not assigned to the entity that employs the Optionee immediately after the Change in Control or to its parent or subsidiary. Notwithstanding the foregoing, in the event that (i) there is an Involuntary Termination within twelve months after a Change in Control and (ii) the repurchase right had been assigned to the entity that employs the Optionee immediately after the Change in Control or to its parent or subsidiary, then the repurchase right shall lapse and an additional number of Shares shall become vested as if the Optionee performed Service for an additional twelve months.

SECTION 7. PAYMENT FOR SHARES.

(a) GENERAL RULE. The entire Purchase Price or Exercise Price of Shares issued under the Plan shall be payable in cash or cash equivalents at the time when such Shares are purchased, except as otherwise provided in this Section 7.

(b) SURRENDER OF STOCK. To the extent that a Stock Option Agreement so provides, all or any part of the Exercise Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall be surrendered to the Company in good form for transfer and shall be valued at their Fair Market Value on the date when the Option is exercised. The Optionee shall not surrender, or attest to the ownership of, Shares in payment of the Exercise Price if such action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to the Option for financial reporting purposes.

(c) SERVICES RENDERED. At the discretion of the Board of Directors, Shares may be awarded under the Plan in consideration of services rendered to the Company, a Parent or a Subsidiary prior to the award. At the discretion of the Board of Directors, Shares may also be awarded under the Plan in consideration of services to be rendered to the Company, a Parent or a Subsidiary after the award, except that the par value of such Shares, if newly issued, shall be paid in cash or cash equivalents.

(d) PROMISSORY NOTE. To the extent that a Stock Option Agreement or Stock Purchase Agreement so provides, all or a portion of the Exercise Price or Purchase Price (as the case may be) of Shares issued under the Plan may be paid with a full-recourse promissory note. However, the par value of the Shares, if newly issued, shall be paid in cash or cash equivalents. The Shares shall be pledged as security for payment of the principal amount of the promissory note and interest thereon. The interest rate payable under the terms of the promissory note shall not be less than the minimum rate (if any) required to avoid the imputation of additional interest under the Code. Subject to the foregoing, the Board of Directors (at its sole discretion) shall specify the term, interest rate, amortization requirements (if any) and other provisions of such note.

(e) EXERCISE/SALE. To the extent that a Stock Option Agreement so provides, and if Stock is publicly traded, payment may be made all or in part by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company in payment of all or part of the Exercise Price and any withholding taxes.

(f) EXERCISE/PLEDGE. To the extent that a Stock Option Agreement so provides, and if Stock is publicly traded, payment may be made all or in part by the delivery (on a form prescribed by the Company) of an irrevocable direction to pledge Shares to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company in payment of all or part of the Exercise Price and any withholding taxes.

SECTION 8. ADJUSTMENT OF SHARES.

(a) GENERAL. In the event of a subdivision of the outstanding Stock, a declaration of a dividend payable in Shares, a declaration of an extraordinary dividend payable in a form other than Shares in an amount that has a material effect on the Fair Market Value of the Stock, a

combination or consolidation of the outstanding Stock into a lesser number of Shares, a recapitalization, a spin-off, a reclassification or a similar occurrence, the Board of Directors shall make appropriate adjustments in one or more of (i) the number of Shares available for future grants under Section 4, (ii) the number of Shares covered by each outstanding Option or (iii) the Exercise Price under each outstanding Option.

(b) MERGERS AND CONSOLIDATIONS. In the event that the Company is a party to a merger or consolidation, outstanding Options shall be subject to the agreement of merger or consolidation. Such agreement, without the Optionees' consent, may provide for:

(i) The continuation of such outstanding Options by the Company (if the Company is the surviving corporation);

(ii) The assumption of the Plan and such outstanding Options by the surviving corporation or its parent;

(iii) The substitution by the surviving corporation or its parent of options with substantially the same terms for such outstanding Options; or

(iv) The cancellation of such outstanding Options without payment of any consideration.

(c) RESERVATION OF RIGHTS. Except as provided in this Section 8, an Optionee or Purchaser shall have no rights by reason of (i) any subdivision or consolidation of shares of stock of any class, (ii) the payment of any dividend or (iii) any other increase or decrease in the number of shares of stock of any class. Any issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of Shares subject to an Option. The grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

SECTION 9. SECURITIES LAW REQUIREMENTS.

(a) GENERAL. Shares shall not be issued under the Plan unless the issuance and delivery of such Shares comply with (or are exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded.

(b) FINANCIAL REPORTS. The Company each year shall furnish to Optionees, Purchasers and stockholders who have received Stock under the Plan its balance sheet and income statement, unless such Optionees, Purchasers or stockholders are key Employees whose duties with the Company assure them access to equivalent information. Such balance sheet and income statement need not be audited.

SECTION 10. NO RETENTION RIGHTS.

Nothing in the Plan or in any right or Option granted under the Plan shall confer upon the Purchaser or Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining the Purchaser or Optionee) or of the Purchaser or Optionee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

SECTION 11. DURATION AND AMENDMENTS.

(a) TERM OF THE PLAN. The Plan, as set forth herein, shall become effective on the date of its adoption by the Board of Directors, subject to the approval of the Company's stockholders. In the event that the stockholders fail to approve the Plan within 12 months after its adoption by the Board of Directors, any grants of Options or sales or awards of Shares that have already occurred shall be rescinded, and no additional grants, sales or awards shall be made thereafter under the Plan. The Plan shall terminate automatically 10 years after its adoption by the Board of Directors and may be terminated on any earlier date pursuant to Subsection (b) below.

(b) RIGHT TO AMEND OR TERMINATE THE PLAN. The Board of Directors may amend, suspend or terminate the Plan at any time and for any reason; provided, however, that any amendment of the Plan which increases the number of Shares available for issuance under the Plan (except as provided in Section 8), or which materially changes the class of persons who are eligible for the grant of ISOs, shall be subject to the approval of the Company's stockholders. Stockholder approval shall not be required for any other amendment of the Plan.

(c) EFFECT OF AMENDMENT OR TERMINATION. No Shares shall be issued or sold under the Plan after the termination thereof, except upon exercise of an Option granted prior to such termination. The termination of the Plan, or any amendment thereof, shall not affect any Share previously issued or any Option previously granted under the Plan.

SECTION 12. DEFINITIONS.

(a) "BOARD OF DIRECTORS" shall mean the Board of Directors of the Company, as constituted from time to time.

(b) "CAUSE" shall mean (i) the unauthorized use or disclosure of the confidential information or trade secrets of the Company, which use causes material harm to the Company, (ii) conviction of a felony under the laws of the United States or any state thereof, (iii) gross negligence or (iv) repeated failure to perform lawful assigned duties for thirty days after receiving written notification from the Board of Directors.

(c) "CHANGE IN CONTROL" shall mean:

(i) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization;

(ii) The acquisition, directly or indirectly, by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended) of securities possessing more than 50% of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders; or

(iii) The sales, transfer or other disposition of all or substantially all of the Company's assets.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(d) "CODE" shall mean the Internal Revenue Code of 1986, as amended.

(e) "COMMITTEE" shall mean a committee of the Board of Directors, as described in Section 2(a).

(f) "COMPANY" shall mean Advanced Medicine, Inc., a Delaware corporation.

(g) "CONSULTANT" shall mean an individual who performs bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor, excluding Employees and Outside Directors.

(h) "DISABILITY" shall mean that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment.

(i) "EMPLOYEE" shall mean any individual who is a common-law employee of the Company, a Parent or a Subsidiary.

(j) "EXERCISE PRICE" shall mean the amount for which one Share may be purchased upon exercise of an Option, as specified by the Board of Directors in the applicable Stock Option Agreement.

(k) "FAIR MARKET VALUE" shall mean the fair market value of a Share, as determined by the Board of Directors in good faith. Such determination shall be conclusive and binding on all persons.

(l) "INVOLUNTARY TERMINATION" shall mean the termination of Service which occurs by reason of:

(i) an involuntary dismissal or discharge by the Company for reasons other than for Cause; or

(ii) a voluntary resignation following (i) a change in Optionee's or Purchaser's position with the Company (or Parent or Subsidiary employing Optionee or Purchaser) which materially reduces Optionee's or Purchaser's level of responsibility, (ii) a reduction in Optionee's or Purchaser's level of compensation (including base salary, fringe benefits and participation in corporate-performance based bonus or incentive programs) by more than fifteen percent or (iii) a relocation of the workplace of Optionee or Purchaser more than fifty miles away from the workplace designated by the Company on Optionee's or Purchaser's initial date of service.

(m) "ISO" shall mean an employee incentive stock option described in Section 422(b) of the Code.

(n) "NONSTATUTORY OPTION" shall mean a stock option not described in Sections 422(b) or 423(b) of the Code.

(o) "OPTION" shall mean an ISO or Nonstatutory Option granted under the Plan and entitling the holder to purchase Shares.

(p) "OPTIONEE" shall mean an individual who holds an Option.

(q) "OUTSIDE DIRECTOR" shall mean a member of the Board of Directors who is not an Employee.

(r) "PARENT" shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

(s) "PLAN" shall mean this Advanced Medicine, Inc. 1997 Stock Plan.

(t) "PURCHASE PRICE" shall mean the consideration for which one Share may be acquired under the Plan (other than upon exercise of an Option), as specified by the Board of Directors.

(u) "PURCHASER" shall mean an individual to whom the Board of Directors has offered the right to acquire Shares under the Plan (other than upon exercise of an Option).

(v) "SERVICE" shall mean service as an Employee, Outside Director or Consultant.

(w) "SHARE" shall mean one share of Stock, as adjusted in accordance with Section 8 (if applicable).

(x) "STOCK" shall mean the Common Stock of the Company, with a par value of $0.01 per Share.

(y) "STOCK OPTION AGREEMENT" shall mean the agreement between the Company and an Optionee which contains the terms, conditions and restrictions pertaining to the Optionee's Option.

(z) "STOCK PURCHASE AGREEMENT" shall mean the agreement between the Company and a Purchaser who acquires Shares under the Plan which contains the terms, conditions and restrictions pertaining to the acquisition of such Shares.

(aa) "SUBSIDIARY" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

SECTION 13. EXECUTION.

To record the adoption of the Plan by the Board of Directors, the Company has caused its authorized officer to execute the same.

ADVANCED MEDICINE, INC.

By:_____

Title:_____

EXHIBIT 10.2

ADVANCED MEDICINE, INC.

LONG-TERM STOCK OPTION PLAN

ADOPTED ON JUNE 27, 1998

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ADVANCED MEDICINE, INC. LONG-TERM STOCK OPTION PLAN

SECTION 1. ESTABLISHMENT AND PURPOSE.

The purpose of the Plan is to offer selected individuals an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, by purchasing Shares of the Company's Stock. Participation in the Plan is limited to individuals to whom the Company may offer and sell securities pursuant to the exemption from qualification afforded by Section 25102(f) of the California Corporations Code or who do not reside in the State of California. The Plan provides both for the direct award or sale of Shares and for the grant of Options to purchase Shares. Options granted under the Plan may include Nonstatutory Options as well as ISOs intended to qualify under Section 422 of the Code.

Capitalized terms are defined in Section 12.

SECTION 2. ADMINISTRATION.

(a) COMMITTEES OF THE BOARD OF DIRECTORS. The Plan may be administered by one or more Committees. Each Committee shall consist of one or more members of the Board of Directors who have been appointed by the Board of Directors. Each Committee shall have such authority and be responsible for such functions as the Board of Directors has assigned to it. If no Committee has been appointed, the entire Board of Directors shall administer the Plan. Any reference to the Board of Directors in the Plan shall be construed as a reference to the Committee (if any) to whom the Board of Directors has assigned a particular function.

(b) AUTHORITY OF THE BOARD OF DIRECTORS. Subject to the provisions of the Plan, the Board of Directors shall have full authority and discretion to take any actions it deems necessary or advisable for the administration of the Plan. All decisions, interpretations and other actions of the Board of Directors shall be final and binding on all Purchasers, all Optionees and all persons deriving their rights from a Purchaser or Optionee.

SECTION 3. ELIGIBILITY.

(a) GENERAL RULE. Only Employees, Outside Directors and Consultants shall be eligible for the grant of Options or the direct award or sale of Shares. Only Employees shall be eligible for the grant of ISOs. Participation in the Plan shall be limited to individuals to whom the Company may offer and sell securities pursuant to the exemption from qualification afforded by Section 25102(f) of the California Corporations Code or who do not reside in the State of California.

(b) TEN-PERCENT STOCKHOLDERS. An individual who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company, its Parent or any of its Subsidiaries shall not be eligible for the grant of an ISO unless (i) the Exercise Price is at least 110% of the Fair Market Value of a Share on the date of grant and (ii) such ISO by its terms is not exercisable after the expiration of five years from the date of grant. For purposes of this

Subsection (b), in determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.

SECTION 4. STOCK SUBJECT TO PLAN.

(a) BASIC LIMITATION. Shares offered under the Plan may be authorized but unissued Shares or treasury Shares. The aggregate number of Shares that may be issued under the Plan (upon exercise of Options or other rights to acquire Shares) shall not exceed 2,000,000 Shares, subject to adjustment pursuant to Section 8. The number of Shares that are subject to Options or other rights outstanding at any time under the Plan shall not exceed the number of Shares that then remain available for issuance under the Plan. The Company, during the term of the Plan, shall at all times reserve and keep available sufficient Shares to satisfy the requirements of the Plan.

(b) ADDITIONAL SHARES. In the event that any outstanding Option or other right for any reason expires or is canceled or otherwise terminated, the Shares allocable to the unexercised portion of such Option or other right shall again be available for the purposes of the Plan. In the event that Shares issued under the Plan are reacquired by the Company pursuant to any forfeiture provision, right of repurchase or right of first refusal, such Shares shall again be available for the purposes of the Plan, except that the aggregate number of Shares which may be issued upon the exercise of ISOs shall in no event exceed 2,000,000 Shares (subject to adjustment pursuant to Section 8).

SECTION 5. TERMS AND CONDITIONS OF AWARDS OR SALES.

(a) STOCK PURCHASE AGREEMENT. Each award or sale of Shares under the Plan (other than upon exercise of an Option) shall be evidenced by a Stock Purchase Agreement between the Purchaser and the Company. Such award or sale shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Board of Directors deems appropriate for inclusion in a Stock Purchase Agreement. The provisions of the various Stock Purchase Agreements entered into under the Plan need not be identical.

(b) DURATION OF OFFERS AND NONTRANSFERABILITY OF RIGHTS. Any right to acquire Shares under the Plan (other than an Option) shall automatically expire if not exercised by the Purchaser within 30 days after the grant of such right was communicated to the Purchaser by the Company. Such right shall not be transferable and shall be exercisable only by the Purchaser to whom such right was granted.

(c) PURCHASE PRICE. The Purchase Price of Shares to be offered under the Plan, if newly issued, shall not be less than the par value of such Shares. Subject to the preceding sentence, the Purchase Price shall be determined by the Board of Directors at its sole discretion. The Purchase Price shall be payable in a form described in Section 7.

(d) WITHHOLDING TAXES. As a condition to the purchase of Shares, the Purchaser shall make such arrangements as the Board of Directors may require for the satisfaction of any

federal, state, local or foreign withholding tax obligations that may arise in connection with such purchase.

(e) RESTRICTIONS ON TRANSFER OF SHARES. Any Shares awarded or sold under the Plan shall be subject to such special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Board of Directors may determine. Such restrictions shall be set forth in the applicable Stock Purchase Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally.

(f) ACCELERATED VESTING. Unless the applicable Stock Purchase Agreement provides otherwise, any right to repurchase a Purchaser's Shares at the original Purchase Price (if any) upon termination of the Purchaser's Service shall lapse and all of such Shares shall become vested if (i) the Company is subject to a Change in Control before the Purchaser's Service terminates and (ii) the repurchase right is not assigned to the entity that employs the Purchaser immediately after the Change in Control or to its parent or subsidiary. The foregoing notwithstanding, if (i) the repurchase right has been assigned to the entity that employs the Purchaser immediately after the Change in Control or to its parent or subsidiary and (ii) the Purchaser is subject to an Involuntary Termination within 12 months after the Change in Control, then the repurchase right shall lapse and an additional number of the Purchaser's Shares shall vest, calculated as if the Purchaser's Service had continued for an additional 12 months.

SECTION 6. TERMS AND CONDITIONS OF OPTIONS.

(a) STOCK OPTION AGREEMENT. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Board of Directors deems appropriate for inclusion in a Stock Option Agreement. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical.

(b) NUMBER OF SHARES. Each Stock Option Agreement shall specify the number of Shares that are subject to the Option and shall provide for the adjustment of such number in accordance with Section 8. The Stock Option Agreement shall also specify whether the Option is an ISO or a Nonstatutory Option.

(c) EXERCISE PRICE. Each Stock Option Agreement shall specify the Exercise Price. The Exercise Price of an ISO shall not be less than 100% of the Fair Market Value of a Share on the date of grant, and a higher percentage may be required by Section 3(b). The Exercise Price of a Nonstatutory Option to purchase newly issued Shares shall not be less than the par value of such Shares. Subject to the preceding two sentences, the Exercise Price under an Option shall be determined by the Board of Directors at its sole discretion. The Exercise Price shall be payable in a form described in Section 7.

(d) WITHHOLDING TAXES. As a condition to the exercise of an Option, the Optionee shall make such arrangements as the Board of Directors may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with such exercise. The Optionee shall also make such arrangements as the Board of Directors may require

for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with the disposition of Shares acquired by exercising an Option.

(e) EXERCISABILITY. Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. The exercisability provisions of a Stock Option Agreement shall be determined by the Board of Directors at its sole discretion.

(f) ACCELERATED EXERCISABILITY. Unless the applicable Stock Option Agreement provides otherwise, all of an Optionee's Options shall become exercisable in full if (i) the Company is subject to a Change in Control before the Optionee's Service terminates, (ii) such Options do not remain outstanding, (iii) such Options are not assumed by the surviving corporation or its parent and (iv) the surviving corporation or its parent does not substitute options with substantially the same terms for such Options. The foregoing notwithstanding, if (i) the Optionee's Options do not become exercisable in full under the preceding sentence and (ii) the Optionee is subject to an Involuntary Termination within 12 months after the Change in Control, then the Optionee's Options shall become exercisable with respect to an additional number of Shares, calculated as if the Optionee's Service had continued for an additional 12 months.

(g) BASIC TERM. The Stock Option Agreement shall specify the term of the Option. The term shall not exceed 10 years from the date of grant, and in the case of an ISO a shorter term may be required by Section 3(b). Subject to the preceding sentence, the Board of Directors at its sole discretion shall determine when an Option is to expire. A Stock Option Agreement may provide for expiration prior to the end of its term in the event of the termination of the Optionee's Service or death.

(h) NONTRANSFERABILITY. No Option shall be transferable by the Optionee other than by beneficiary designation, will or the laws of descent and distribution. An Option may be exercised during the lifetime of the Optionee only by the Optionee or by the Optionee's guardian or legal representative. No Option or interest therein may be transferred, assigned, pledged or hypothecated by the Optionee during the Optionee's lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

(i) NO RIGHTS AS A STOCKHOLDER. An Optionee, or a transferee of an Optionee, shall have no rights as a stockholder with respect to any Shares covered by the Optionee's Option until such person becomes entitled to receive such Shares by filing a notice of exercise and paying the Exercise Price pursuant to the terms of such Option.

(j) MODIFICATION, EXTENSION AND ASSUMPTION OF OPTIONS. Within the limitations of the Plan, the Board of Directors may modify, extend or assume outstanding Options or may accept the cancellation of outstanding Options (whether granted by the Company or another issuer) in return for the grant of new Options for the same or a different number of Shares and at the same or a different Exercise Price. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, impair the Optionee's rights or increase the Optionee's obligations under such Option.

(k) RESTRICTIONS ON TRANSFER OF SHARES. Any Shares issued upon exercise of an Option shall be subject to such special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Board of Directors may determine. Such restrictions shall be set forth in the applicable Stock Option Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally.

(l) ACCELERATED VESTING. Unless the applicable Stock Option Agreement provides otherwise, any right to repurchase an Optionee's Shares at the original Exercise Price upon termination of the Optionee's Service shall lapse and all of such Shares shall become vested if (i) the Company is subject to a Change in Control before the Optionee's Service terminates and (ii) the repurchase right is not assigned to the entity that employs the Optionee immediately after the Change in Control or to its parent or subsidiary. A Stock Option Agreement may also provide for accelerated vesting in the event of the Optionee's death or disability or other events. The foregoing notwithstanding, if (i) the repurchase right has been assigned to the entity that employs the Optionee immediately after the Change in Control or to its parent or subsidiary and (ii) the Optionee is subject to an Involuntary Termination within 12 months after the Change in Control, then the repurchase right shall lapse and an additional number of the Optionee's Shares shall vest, calculated as if the Optionee's Service had continued for an additional 12 months.

SECTION 7. PAYMENT FOR SHARES.

(a) GENERAL RULE. The entire Purchase Price or Exercise Price of Shares issued under the Plan shall be payable in cash or cash equivalents at the time when such Shares are purchased, except as otherwise provided in this Section 7.

(b) SURRENDER OF STOCK. To the extent that a Stock Option Agreement so provides, all or any part of the Exercise Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall be surrendered to the Company in good form for transfer and shall be valued at their Fair Market Value on the date when the Option is exercised. The Optionee shall not surrender, or attest to the ownership of, Shares in payment of the Exercise Price if such action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to the Option for financial reporting purposes.

(c) SERVICES RENDERED. At the discretion of the Board of Directors, Shares may be awarded under the Plan in consideration of services rendered to the Company, a Parent or a Subsidiary prior to the award. At the discretion of the Board of Directors, Shares may also be awarded under the Plan in consideration of services to be rendered to the Company, a Parent or a Subsidiary after the award, except that the par value of such Shares, if newly issued, shall be paid in cash or cash equivalents.

(d) PROMISSORY NOTE. To the extent that a Stock Option Agreement or Stock Purchase Agreement so provides, all or a portion of the Exercise Price or Purchase Price (as the case may be) of Shares issued under the Plan may be paid with a full-recourse promissory note. However, the par value of the Shares, if newly issued, shall be paid in cash or cash equivalents. The Shares shall be pledged as security for payment of the promissory note. Subject to the

foregoing, the Board of Directors (at its sole discretion) shall specify the term, interest rate (if any), amortization requirements (if any) and other provisions of such note.

(e) EXERCISE/SALE. To the extent that a Stock Option Agreement so provides, and if Stock is publicly traded, payment may be made all or in part by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company in payment of all or part of the Exercise Price and any withholding taxes.

(f) EXERCISE/PLEDGE. To the extent that a Stock Option Agreement so provides, and if Stock is publicly traded, payment may be made all or in part by the delivery (on a form prescribed by the Company) of an irrevocable direction to pledge Shares to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company in payment of all or part of the Exercise Price and any withholding taxes.

SECTION 8. ADJUSTMENT OF SHARES.

(a) GENERAL. In the event of a subdivision of the outstanding Stock, a declaration of a dividend payable in Shares, a declaration of an extraordinary dividend payable in a form other than Shares in an amount that has a material effect on the Fair Market Value of the Stock, a combination or consolidation of the outstanding Stock into a lesser number of Shares, a recapitalization, a spin-off, a reclassification or a similar occurrence, the Board of Directors shall make appropriate adjustments in one or more of (i) the number of Shares available for future grants under Section 4, (ii) the number of Shares covered by each outstanding Option or (iii) the Exercise Price under each outstanding Option.

(b) MERGERS AND CONSOLIDATIONS. In the event that the Company is a party to a merger or consolidation, outstanding Options shall be subject to the agreement of merger or consolidation. Such agreement, without the Optionees' consent, may provide for:

(i) The continuation of such outstanding Options by the Company (if the Company is the surviving corporation);

(ii) The assumption of the Plan and such outstanding Options by the surviving corporation or its parent;

(iii) The substitution by the surviving corporation or its parent of options with substantially the same terms for such outstanding Options; or

(iv) The cancellation of such outstanding Options without payment of any consideration.

(c) RESERVATION OF RIGHTS. Except as provided in this Section 8, an Optionee or Purchaser shall have no rights by reason of (i) any subdivision or consolidation of shares of stock of any class, (ii) the payment of any dividend or (iii) any other increase or decrease in the number of shares of stock of any class. Any issuance by the Company of shares of stock of any

class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of Shares subject to an Option. The grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

SECTION 9. SECURITIES LAW REQUIREMENTS.

Shares shall not be issued under the Plan unless the issuance and delivery of such Shares comply with (or are exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded.

SECTION 10. NO RETENTION RIGHTS.

Nothing in the Plan or in any right or Option granted under the Plan shall confer upon the Purchaser or Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining the Purchaser or Optionee) or of the Purchaser or Optionee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

SECTION 11. DURATION AND AMENDMENTS.

(a) TERM OF THE PLAN. The Plan, as set forth herein, shall become effective on the date of its adoption by the Board of Directors. The Plan shall terminate automatically 10 years after its adoption by the Board of Directors and may be terminated on any earlier date pursuant to Subsection (b) below.

(b) RIGHT TO AMEND OR TERMINATE THE PLAN. The Board of Directors may amend, suspend or terminate the Plan at any time and for any reason. Stockholder approval shall not be required for any amendment of the Plan.

(c) EFFECT OF AMENDMENT OR TERMINATION. No Shares shall be issued or sold under the Plan after the termination thereof, except upon exercise of an Option granted prior to such termination. The termination of the Plan, or any amendment thereof, shall not affect any Share previously issued or any Option previously granted under the Plan.

SECTION 12. DEFINITIONS.

(a) "BOARD OF DIRECTORS" shall mean the Board of Directors of the Company, as constituted from time to time.

(b) "CAUSE" shall mean (i) the unauthorized use or disclosure of the confidential information or trade secrets of the Company, which use causes material harm to the Company, (ii) conviction of a felony under the laws of the United States or any state thereof, (iii) gross negligence or (iv) repeated failure to perform lawful assigned duties for 30 days after receiving written notification from the Board of Directors.

(c) "CHANGE IN CONTROL" shall mean:

(i) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not shareholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (A) the continuing or surviving entity and (B) any direct or indirect parent corporation of such continuing or surviving entity;

(ii) The acquisition, directly or indirectly, by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of securities possessing more than 50% of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders; or

(iii) The sale, transfer or other disposition of all or substantially all of the Company's assets.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(d) "CODE" shall mean the Internal Revenue Code of 1986, as amended.

(e) "COMMITTEE" shall mean a committee of the Board of Directors, as described in Section 2(a).

(f) "COMPANY" shall mean Advanced Medicine, Inc., a Delaware corporation.

(g) "CONSULTANT" shall mean a person who performs bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor, excluding Employees and Outside Directors.

(h) "EMPLOYEE" shall mean any individual who is a common-law employee of the Company, a Parent or a Subsidiary.

(i) "EXERCISE PRICE" shall mean the amount for which one Share may be purchased upon exercise of an Option, as specified by the Board of Directors in the applicable Stock Option Agreement.

(j) "FAIR MARKET VALUE" shall mean the fair market value of a Share, as determined by the Board of Directors in good faith. Such determination shall be conclusive and binding on all persons.

(k) "INVOLUNTARY TERMINATION" shall mean the termination of the Optionee's pr Purchaser's Service by reason of:

(i) The involuntary dismissal or discharge of the Optionee or Purchaser by the Company (or the Parent or Subsidiary employing him or her) for reasons other than for Cause; or

(ii) The voluntary resignation of the Optionee or Purchaser following (A) a change in his or her position with the Company (or the Parent or Subsidiary employing him or her) that materially reduces his or her level of responsibility, (B) a reduction in his or her level of compensation (including base salary, fringe benefits and participation in bonus or incentive programs based on corporate performance) by more than 15% or (C) a relocation of his or her workplace more than 50 miles from the workplace designated by the Company on his or her initial date of service.

(l) "ISO" shall mean an employee incentive stock option described in Section 422(b) of the Code.

(m) "NONSTATUTORY OPTION" shall mean a stock option not described in Sections 422(b) or 423(b) of the Code.

(n) "OPTION" shall mean an ISO or Nonstatutory Option granted under the Plan and entitling the holder to purchase Shares.

(o) "OPTIONEE" shall mean an individual who holds an Option.

(p) "OUTSIDE DIRECTOR" shall mean a member of the Board of Directors who is not an Employee.

(q) "PARENT" shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

(r) "PLAN" shall mean this Advanced Medicine, Inc. Long-Term Stock Option Plan.

(s) "PURCHASE PRICE" shall mean the consideration for which one Share may be acquired under the Plan (other than upon exercise of an Option), as specified by the Board of Directors.

(t) "PURCHASER" shall mean an individual to whom the Board of Directors has offered the right to acquire Shares under the Plan (other than upon exercise of an Option).

(u) "SERVICE" shall mean service as an Employee, Outside Director or Consultant.

(v) "SHARE" shall mean one share of Stock, as adjusted in accordance with Section 8 (if applicable).

(w) "STOCK" shall mean the Common Stock of the Company, with a par value of $0.01 per Share.

(x) "STOCK OPTION AGREEMENT" shall mean the agreement between the Company and an Optionee which contains the terms, conditions and restrictions pertaining to the Optionee's Option.

(y) "STOCK PURCHASE AGREEMENT" shall mean the agreement between the Company and a Purchaser who acquires Shares under the Plan which contains the terms, conditions and restrictions pertaining to the acquisition of such Shares.

(z) "SUBSIDIARY" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

SECTION 13. EXECUTION.

To record the adoption of the Plan by the Board of Directors, the Company has caused its authorized officer to execute the same.

ADVANCED MEDICINE, INC.

By:

Title:

EXHIBIT 10.3

ADVANCED MEDICINE, INC.

2000 EQUITY INCENTIVE PLAN

(AS ADOPTED FEBRUARY 26, 2000)

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ADVANCED MEDICINE, INC.
2000 EQUITY INCENTIVE PLAN

ARTICLE I. INTRODUCTION.

The Plan was adopted by the Board to be effective at the IPO. The purpose of the Plan is to promote the long-term success of the Corporation and the creation of stockholder value by (a) encouraging Employees, Outside Directors and Consultants to focus on critical long-range objectives, (b) encouraging the attraction and retention of Employees, Outside Directors and Consultants with exceptional qualifications, and (c) linking Employees, Outside Directors and Consultants directly to stockholder interests through increased stock ownership. The Plan seeks to achieve this purpose by providing for Awards in the form of Restricted Shares, Stock Units, Options (which may constitute incentive stock options or nonstatutory stock options) or stock appreciation rights.

The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware (except their choice-of-law provisions).

ARTICLE II. ADMINISTRATION.

2.1 COMMITTEE COMPOSITION. The Plan shall be administered by the Committee. The Committee shall consist exclusively of two or more directors of the Corporation, who shall be appointed by the Board. In addition, the composition of the Committee shall satisfy:

(a) Such requirements as the Securities and Exchange Commission may establish for administrators acting under plans intended to qualify for exemption under Rule 16b-3 (or its successor) under the Exchange Act; and

(b) Such requirements as the Internal Revenue Service may establish for outside directors acting under plans intended to qualify for exemption under section 162(m)(4)(C) of the Code.

2.2 COMMITTEE RESPONSIBILITIES. The Committee shall (a) select the Employees, Outside Directors and Consultants who are to receive Awards under the Plan, (b) determine the type, number, vesting requirements and other features and conditions of such Awards, (c) interpret the Plan and (d) make all other decisions relating to the operation of the Plan. The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons.

2.3 COMMITTEE FOR NON-OFFICER GRANTS. The Board may also appoint a secondary committee of the Board, which shall be composed of one or more directors of the Corporation who need not satisfy the requirements of Section 2.1. Such secondary committee may administer the Plan with respect to Employees and Consultants who are not considered officers or directors of the Corporation under section 16 of the Exchange Act, may grant Awards

under the Plan to such Employees and Consultants and may determine all features and conditions of such Awards. Within the limitations of this Section 2.3, any reference in the Plan to the Committee shall include such secondary committee.

ARTICLE III. SHARES AVAILABLE FOR GRANTS.

3.1 BASIC LIMITATION. Shares of Common Stock issued pursuant to the Plan may be authorized but unissued shares or treasury shares. The aggregate number of Options, SARs, Stock Units and Restricted Shares awarded under the Plan shall not exceed (a) that number equal to the difference between (i) 12% of the number of shares of Common Stock outstanding or the effective date of the Plan (including shares issued in the IPO) and (ii) 500,000, rounded up to the nearest 1,000, plus (b) the additional shares of Common Stock described in Section 3.2. The limitations of this Section 3.1 shall be subject to adjustment pursuant to Article 11.

3.2 ADDITIONAL SHARES. If Restricted Shares or shares of Common Stock issued upon the exercise of Options are forfeited, then such shares of Common Stock shall again become available for Awards under the Plan. If Stock Units, Options or SARs are forfeited or terminate for any other reason before being exercised, then the corresponding shares of Common Stock shall again become available for Awards under the Plan. If Stock Units are settled, then only the number of shares of Common Stock (if any) actually issued in settlement of such Stock Units shall reduce the number available under Section 3.1 and the balance shall again become available for Awards under the Plan. If SARs are exercised, then only the number of shares of Common Stock (if any) actually issued in settlement of such SARs shall reduce the number available under Section 3.1 and the balance shall again become available for Awards under the Plan. The foregoing notwithstanding, the aggregate number of shares of Common Stock that may be issued under the Plan upon the exercise of ISOs shall not be increased when Restricted Shares or other shares of Common Stock are forfeited.

3.3 DIVIDEND EQUIVALENTS. Any dividend equivalents paid or credited under the Plan shall not be applied against the number of Restricted Shares, Stock Units, Options or SARs available for Awards, whether or not such dividend equivalents are converted into Stock Units.

ARTICLE IV. ELIGIBILITY.

4.1 INCENTIVE STOCK OPTIONS. Only Employees who are common-law employees of the Corporation, a Parent or a Subsidiary shall be eligible for the grant of ISOs. In addition, an Employee who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Corporation or any of its Parents or Subsidiaries shall not be eligible for the grant of an ISO unless the requirements set forth in section 422(c)(6) of the Code are satisfied.

4.2 OTHER GRANTS. Only Employees, Outside Directors and Consultants shall be eligible for the grant of Restricted Shares, Stock Units, NSOs or SARs.

ARTICLE V. OPTIONS.

5.1 STOCK OPTION AGREEMENT. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Corporation. Such Option shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The Stock Option Agreement shall specify whether the Option is an ISO or an NSO. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical. Options may be granted in consideration of a reduction in the Optionee's other compensation. A Stock Option Agreement may provide that a new Option will be granted automatically to the Optionee when he or she exercises a prior Option and pays the Exercise Price in the form described in Section 6.2.

5.2 NUMBER OF SHARES. Each Stock Option Agreement shall specify the number of shares of Common Stock subject to the Option and shall provide for the adjustment of such number in accordance with Article 10. Options granted to any Optionee in a single fiscal year of the Corporation shall not cover more than 1,500,000 shares of Common Stock, except that Options granted to a new Employee in the fiscal year of the Corporation in which his or her service as an Employee first commences shall not cover more than 2,000,000 shares of Common Stock. The limitations set forth in the preceding sentence shall be subject to adjustment in accordance with Article 11.

5.3 EXERCISE PRICE. Each Stock Option Agreement shall specify the Exercise Price; provided that the Exercise Price under an ISO shall in no event be less than 100% of the Fair Market Value of a Common Share on the date of grant and the Exercise Price under an NSO shall in no event be less than 75% of the Fair Market Value of a Common Share on the date of grant. In the case of an NSO, a Stock Option Agreement may specify an Exercise Price that varies in accordance with a predetermined formula while the NSO is outstanding.

5.4 EXERCISABILITY AND TERM. Each Stock Option Agreement shall specify the date or event when all or any installment of the Option is to become exercisable. The Stock Option Agreement shall also specify the term of the Option; provided that the term of an ISO shall in no event exceed 10 years from the date of grant. A Stock Option Agreement may provide for accelerated exercisability in the event of the Optionee's death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's service. Options may be awarded in combination with SARs, and such an Award may provide that the Options will not be exercisable unless the related SARs are forfeited.

5.5 MODIFICATION OR ASSUMPTION OF OPTIONS. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding options or may accept the cancellation of outstanding options (whether granted by the Corporation or by another issuer) in return for the grant of new options for the same or a different number of shares and at the same or a different exercise price. The foregoing notwithstanding, no modification of an Option shall,

without the consent of the Optionee, alter or impair his or her rights or obligations under such Option.

5.6 BUYOUT PROVISIONS. The Committee may at any time (a) offer to buy out for a payment in cash or cash equivalents an Option previously granted or (b) authorize an Optionee to elect to cash out an Option previously granted, in either case at such time and based upon such terms and conditions as the Committee shall establish.

ARTICLE VI. PAYMENT FOR OPTION SHARES.

6.1 GENERAL RULE. The entire Exercise Price of shares of Common Stock issued upon exercise of Options shall be payable in cash or cash equivalents at the time when such shares of Common Stock are purchased, except as follows:

(a) In the case of an ISO granted under the Plan, payment shall be made only pursuant to the express provisions of the applicable Stock Option Agreement. The Stock Option Agreement may specify that payment may be made in any form(s) described in this Article 6.

(b) In the case of an NSO, the Committee may at any time accept payment in any form(s) described in this Article 6.

6.2 SURRENDER OF STOCK. To the extent that this Section 6.2 is applicable, all or any part of the Exercise Price may be paid by surrendering, or attesting to the ownership of, shares of Common Stock that are already owned by the Optionee. Such shares of Common Stock shall be valued at their Fair Market Value on the date when the new shares of Common Stock are purchased under the Plan. The Optionee shall not surrender, or attest to the ownership of, shares of Common Stock in payment of the Exercise Price if such action would cause the Corporation to recognize compensation expense (or additional compensation expense) with respect to the Option for financial reporting purposes.

6.3 EXERCISE/SALE. To the extent that this Section 6.3 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Corporation) an irrevocable direction to a securities broker approved by the Corporation to sell all or part of the shares of Common Stock being purchased under the Plan and to deliver all or part of the sales proceeds to the Corporation.

6.4 EXERCISE/PLEDGE. To the extent that this Section 6.4 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Corporation) an irrevocable direction to pledge all or part of the shares of Common Stock being purchased under the Plan to a securities broker or lender approved by the Corporation, as security for a loan, and to deliver all or part of the loan proceeds to the Corporation.

6.5 PROMISSORY NOTE. To the extent that this Section 6.5 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Corporation) a full-recourse promissory note. However, the par value of the

shares of Common Stock being purchased under the Plan, if newly issued, shall be paid in cash or cash equivalents.

6.6 OTHER FORMS OF PAYMENT. To the extent that this Section 6.6 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid in any other form that is consistent with applicable laws, regulations and rules.

ARTICLE VII. STOCK APPRECIATION RIGHTS.

7.1 SAR AGREEMENT. Each grant of an SAR under the Plan shall be evidenced by an SAR Agreement between the Optionee and the Corporation. Such SAR shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various SAR Agreements entered into under the Plan need not be identical. SARs may be granted in consideration of a reduction in the Optionee's other compensation.

7.2 NUMBER OF SHARES. Each SAR Agreement shall specify the number of shares of Common Stock to which the SAR pertains and shall provide for the adjustment of such number in accordance with Article 11. SARs granted to any Optionee in a single calendar year shall in no event pertain to more than 1,500,000 shares of Common Stock, except that SARs granted to a new Employee in the fiscal year of the Corporation in which his or her service as an Employee first commences shall not pertain to more than 2,000,000 shares of Common Stock. The limitations set forth in the preceding sentence shall be subject to adjustment in accordance with Article 11.

7.3 EXERCISE PRICE. Each SAR Agreement shall specify the Exercise Price. An SAR Agreement may specify an Exercise Price that varies in accordance with a predetermined formula while the SAR is outstanding.

7.4 EXERCISABILITY AND TERM. Each SAR Agreement shall specify the date when all or any installment of the SAR is to become exercisable. The SAR Agreement shall also specify the term of the SAR. An SAR Agreement may provide for accelerated exercisability in the event of the Optionee's death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's service. SARs may be awarded in combination with Options, and such an Award may provide that the SARs will not be exercisable unless the related Options are forfeited. An SAR may be included in an ISO only at the time of grant but may be included in an NSO at the time of grant or thereafter. An SAR granted under the Plan may provide that it will be exercisable only in the event of a Change in Control.

7.5 EXERCISE OF SARS. Upon exercise of an SAR, the Optionee (or any person having the right to exercise the SAR after his or her death) shall receive from the Corporation (a) shares of Common Stock, (b) cash or (c) a combination of shares of Common Stock and cash, as the Committee shall determine. The amount of cash and/or the Fair Market Value of shares of Common Stock received upon exercise of SARs shall, in the aggregate, be equal to the amount by which the Fair Market Value (on the date of surrender) of the shares of Common Stock subject to the SARs exceeds the Exercise Price. If, on the date when an SAR expires, the

Exercise Price under such SAR is less than the Fair Market Value on such date but any portion of such SAR has not been exercised or surrendered, then such SAR shall automatically be deemed to be exercised as of such date with respect to such portion.

7.6 MODIFICATION OR ASSUMPTION OF SARS. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding SARs or may accept the cancellation of outstanding SARs (whether granted by the Corporation or by another issuer) in return for the grant of new SARs for the same or a different number of shares and at the same or a different exercise price. The foregoing notwithstanding, no modification of an SAR shall, without the consent of the Optionee, alter or impair his or her rights or obligations under such SAR.

ARTICLE VIII. RESTRICTED SHARES.

8.1 RESTRICTED STOCK AGREEMENT. Each grant of Restricted Shares under the Plan shall be evidenced by a Restricted Stock Agreement between the recipient and the Corporation. Such Restricted Shares shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Restricted Stock Agreements entered into under the Plan need not be identical.

8.2 PAYMENT FOR AWARDS. Subject to the following sentence, Restricted Shares may be sold or awarded under the Plan for such consideration as the Committee may determine, including (without limitation) cash, cash equivalents, full-recourse promissory notes, past services and future services. To the extent that an Award consists of newly issued Restricted Shares, the consideration shall consist exclusively of cash, cash equivalents or past services rendered to the Corporation (or a Parent or Subsidiary) or, for the amount in excess of the par value of such newly issued Restricted Shares, full-recourse promissory notes, as the Committee may determine.

8.3 VESTING CONDITIONS. Each Award of Restricted Shares may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Restricted Stock Agreement. A Restricted Stock Agreement may provide for accelerated vesting in the event of the Participant's death, disability or retirement or other events.

8.4 VOTING AND DIVIDEND RIGHTS. The holders of Restricted Shares awarded under the Plan shall have the same voting, dividend and other rights as the Corporation's other stockholders. A Restricted Stock Agreement, however, may require that the holders of Restricted Shares invest any cash dividends received in additional Restricted Shares. Such additional Restricted Shares shall be subject to the same conditions and restrictions as the Award with respect to which the dividends were paid.

ARTICLE IX. STOCK UNITS.

9.1 STOCK UNIT AGREEMENT. Each grant of Stock Units under the Plan shall be evidenced by a Stock Unit Agreement between the recipient and the Corporation. Such Stock Units shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Stock Unit Agreements

entered into under the Plan need not be identical. Stock Units may be granted in consideration of a reduction in the recipient's other compensation.

9.2 PAYMENT FOR AWARDS. To the extent that an Award is granted in the form of Stock Units, no cash consideration shall be required of the Award recipients.

9.3 VESTING CONDITIONS. Each Award of Stock Units may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Stock Unit Agreement. A Stock Unit Agreement may provide for accelerated vesting in the event of the Participant's death, disability or retirement or other events.

9.4 VOTING AND DIVIDEND RIGHTS. The holders of Stock Units shall have no voting rights. Prior to settlement or forfeiture, any Stock Unit awarded under the Plan may, at the Committee's discretion, carry with it a right to dividend equivalents. Such right entitles the holder to be credited with an amount equal to all cash dividends paid on one Common Share while the Stock Unit is outstanding. Dividend equivalents may be converted into additional Stock Units. Settlement of dividend equivalents may be made in the form of cash, in the form of shares of Common Stock, or in a combination of both. Prior to distribution, any dividend equivalents which are not paid shall be subject to the same conditions and restrictions as the Stock Units to which they attach.

9.5 FORM AND TIME OF SETTLEMENT OF STOCK UNITS. Settlement of vested Stock Units may be made in the form of (a) cash, (b) shares of Common Stock or (c) any combination of both, as determined by the Committee. The actual number of Stock Units eligible for settlement may be larger or smaller than the number included in the original Award, based on predetermined performance factors. Methods of converting Stock Units into cash may include (without limitation) a method based on the average Fair Market Value of shares of Common Stock over a series of trading days. Vested Stock Units may be settled in a lump sum or in installments. The distribution may occur or commence when all vesting conditions applicable to the Stock Units have been satisfied or have lapsed, or it may be deferred to any later date. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until an Award of Stock Units is settled, the number of such Stock Units shall be subject to adjustment pursuant to Article 11.

9.6 DEATH OF RECIPIENT. Any Stock Units Award that becomes payable after the recipient's death shall be distributed to the recipient's beneficiary or beneficiaries. Each recipient of a Stock Units Award under the Plan shall designate one or more beneficiaries for this purpose by filing the prescribed form with the Corporation. A beneficiary designation may be changed by filing the prescribed form with the Corporation at any time before the Award recipient's death. If no beneficiary was designated or if no designated beneficiary survives the Award recipient, then any Stock Units Award that becomes payable after the recipient's death shall be distributed to the recipient's estate.

9.7 CREDITORS' RIGHTS. A holder of Stock Units shall have no rights other than those of a general creditor of the Corporation. Stock Units represent an unfunded and unsecured obligation of the Corporation, subject to the terms and conditions of the applicable Stock Unit Agreement.

ARTICLE X. CHANGE IN CONTROL.

10.1 EFFECT OF CHANGE IN CONTROL. In the event of any Change in Control, each outstanding Award shall automatically accelerate so that each such Award shall, immediately prior to the effective date of the Change in Control, become fully exercisable for all of the shares of Common Stock at the time subject to such Award and may be exercised for any or all of those shares as fully-vested shares of Common Stock. However, an outstanding Award shall NOT so accelerate if and to the extent such Award is, in connection with the Change in Control, either to be assumed by the successor corporation (or parent thereof) or to be replaced with a comparable Award for shares of the capital stock of the successor corporation (or parent thereof). The determination of Award comparability shall be made by the Plan Administrator, and its determination shall be final, binding and conclusive.

10.2 ACCELERATION. In the event of any Change in Control, each outstanding Award that is assumed by the successor corporation (or parent thereof) shall automatically accelerate so that each such Award shall, immediately prior to the effective date of the Change in Control, become exercisable for such additional number of shares of Common Stock at the time subject to such Award as would result in vesting the balance of such Award over a period equal to the lesser of 24 months (in equal monthly installments) or over the remainder of the original vesting schedule in effect for such Award.. In addition, in the event that the Award is assumed by the successor corporation (or parent thereof) and the Participant experiences an Involuntary Termination within twenty-four months following a Change in Control, each outstanding Award shall automatically accelerate so that each such Award shall, immediately prior to the effective date of the Involuntary Termination, become fully exercisable for all of the shares of Common Stock at the time subject to such Award and may be exercised for any or all of those shares as fully-vested shares of Common Stock.

ARTICLE XI. PROTECTION AGAINST DILUTION.

11.1 ADJUSTMENTS. In the event of a subdivision of the outstanding shares of Common Stock, a declaration of a dividend payable in shares of Common Stock, a declaration of a dividend payable in a form other than shares of Common Stock in an amount that has a material affect on the price of shares of Common Stock, a combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise) into a lesser number of shares of Common Stock, a recapitalization, a spin-off or a similar occurrence, the Committee shall make such adjustments as it, in its sole discretion, deems appropriate in one or more of:

(a) The number of Options, SARs, Restricted Shares and Stock Units available for future Awards under Article 3;

(b) The limitations set forth in Sections 5.2 and 7.2;

(c) The number of shares of Common Stock covered by each outstanding Option and SAR;

(d) The Exercise Price under each outstanding Option and SAR; or

(e) The number of Stock Units included in any prior Award which has not yet been settled.

Except as provided in this Article 11, a Participant shall have no rights by reason of any issue by the Corporation of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

11.2 DISSOLUTION OR LIQUIDATION. To the extent not previously exercised or settled, Options, SARs and Stock Units shall terminate immediately prior to the dissolution or liquidation of the Corporation.

11.3 REORGANIZATIONS. In the event that the Corporation is a party to a merger or other reorganization, outstanding Awards shall be subject to the agreement of merger or reorganization. Such agreement shall provide for (a) the continuation of the outstanding Awards by the Corporation, if the Corporation is a surviving corporation, (b) the assumption of the outstanding Awards by the surviving corporation or its parent or subsidiary, (c) the substitution by the surviving corporation or its parent or subsidiary of its own awards for the outstanding Awards, (d) full exercisability or vesting and accelerated expiration of the outstanding Awards or (e) settlement of the full value of the outstanding Awards in cash or cash equivalents followed by cancellation of such Awards.

ARTICLE XII. DEFERRAL OF AWARDS.

The Committee (in its sole discretion) may permit or require a Participant to:

(a) Have cash that otherwise would be paid to such Participant as a result of the exercise of an SAR or the settlement of Stock Units credited to a deferred compensation account established for such Participant by the Committee as an entry on the Corporation's books;

(b) Have shares of Common Stock that otherwise would be delivered to such Participant as a result of the exercise of an Option or SAR converted into an equal number of Stock Units; or

(c) Have shares of Common Stock that otherwise would be delivered to such Participant as a result of the exercise of an Option or SAR or the settlement of Stock Units converted into amounts credited to a deferred compensation account established for such Participant by the Committee as an entry on the Corporation's books. Such amounts shall be determined by reference to the Fair Market Value of such shares of Common Stock as of the date when they otherwise would have been delivered to such Participant.

A deferred compensation account established under this Article 12 may be credited with interest or other forms of investment return, as determined by the Committee. A Participant for whom such an account is established shall have no rights other than those of a general creditor of the Corporation. Such an account shall represent an unfunded and unsecured obligation of the Corporation and shall be subject to the terms and conditions of the applicable agreement between such Participant and the Corporation. If the deferral or conversion of Awards is permitted or

required, the Committee (in its sole discretion) may establish rules, procedures and forms pertaining to such Awards, including (without limitation) the settlement of deferred compensation accounts established under this Article 12.

ARTICLE XIII. AWARDS UNDER OTHER PLANS.

The Corporation may grant awards under other plans or programs. Such awards may be settled in the form of shares of Common Stock issued under this Plan. Such shares of Common Stock shall be treated for all purposes under the Plan like shares of Common Stock issued in settlement of Stock Units and shall, when issued, reduce the number of shares of Common Stock available under Article 3.

ARTICLE XIV. PAYMENT OF FEES IN SECURITIES.

14.1 EFFECTIVE DATE. No provision of this Article 14 shall be effective unless and until the Board has determined to implement such provision.

14.2 ELECTIONS TO RECEIVE NSOS, RESTRICTED SHARES OR STOCK UNITS. An Outside Director may elect to receive his or her annual retainer payments or meeting fees from the Corporation in the form of cash, NSOs, Restricted Shares or Stock Units, or a combination thereof, as determined by the Board. Such NSOs, Restricted Shares and Stock Units shall be issued under the Plan. An election under this Article 14 shall be filed with the Corporation on the prescribed form.

14.3 NUMBER AND TERMS OF NSOS, RESTRICTED SHARES OR STOCK UNITS. The number of NSOs, Restricted Shares or Stock Units to be granted to Outside Directors in lieu of annual retainers or meeting fees that would otherwise be paid in cash shall be calculated in a manner determined by the Board. The Board shall also determine the terms of such NSOs, Restricted Shares or Stock Units.

ARTICLE XV. LIMITATION ON RIGHTS.

15.1 RETENTION RIGHTS. Neither the Plan nor any Award granted under the Plan shall be deemed to give any individual a right to remain an Employee, Outside Director or Consultant. The Corporation and its Parents, Subsidiaries and Affiliates reserve the right to terminate the service of any Employee, Outside Director or Consultant at any time, with or without cause, subject to applicable laws, the Corporation's certificate of incorporation and by-laws and a written employment agreement (if any).

15.2 STOCKHOLDERS' RIGHTS. A Participant shall have no dividend rights, voting rights or other rights as a stockholder with respect to any shares of Common Stock covered by his or her Award prior to the time when a stock certificate for such shares of Common Stock is issued or, if applicable, the time when he or she becomes entitled to receive such shares of Common Stock by filing any required notice of exercise and paying any required Exercise Price. No adjustment shall be made for cash dividends or other rights for which the record date is prior to such time, except as expressly provided in the Plan.

15.3 REGULATORY REQUIREMENTS. Any other provision of the Plan notwithstanding, the obligation of the Corporation to issue shares of Common Stock under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Corporation reserves the right to restrict, in whole or in part, the delivery of shares of Common Stock pursuant to any Award prior to the satisfaction of all legal requirements relating to the issuance of such shares of Common Stock, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

ARTICLE XVI. WITHHOLDING TAXES.

16.1 GENERAL. To the extent required by applicable federal, state, local or foreign law, a Participant or his or her successor shall make arrangements satisfactory to the Corporation for the satisfaction of any withholding tax obligations that arise in connection with the Plan. The Corporation shall not be required to issue any shares of Common Stock or make any cash payment under the Plan until such obligations are satisfied.

16.2 SHARE WITHHOLDING. The Committee may permit a Participant to satisfy all or part of his or her withholding or income tax obligations by having the Corporation withhold all or a portion of any shares of Common Stock that otherwise would be issued to him or her or by surrendering all or a portion of any shares of Common Stock that he or she previously acquired. Such shares of Common Stock shall be valued at their Fair Market Value on the date when taxes otherwise would be withheld in cash.

ARTICLE XVII. FUTURE OF THE PLAN.

17.1 TERM OF THE PLAN. The Plan, as set forth herein, shall become effective the date of effectiveness of the IPO. The Plan shall remain in effect until it is terminated under Section 17.2, except that no ISOs shall be granted on or after the 10th anniversary of the later of (a) the date when the Board adopted the Plan or (b) the date when the Board adopted the most recent increase in the number of shares of Common Stock available under Article 3 which was approved by the Corporation's stockholders. The Plan shall serve as the successor to the Predecessor Plans, and no further option grants shall be made under the Predecessor Plans after the Plan effective date. All options outstanding under the Predecessor Plans as of such date shall, immediately upon effectiveness of the Plan, remain outstanding in accordance with their terms. Each outstanding option under the Predecessor Plans shall continue to be governed solely by the terms of the documents evidencing such option, and no provision of the Plan shall be deemed to affect or otherwise modify the rights or obligations of the holders of such options with respect to their acquisition of shares of Common Stock, except that the vesting acceleration provisions of Article 10 relating to Change in Control shall be extended to the options outstanding under the Predecessor Plans.

17.2 AMENDMENT OR TERMINATION. The Board may, at any time and for any reason, amend or terminate the Plan. An amendment of the Plan shall be subject to the approval of the Corporation's stockholders only to the extent required by applicable laws, regulations or rules. No Awards shall be granted under the Plan after the termination thereof. The termination of the Plan, or any amendment thereof, shall not affect any Award previously granted under the Plan.

ARTICLE XVIII. LIMITATION ON PAYMENTS.

18.1 SCOPE OF LIMITATION. This Article 18 shall apply to an Award only if:

(a) The independent auditors most recently selected by the Board (the "Auditors") determine that the after-tax value of such Award to the Participant, taking into account the effect of all federal, state and local income taxes, employment taxes and excise taxes applicable to the Participant (including the excise tax under section 4999 of the Code), will be greater after the application of this Article 18 than it was before the application of this Article 18; or

(b) The Committee, at the time of making an Award under the Plan or at any time thereafter, specifies in writing that such Award shall be subject to this Article 18 (regardless of the after-tax value of such Award to the Participant).

18.2 APPLICATION TO AWARD. If this Article 18 applies to an Award, it shall supersede any contrary provision of the Plan or of any Award granted under the Plan.

18.3 BASIC RULE. In the event that the Auditors determine that any payment or transfer by the Corporation under the Plan to or for the benefit of a Participant (a "Payment") would be nondeductible by the Corporation for federal income tax purposes because of the provisions concerning "excess parachute payments" in section 280G of the Code, then the aggregate present value of all Payments shall be reduced (but not below zero) to the Reduced Amount. For purposes of this Article 18, the "Reduced Amount" shall be the amount, expressed as a present value, which maximizes the aggregate present value of the Payments without causing any Payment to be nondeductible by the Corporation because of section 280G of the Code.

18.4 REDUCTION OF PAYMENTS. If the Auditors determine that any Payment would be nondeductible by the Corporation because of section 280G of the Code, then the Corporation shall promptly give the Participant notice to that effect and a copy of the detailed calculation thereof and of the Reduced Amount, and the Participant may then elect, in his or her sole discretion, which and how much of the Payments shall be eliminated or reduced (as long as after such election the aggregate present value of the Payments equals the Reduced Amount) and shall advise the Corporation in writing of his or her election within 10 days of receipt of notice. If no such election is made by the Participant within such 10-day period, then the Corporation may elect which and how much of the Payments shall be eliminated or reduced (as long as after such election the aggregate present value of the Payments equals the Reduced Amount) and shall notify the Participant promptly of such election. For purposes of this Article 18, present value shall be determined in accordance with section 280G(d)(4) of the Code. All determinations made by the Auditors under this Article 18 shall be binding upon the Corporation and the Participant and shall be made within 60 days of the date when a Payment becomes payable or transferable. As promptly as practicable following such determination and the elections hereunder, the Corporation shall pay or transfer to or for the benefit of the Participant such amounts as are then due to him or her under the Plan and shall promptly pay or transfer to or for the benefit of the Participant in the future such amounts as become due to him or her under the Plan.

18.5 OVERPAYMENTS AND UNDERPAYMENTS. As a result of uncertainty in the application of section 280G of the Code at the time of an initial determination by the Auditors hereunder, it is possible that Payments will have been made by the Corporation which should not have been made (an "Overpayment") or that additional Payments which will not have been made by the Corporation could have been made (an "Underpayment"), consistent in each case with the calculation of the Reduced Amount hereunder. In the event that the Auditors, based upon the assertion of a deficiency by the Internal Revenue Service against the Corporation or the Participant which the Auditors believe has a high probability of success, determine that an Overpayment has been made, such Overpayment shall be treated for all purposes as a loan to the Participant which he or she shall repay to the Corporation, together with interest at the applicable federal rate provided in section 7872(f)(2) of the Code; provided, however, that no amount shall be payable by the Participant to the Corporation if and to the extent that such payment would not reduce the amount which is subject to taxation under section 4999 of the Code. In the event that the Auditors determine that an Underpayment has occurred, such Underpayment shall promptly be paid or transferred by the Corporation to or for the benefit of the Participant, together with interest at the applicable federal rate provided in section 7872(f)(2) of the Code.

18.6 RELATED CORPORATIONS. For purposes of this Article 18, the term "Corporation" shall include affiliated corporations to the extent determined by the Auditors in accordance with section 280G(d)(5) of the Code.

ARTICLE XIX. DEFINITIONS.

19.1 "AFFILIATE" means any entity other than a Subsidiary, if the Corporation and/or one or more Subsidiaries own not less than 50% of such entity.

19.2 "AWARD" means any award of an Option, an SAR, a Restricted Share or a Stock Unit under the Plan.

19.3 "BOARD" means the Corporation's Board of Directors, as constituted from time to time.

19.4 "CHANGE IN CONTROL" shall mean:

(a) The consummation of a merger or consolidation of the Corporation with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Corporation immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (i) the continuing or surviving entity and (ii) any direct or indirect parent corporation of such continuing or surviving entity;

(b) The sale, transfer or other disposition of all or substantially all of the Corporation's assets;

(c) A change in the composition of the Board, as a result of which fewer than 50% of the incumbent directors are directors who either (i) had been directors of the Corporation on the date 24 months prior to the date of the event that may constitute a Change in Control (the "original directors") or (ii) were elected, or nominated for election, to the Board

with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved; or

(d) Any transaction as a result of which any person is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing at least 50% of the total voting power represented by the Corporation's then outstanding voting securities. For purposes of this Paragraph (d), the term "person" shall have the same meaning as when used in sections 13(d) and 14(d) of the Exchange Act but shall exclude(i) a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or of a Parent or Subsidiary and (ii) a corporation owned directly or indirectly by the stockholders of the Corporation in substantially the same proportions as their ownership of the common stock of the Corporation.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Corporation's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Corporation's securities immediately before such transaction.

19.5 "CODE" means the Internal Revenue Code of 1986, as amended.

19.6 "COMMITTEE" means a committee of the Board, as described in Article 2.

19.7 "COMMON STOCK" means the common stock of the Corporation.

19.8 "CORPORATION" means Advanced Medicine, Inc., a Delaware corporation.

19.9 "CONSULTANT" means a consultant or adviser who provides bona fide services to the Corporation, a Parent, a Subsidiary or an Affiliate as an independent contractor. Service as a Consultant shall be considered employment for all purposes of the Plan, except as provided in Section 4.1.

19.10 "EMPLOYEE" means a common-law employee of the Corporation, a Parent, a Subsidiary or an Affiliate.

19.11 "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

19.12 "EXERCISE PRICE," in the case of an Option, means the amount for which one Common Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement. "Exercise Price," in the case of an SAR, means an amount, as specified in the applicable SAR Agreement, which is subtracted from the Fair Market Value of one Common Share in determining the amount payable upon exercise of such SAR.

19.13 "FAIR MARKET VALUE" means the market price of one share of Common Stock, determined by the Committee in good faith on such basis as it deems appropriate. Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in THE WALL STREET JOURNAL. Such determination shall be conclusive and binding on all persons.

19.14 "INVOLUNTARY TERMINATION" means the termination of the Service of any individual which occurs by reason of:

(a) such individual's involuntary dismissal or discharge by the Corporation for reasons other than Misconduct, or

(b) such individual's voluntary resignation following (A) a change in his or her position with the Corporation which materially reduces his or her level of responsibility, (B) a reduction in his or her level of compensation (including base salary, fringe benefits and participation in bonus or incentive programs) or (C) a relocation of such individual's place of employment by more than fifty (50) miles, provided and only if such change, reduction or relocation is effected by the Corporation without the individual's consent.

19.15 "ISO" means an incentive stock option described in section 422(b) of the Code.

19.16 "MISCONDUCT" means the commission of any act of fraud, embezzlement or dishonesty by the Optionee or Participant, any unauthorized use or disclosure by such person of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by such person adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not be deemed to be inclusive of all the acts or omissions which the Corporation (or any Parent or Subsidiary) may consider as grounds for the dismissal or discharge of any Optionee or Participant or other person in the Service of the Corporation (or any Parent or Subsidiary).

19.17 "NSO" means a stock option not described in sections 422 or 423 of the Code.

19.18 "OPTION" means an ISO or NSO granted under the Plan and entitling the holder to purchase shares of Common Stock.

19.19 "OPTIONEE" means an individual or estate who holds an Option or SAR.

19.20 "OUTSIDE DIRECTOR" shall mean a member of the Board who is not an Employee. Service as an Outside Director shall be considered employment for all purposes of the Plan, except as provided in Section 4.1.

19.21 "PARENT" means any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, if each of the corporations other than the Corporation owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

19.22 "PARTICIPANT" means an individual or estate who holds an Award.

19.23 "PLAN" means this Advanced Medicine, Inc. 2000 Equity Incentive Plan, as amended from time to time.

19.24 "PREDECESSOR PLANS" means the Corporation's existing 1997 Stock Plan and Long-Term Stock Option Plan.

19.25 "RESTRICTED SHARE" means a Common Share awarded under the Plan.

19.26 "RESTRICTED STOCK AGREEMENT" means the agreement between the Corporation and the recipient of a Restricted Share which contains the terms, conditions and restrictions pertaining to such Restricted Share.

19.27 "SAR" means a stock appreciation right granted under the Plan.

19.28 "SAR AGREEMENT" means the agreement between the Corporation and an Optionee which contains the terms, conditions and restrictions pertaining to his or her SAR.

19.29 "STOCK OPTION AGREEMENT" means the agreement between the Corporation and an Optionee that contains the terms, conditions and restrictions pertaining to his or her Option.

19.30 "STOCK UNIT" means a bookkeeping entry representing the equivalent of one Common Share, as awarded under the Plan.

19.31 "STOCK UNIT AGREEMENT" means the agreement between the Corporation and the recipient of a Stock Unit which contains the terms, conditions and restrictions pertaining to such Stock Unit.

19.32 "SUBSIDIARY" means any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

EXHIBIT 10.4

ADVANCED MEDICINE, INC.

2000 DIRECTOR OPTION PLAN

(AS ADOPTED FEBRUARY 26, 2000)

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ADVANCED MEDICINE, INC.

2000 DIRECTOR OPTION PLAN

ARTICLE 1. INTRODUCTION.

The Plan was adopted by the Board on February 26, 2000 to be effective at the effectiveness of the IPO. The purpose of the Plan is to promote the long-term success of the Corporation and the creation of stockholder value by (a) encouraging Non-Employee Directors to focus on critical long-range objectives, (b) encouraging the attraction and retention of Non-Employee Directors with exceptional qualifications and (c) linking Non-Employee Directors directly to stockholder interests through increased stock ownership. The Plan seeks to achieve this purpose by providing for automatic and non-discretionary grants of Options to Non-Employee Directors.

The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware (except their choice-of-law provisions).

ARTICLE 2. ADMINISTRATION.

2.1 COMMITTEE COMPOSITION. The Plan shall be administered by the Committee. The Committee shall consist exclusively of two or more directors of the Corporation, who shall be appointed by the Board. In addition, the composition of the Committee shall satisfy such requirements as the Securities and Exchange Commission may establish for administrators acting under plans intended to qualify for exemption under Rule 16b-3 (or its successor) under the Exchange Act.

2.2 COMMITTEE RESPONSIBILITIES. The Committee shall interpret the Plan and make all decisions relating to the operation of the Plan. The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons.

ARTICLE 3. SHARES AVAILABLE FOR GRANTS.

3.1 BASIC LIMITATION. Common Shares issued pursuant to the Plan may be authorized but unissued shares or treasury shares. The aggregate number of Common Shares subject to Options granted under the Plan shall not exceed (a) 500,000 plus (b) the additional Common Shares described in Section 3.2. The limitations of this Section 3.1 shall be subject to adjustment pursuant to Article 6.

3.2 ADDITIONAL SHARES. If Options are forfeited or terminate for any other reason before being exercised, then the Common Shares subject to such Options shall again become available for the grant of Options under the Plan.

ARTICLE 4. AUTOMATIC OPTION GRANTS TO NON-EMPLOYEE DIRECTORS.

4.1 ELIGIBILITY. Only Non-Employee Directors shall be eligible for the grant of Options under the Plan.

4.2 INITIAL GRANTS. Each Non-Employee Director who first becomes a member of the Board after the date of the IPO shall receive a one-time grant of an Option covering 50,000 Common Shares (subject to adjustment under Article 6). Such Option shall be granted on the date when such Non-Employee Director first joins the Board and shall become exercisable for 33% of the shares upon the optionee's completion of one year of service from the date of grant, 33% of the shares upon the optionee's completion of two years of service from the date of grant and as to the balance of the shares upon the optionee's completion of three years of service from the date of grant. A Non-Employee Director who previously was an Employee shall not receive a grant under this Section 4.2.

4.3 ANNUAL GRANTS. Upon the conclusion of each regular annual meeting of the Corporation's stockholders held in the year 2001 or thereafter, each Non-Employee Director who will continue serving as a member of the Board thereafter shall receive an Option covering 10,000 Common Shares (subject to adjustment under Article 6), except that such Option shall not be granted in the calendar year in which the same Non-Employee Director received the Option described in Section 4.2. Options granted under this Section 4.3 shall become exercisable in full at the date of grant. A Non-Employee Director who previously was an Employee shall be eligible to receive grants under this Section 4.3.

4.4 ACCELERATED EXERCISABILITY. All Options granted to a Non-Employee Director under this Article 4 shall also become exercisable in full in the event of a Change in Control with respect to the Corporation.

4.5 EXERCISE PRICE. The Exercise Price under all Options granted to a Non-Employee Director under this Article 4 shall be equal to 100% of the Fair Market Value of a Common Share on the date of grant, payable in one of the forms described in Article 5.

4.6 TERM. All Options granted to a Non-Employee Director under this Article 4 shall terminate on the earliest of (a) the 10th anniversary of the date of grant, or (b) the date 12 months after the termination of such Non-Employee Director's service for any reason.

4.7 AFFILIATES OF NON-EMPLOYEE DIRECTORS. The Committee may provide that the Options that otherwise would be granted to a Non-Employee Director under this Article 4 shall instead be granted to an affiliate of such Non-Employee Director. Such affiliate shall then be deemed to be a Non-Employee Director for purposes of the Plan, provided that the service-related vesting and termination provisions pertaining to the Options shall be applied with regard to the service of the Non-Employee Director.

4.8 STOCK OPTION AGREEMENT. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Corporation. Such Option shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan.

ARTICLE 5. PAYMENT FOR OPTION SHARES.

5.1 CASH. All or any part of the Exercise Price may be paid in cash or cash equivalents.

5.2 SURRENDER OF STOCK. All or any part of the Exercise Price may be paid by surrendering, or attesting to the ownership of, Common Shares that are already owned by the Optionee. Such Common Shares shall be valued at their Fair Market Value on the date when the new Common Shares are purchased under the Plan. The Optionee shall not surrender, or attest to the ownership of, Common Shares in payment of the Exercise Price if such action would cause the Corporation to recognize compensation expense (or additional compensation expense) with respect to the Option for financial reporting purposes.

5.3 EXERCISE/SALE. All or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Corporation) an irrevocable direction to a securities broker approved by the Corporation to sell all or part of the Common Shares being purchased under the Plan and to deliver all or part of the sales proceeds to the Corporation.

5.4 OTHER FORMS OF PAYMENT. At the sole discretion of the Committee, all or any part of the Exercise Price and any withholding taxes may be paid in any other form that is consistent with applicable laws, regulations and rules.

ARTICLE 6. PROTECTION AGAINST DILUTION.

6.1 ADJUSTMENTS. In the event of a subdivision of the outstanding Common Shares, a declaration of a dividend payable in Common Shares, a declaration of a dividend payable in a form other than Common Shares in an amount that has a material effect on the price of Common Shares, a combination or consolidation of the outstanding Common Shares (by reclassification or otherwise) into a lesser number of Common Shares, a recapitalization, a spin-off or a similar occurrence, the Committee shall make such adjustments as it, in its sole discretion, deems appropriate in one or more of (a) the number of Common Shares available for future grants under Article 3, (b) the number of Options to be granted to Non-Employee Directors under Article 4, (c) the number of Common Shares covered by each outstanding Option or (d) the Exercise Price under each outstanding Option. Except as provided in this Article 6, an Optionee shall have no rights by reason of any issue by the Corporation of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

6.2 DISSOLUTION OR LIQUIDATION. To the extent not previously exercised, Options shall terminate immediately prior to the dissolution or liquidation of the Corporation.

6.3 REORGANIZATIONS. In the event that the Corporation is a party to a merger or other reorganization, outstanding Options shall be subject to the agreement of merger or reorganization. Such agreement shall provide for (a) the continuation of the outstanding Options by the Corporation, if the Corporation is a surviving corporation, (b) the assumption of the outstanding Options by the surviving corporation or its parent or subsidiary, (c) the substitution by the surviving corporation or its parent or subsidiary of its own options for the outstanding Options, or (d) settlement of the full value of the outstanding Options in cash or cash equivalents followed by cancellation of such Options.

ARTICLE 7. LIMITATION ON RIGHTS.

7.1 STOCKHOLDERS' RIGHTS. An Optionee shall have no dividend rights, voting rights or other rights as a stockholder with respect to any Common Shares covered by his or her Option prior to the time he or she becomes entitled to receive such Common Shares by filing a notice of exercise and paying the Exercise Price. No adjustment shall be made for cash dividends or other rights for which the record date is prior to such time, except as expressly provided in the Plan.

7.2 REGULATORY REQUIREMENTS. Any other provision of the Plan notwithstanding, the obligation of the Corporation to issue Common Shares under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Corporation reserves the right to restrict, in whole or in part, the delivery of Common Shares pursuant to any Option prior to the satisfaction of all legal requirements relating to the issuance of such Common Shares, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

7.3 WITHHOLDING TAXES. To the extent required by applicable federal, state, local or foreign law, an Optionee or his or her successor shall make arrangements satisfactory to the Corporation for the satisfaction of any withholding tax obligations that arise in connection with the Plan. The Corporation shall not be required to issue any Common Shares or make any cash payment under the Plan until such obligations are satisfied.

ARTICLE 8. FUTURE OF THE PLAN.

8.1 TERM OF THE PLAN. The Plan, as set forth herein, shall become effective on effectiveness of the IPO. The Plan shall remain in effect until it is terminated under Section 8.2.

8.2 AMENDMENT OR TERMINATION. The Board may, at any time and for any reason, amend or terminate the Plan. An amendment of the Plan shall be subject to the approval of the Corporation's stockholders only to the extent required by applicable laws, regulations or rules. No Options shall be granted under the Plan after the termination thereof. The termination of the Plan, or any amendment thereof, shall not affect any Option previously granted under the Plan.

ARTICLE 9. DEFINITIONS.

9.1 "BOARD" means the Corporation's Board of Directors, as constituted from time to time.

9.2 "CHANGE IN CONTROL" means:

(a) The consummation of a merger or consolidation of the Corporation with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Corporation immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (i) the continuing or surviving entity and (ii) any direct or indirect parent corporation of such continuing or surviving entity;

(b) The sale, transfer or other disposition of all or substantially all of the Corporation's assets;

(c) A change in the composition of the Board, as a result of which fewer than 50% of the incumbent directors are directors who either (i) had been directors of the Corporation on the date 24 months prior to the date of the event that may constitute a Change in Control (the "original directors") or (ii) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved; or

(d) Any transaction as a result of which any person is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing at least 50% of the total voting power represented by the Corporation's then outstanding voting securities. For purposes of this Subsection (d), the term "person" shall have the same meaning as when used in sections 13(d) and 14(d) of the Exchange Act but shall exclude (i) a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or of a Parent or Subsidiary and (ii) a corporation owned directly or indirectly by the stockholders of the Corporation in substantially the same proportions as their ownership of the common stock of the Corporation.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Corporation's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Corporation's securities immediately before such transaction.

9.3 "CODE" means the Internal Revenue Code of 1986, as amended.

9.4 "COMMITTEE" means a committee of the Board, as described in Article 2.

9.5 "COMMON SHARE" means one share of the common stock of the Corporation.

9.6 "CORPORATION" means Advanced Medicine, Inc., a Delaware corporation.

9.7 "EMPLOYEE" means a common-law employee of the Corporation, a Parent or a Subsidiary.

9.8 "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

9.9 "EXERCISE PRICE" means the amount for which one Common Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement.

9.10 "FAIR MARKET VALUE" means the market price of Common Shares, determined by the Committee in good faith on such basis as it deems appropriate. Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in THE WALL STREET JOURNAL. Such determination shall be conclusive and binding on all persons.

9.11 "IPO" means the initial offering of common stock of the Corporation to the public pursuant to a registration statement filed by the Corporation with the Securities and Exchange Commission.

9.12 "NON-EMPLOYEE DIRECTOR" means a member of the Board who is not an Employee.

9.13 "OPTION" means an option granted under the Plan and entitling the holder to purchase Common Shares. Options do not qualify as incentive stock options described in section 422(b) of the Code.

9.14 "OPTIONEE" means an individual or estate who holds an Option.

9.15 "PARENT" means any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, if each of the corporations other than the Corporation owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

9.16 "PLAN" means this Advanced Medicine, Inc. 2000 Director Option Plan, as amended from time to time.

9.17 "STOCK OPTION AGREEMENT" means the agreement between the Corporation and an Optionee that contains the terms, conditions and restrictions pertaining to his or her Option.

9.18 "SUBSIDIARY" means any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

EXHIBIT 10.5

ADVANCED MEDICINE, INC.

EMPLOYEE STOCK PURCHASE PLAN

(AS ADOPTED FEBRUARY 26, 2000)

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ADVANCED MEDICINE, INC.
EMPLOYEE STOCK PURCHASE PLAN

SECTION 1. PURPOSE OF THE PLAN.

The Plan was adopted by the Board on February 26, 2000 to be effective as of the date of the IPO. The purpose of the Plan is to provide Eligible Employees with an opportunity to increase their proprietary interest in the success of the Corporation by purchasing Stock from the Corporation on favorable terms and to pay for such purchases through payroll deductions. The Plan is intended to qualify under section 423 of the Code.

SECTION 2. ADMINISTRATION OF THE PLAN.

(a) COMMITTEE COMPOSITION. The Plan shall be administered by the Committee. The Committee shall consist exclusively of one or more directors of the Corporation, who shall be appointed by the Board.

(b) COMMITTEE RESPONSIBILITIES. The Committee shall interpret the Plan and make all other policy decisions relating to the operation of the Plan. The Committee may adopt such rules, guidelines and forms as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons.

SECTION 3. ENROLLMENT AND PARTICIPATION.

(a) OFFERING PERIODS. While the Plan is in effect, four overlapping Offering Periods shall commence in each calendar year. The Offering Periods shall consist of the 27-month periods commencing on each February 1, May 1, August 1, and November 1 except that the first Offering Period shall commence on the date of the IPO and end on July 31, 2002.

(b) ACCUMULATION PERIODS. While the Plan is in effect, four Accumulation Periods shall commence in each calendar year. The Accumulation Periods shall consist of the three-month periods commencing on each February 1, May 1, August 1 and November 1, except that the first Accumulation Period shall commence on the date of the IPO and end on October 31, 2000.

(c) ENROLLMENT. Any individual who, on the day preceding the first day of an Offering Period, qualifies as an Eligible Employee may elect to become a Participant in the Plan for such Offering Period by executing the enrollment form prescribed for this purpose by the Committee. The enrollment form shall be filed with the Corporation at the prescribed location on or before the start date of such Offering Period.

(d) DURATION OF PARTICIPATION. Once enrolled in the Plan, a Participant shall continue to participate in the Plan until he or she ceases to be an Eligible Employee, withdraws from the Plan under Section 5(a) or reaches the end of the Accumulation Period in which his or

her employee contributions were discontinued under Section 4(d) or 8(b). A Participant who discontinued employee contributions under Section 4(d) or withdrew from the Plan under Section 5(a) may again become a Participant, if he or she then is an Eligible Employee, by following the procedure described in Subsection (c) above. A Participant whose employee contributions were discontinued automatically under Section 8(b) shall automatically resume participation at the beginning of the earliest Accumulation Period ending in the next calendar year, if he or she then is an Eligible Employee.

(e) APPLICABLE OFFERING PERIOD. For purposes of calculating the Purchase Price under Section 7(b), the applicable Offering Period shall be determined as follows:

(i) Once a Participant is enrolled in the Plan for an Offering Period, such Offering Period shall continue to apply to him or her until the earliest of (A) the end of such Offering Period, (B) the end of his or her participation under Subsection (d) above or (C) re-enrollment for a subsequent Offering Period under Paragraph (ii) or (iii) below.

(ii) In the event that the Fair Market Value of Stock on the last trading day before the commencement of the Offering Period for which the Participant is enrolled is higher than on the last trading day before the commencement of any subsequent Offering Period, the Participant shall automatically be re-enrolled for such subsequent Offering Period.

(iii) Any other provision of the Plan notwithstanding, the Corporation (at its sole discretion) may determine prior to the commencement of any new Offering Period that all Participants shall be re-enrolled for such new Offering Period.

(iv) When a Participant reaches the end of an Offering Period but his or her participation is to continue, then such Participant shall automatically be re-enrolled for the Offering Period that commences immediately after the end of the prior Offering Period.

SECTION 4. EMPLOYEE CONTRIBUTIONS.

(a) FREQUENCY OF PAYROLL DEDUCTIONS. A Participant may purchase shares of Stock under the Plan solely by means of payroll deductions. Payroll deductions, as designated by the Participant pursuant to Subsection (b) below, shall occur on each payday during participation in the Plan.

(b) AMOUNT OF PAYROLL DEDUCTIONS. An Eligible Employee shall designate on the enrollment form the portion of his or her Compensation that he or she elects to have withheld for the purchase of Stock. Such portion shall be a whole percentage of the Eligible Employee's Compensation, but not less than 1% nor more than 15%.

(c) CHANGING WITHHOLDING RATE. If a Participant wishes to change the rate of payroll withholding, he or she may do so by filing a new enrollment form with the Corporation at the prescribed location at any time. The new withholding rate shall be effective as soon as reasonably practicable after such form has been received by the Corporation. The new withholding rate shall be a whole percentage of the Eligible Employee's Compensation, but not less than 1% nor more than 15%.

(d) DISCONTINUING PAYROLL DEDUCTIONS. If a Participant wishes to discontinue employee contributions entirely, he or she may do so by filing a new enrollment form with the Corporation at the prescribed location at any time. Payroll withholding shall cease as soon as reasonably practicable after such form has been received by the Corporation. (In addition, employee contributions may be discontinued automatically pursuant to Section 8(b).) A Participant who has discontinued employee contributions may resume such contributions by filing a new enrollment form with the Corporation at the prescribed location. Payroll withholding shall resume as soon as reasonably practicable after such form has been received by the Corporation.

(e) LIMIT ON NUMBER OF ELECTIONS. No Participant shall make more than 2 elections under Subsection (c) or (d) above during any Accumulation Period.

SECTION 5. WITHDRAWAL FROM THE PLAN.

(a) WITHDRAWAL. A Participant may elect to withdraw from the Plan by filing the prescribed form with the Corporation at the prescribed location at any time before the last day of an Accumulation Period. As soon as reasonably practicable thereafter, payroll deductions shall cease and the entire amount credited to the Participant's Plan Account shall be refunded to him or her in cash, without interest. No partial withdrawals shall be permitted.

(b) RE-ENROLLMENT AFTER WITHDRAWAL. A former Participant who has withdrawn from the Plan shall not be a Participant until he or she re-enrolls in the Plan under Section 3(c). Re-enrollment may be effective only at the commencement of an Offering Period.

SECTION 6. CHANGE IN EMPLOYMENT STATUS.

(a) TERMINATION OF EMPLOYMENT. Termination of employment as an Eligible Employee for any reason, including death, shall be treated as an automatic withdrawal from the Plan under Section 5(a). (A transfer from one Participating Corporation to another shall not be treated as a termination of employment.)

(b) LEAVE OF ABSENCE. For purposes of the Plan, employment shall not be deemed to terminate when the Participant goes on a military leave, a sick leave or another BONA FIDE leave of absence, if the leave was approved by the Corporation in writing. Employment, however, shall be deemed to terminate 90 days after the Participant goes on a leave, unless a contract or statute guarantees his or her right to return to work. Employment shall be deemed to terminate in any event when the approved leave ends, unless the Participant immediately returns to work.

(c) DEATH. In the event of the Participant's death, the amount credited to his or her Plan Account shall be paid to a beneficiary designated by him or her for this purpose on the prescribed form or, if none, to the Participant's estate. Such form shall be valid only if it was filed with the Corporation at the prescribed location before the Participant's death.

SECTION 7. PLAN ACCOUNTS AND PURCHASE OF SHARES.

(a) PLAN ACCOUNTS. The Corporation shall maintain a Plan Account on its books in the name of each Participant. Whenever an amount is deducted from the Participant's Compensation under the Plan, such amount shall be credited to the Participant's Plan Account. Amounts credited to Plan Accounts shall not be trust funds and may be commingled with the Corporation's general assets and applied to general corporate purposes. No interest shall be credited to Plan Accounts.

(b) PURCHASE PRICE. The Purchase Price for each share of Stock purchased at the close of an Accumulation Period shall be the lower of:

(i) 85% of the Fair Market Value of such share on the last trading day in such Accumulation Period; or

(ii) 85% of the Fair Market Value of such share on the last trading day before the commencement of the applicable Offering Period (as determined under Section 3(e)) or, in the case of the first Offering Period under the Plan, the lower of: (A) 85% of the price at which one share of Stock is offered to the public in the IPO; or (B) 85% of the Fair Market Value of such share on the purchase date.

(c) NUMBER OF SHARES PURCHASED. As of the last day of each Accumulation Period, each Participant shall be deemed to have elected to purchase the number of shares of Stock calculated in accordance with this Subsection (c), unless the Participant has previously elected to withdraw from the Plan in accordance with Section 5(a). The amount then in the Participant's Plan Account shall be divided by the Purchase Price, and the number of shares that results shall be purchased from the Corporation with the funds in the Participant's Plan Account. The foregoing notwithstanding, no Participant shall purchase more than 2,500 shares of Stock with respect to any Accumulation Period or more than the amounts of Stock set forth in Sections 8(b) and 13(a). The Committee may determine with respect to all Participants that any fractional share, as calculated under this Subsection (c), shall be (i) rounded down to the next lower whole share or (ii) credited as a fractional share.

(d) AVAILABLE SHARES INSUFFICIENT. In the event that the aggregate number of shares that all Participants elect to purchase during an Accumulation Period exceeds the maximum number of shares remaining available for issuance under Section 13(a), then the number of shares to which each Participant is entitled shall be determined by multiplying the number of shares available for issuance by a fraction, the numerator of which is the number of shares that such Participant has elected to purchase and the denominator of which is the number of shares that all Participants have elected to purchase.

(e) ISSUANCE OF STOCK. Certificates representing the shares of Stock purchased by a Participant under the Plan shall be issued to him or her as soon as reasonably practicable after the close of the applicable Accumulation Period, except that the Committee may determine that such shares shall be held for each Participant's benefit by a broker designated by the Committee (unless the Participant has elected that certificates be issued to him or her). Shares may be

registered in the name of the Participant or jointly in the name of the Participant and his or her spouse as joint tenants with right of survivorship or as community property.

(f) UNUSED CASH BALANCES. An amount remaining in the Participant's Plan Account that represents the Purchase Price for any fractional share shall be carried over in the Participant's Plan Account to the next Accumulation Period. Any amount remaining in the Participant's Plan Account that represents the Purchase Price for whole shares that could not be purchased by reason of Subsection (c) above, Section 8(b) or Section 13(a) shall be refunded to the Participant in cash, without interest.

(g) STOCKHOLDER APPROVAL. Any other provision of the Plan notwithstanding, no shares of Stock shall be purchased under the Plan unless and until the Corporation's stockholders have approved the adoption of the Plan.

SECTION 8. LIMITATIONS ON STOCK OWNERSHIP.

(a) FIVE PERCENT LIMIT. Any other provision of the Plan notwithstanding, no Participant shall be granted a right to purchase Stock under the Plan if such Participant, immediately after his or her election to purchase such Stock, would own stock possessing more than 5% of the total combined voting power or value of all classes of stock of the Corporation or any parent or Subsidiary of the Corporation. For purposes of this Subsection (a), the following rules shall apply:

(i) Ownership of stock shall be determined after applying the attribution rules of section 424(d) of the Code;

(ii) Each Participant shall be deemed to own any stock that he or she has a right or option to purchase under this or any other plan; and

(iii) Each Participant shall be deemed to have the right to purchase 2,500 shares of Stock under this Plan with respect to each Accumulation Period.

(b) DOLLAR LIMIT. Any other provision of the Plan notwithstanding, no Participant shall purchase Stock with a Fair Market Value in excess of the following limit:

(i) In the case of Stock purchased during an Offering Period that commenced in the current calendar year, the limit shall be equal to (A) $25,000 minus (B) the Fair Market Value of the Stock that the Participant previously purchased in the current calendar year (under this Plan and all other employee stock purchase plans of the Corporation or any parent or Subsidiary of the Corporation).

(ii) In the case of Stock purchased during an Offering Period that commenced in the immediately preceding calendar year, the limit shall be equal to (A) $50,000 minus (B) the Fair Market Value of the Stock that the Participant previously purchased (under this Plan and all other employee stock purchase plans of the Corporation or any parent or Subsidiary of the Corporation) in the current calendar year and in the immediately preceding calendar year.

(iii) In the case of Stock purchased during an Offering Period that commenced in the second preceding calendar year, the limit shall be equal to (A) $75,000 minus (B) the Fair Market Value of the Stock that the Participant previously purchased (under this Plan and all other employee stock purchase plans of the Corporation or any parent or Subsidiary of the Corporation) in the current calendar year and in the two preceding calendar years.

For purposes of this Subsection (b), the Fair Market Value of Stock shall be determined in each case as of the beginning of the Offering Period in which such Stock is purchased. Employee stock purchase plans not described in section 423 of the Code shall be disregarded. If a Participant is precluded by this Subsection (b) from purchasing additional Stock under the Plan, then his or her employee contributions shall automatically be discontinued and shall resume at the beginning of the earliest Accumulation Period ending in the next calendar year (if he or she then is an Eligible Employee).

SECTION 9. RIGHTS NOT TRANSFERABLE.

The rights of any Participant under the Plan, or any Participant's interest in any Stock or moneys to which he or she may be entitled under the Plan, shall not be transferable by voluntary or involuntary assignment or by operation of law, or in any other manner other than by beneficiary designation or the laws of descent and distribution. If a Participant in any manner attempts to transfer, assign or otherwise encumber his or her rights or interest under the Plan, other than by beneficiary designation or the laws of descent and distribution, then such act shall be treated as an election by the Participant to withdraw from the Plan under Section 5(a).

SECTION 10. NO RIGHTS AS AN EMPLOYEE.

Nothing in the Plan or in any right granted under the Plan shall confer upon the Participant any right to continue in the employ of a Participating Corporation for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Participating Companies or of the Participant, which rights are hereby expressly reserved by each, to terminate his or her employment at any time and for any reason, with or without cause.

SECTION 11. NO RIGHTS AS A STOCKHOLDER.

A Participant shall have no rights as a stockholder with respect to any shares of Stock that he or she may have a right to purchase under the Plan until such shares have been purchased on the last day of the applicable Accumulation Period.

SECTION 12. SECURITIES LAW REQUIREMENTS.

Shares of Stock shall not be issued under the Plan unless the issuance and delivery of such shares comply with (or are exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Corporation's securities may then be traded. The issuance of Stock under this Plan may be conditioned on the Participant's agreement to be bound by an agreement between the Company and its underwriters prohibiting resale of the shares of Stock.

SECTION 13. STOCK OFFERED UNDER THE PLAN.

(a) AUTHORIZED SHARES. The number of shares of Stock available for purchase under the Plan shall be 750,000 (subject to adjustment pursuant to this Section 13). On January 1 of each year, commencing with January 1, 2001, the aggregate number of shares of Stock available for purchase during the life of the Plan shall automatically be increased by the lesser of 0.5% of the total number of shares of Common Stock then outstanding, or 500,000 shares (subject to adjustment pursuant to this Section 13).

(b) ANTI-DILUTION ADJUSTMENTS. The aggregate number of shares of Stock offered under the Plan, the 2,500 share limitation described in Section 7(c), the 750,000-share limitation described in Section 13(a), the 500,000 share limitation on annual increases, and the price of shares that any Participant has elected to purchase shall be adjusted proportionately by the Committee for any increase or decrease in the number of outstanding shares of Stock resulting from a subdivision or consolidation of shares or the payment of a stock dividend, any other increase or decrease in such shares effected without receipt or payment of consideration by the Corporation, the distribution of the shares of a Subsidiary to the Corporation's stockholders or a similar event.

(c) REORGANIZATIONS. Any other provision of the Plan notwithstanding, immediately prior to the effective time of a Corporate Reorganization, the Offering Period(s) and Accumulation Period(s) then in progress shall terminate and shares shall be purchased pursuant to Section 7, unless the Plan is continued or assumed by the surviving corporation or its parent corporation. The Plan shall in no event be construed to restrict in any way the Corporation's right to undertake a dissolution, liquidation, merger, consolidation or other reorganization.

SECTION 14. AMENDMENT OR DISCONTINUANCE.

The Board shall have the right to amend, suspend or terminate the Plan at any time and without notice. The Corporation's Chief Executive Officer may also amend the Plan to the extent allowable under applicable law to effect non-material amendments. Except as provided in Section 13, any increase in the aggregate number of shares of Stock to be issued under the Plan shall be subject to approval by a vote of the stockholders of the Corporation. In addition, any other amendment of the Plan shall be subject to approval by a vote of the stockholders of the Corporation to the extent required by an applicable law or regulation.

SECTION 15. DEFINITIONS.

(a) "ACCUMULATION PERIOD" means a three-month period during which contributions may be made toward the purchase of Stock under the Plan, as determined pursuant to Section 3(b).

(b) "BOARD" means the Board of Directors of the Corporation, as constituted from time to time.

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

(d) "COMMITTEE" means a committee of the Board, as described in Section 2.

(e) "CORPORATION" means Advanced Medicine, Inc., a Delaware corporation.

(f) "COMPENSATION" means (i) the total compensation paid in cash to a Participant by a Participating Corporation, including salaries, wages, bonuses, incentive compensation, commissions, overtime pay and shift premiums, plus (ii) any pre-tax contributions made by the Participant under section 401(k) or 125 of the Code. "Compensation" shall exclude all non-cash items, moving or relocation allowances, cost-of-living equalization payments, car allowances, tuition reimbursements, imputed income attributable to cars or life insurance, severance pay, fringe benefits, contributions or benefits received under employee benefit plans, income attributable to the exercise of stock options, and similar items. The Committee shall determine whether a particular item is included in Compensation.

(g) "CORPORATE REORGANIZATION" means:

(i) The consummation of a merger or consolidation of the Corporation with or into another entity or any other corporate reorganization; or

(ii) The sale, transfer or other disposition of all or substantially all of the Corporation's assets or the complete liquidation or dissolution of the Corporation.

(h) "ELIGIBLE EMPLOYEE" means any employee of a Participating Corporation who meets both of the following requirements:

(i) His or her customary employment is for more than five months per calendar year and for more than 20 hours per week; and

(ii) He or she has been an employee of a Participating Corporation for not less than five consecutive months.

The foregoing notwithstanding, an individual shall not be considered an Eligible Employee if his or her participation in the Plan is prohibited by the law of any country which has jurisdiction over him or her or if he or she is subject to a collective bargaining agreement that does not provide for participation in the Plan.

(i) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(j) "FAIR MARKET VALUE" means the market price of Stock, determined by the Committee as follows:

(i) If the Stock was traded on The Nasdaq National Market on the date in question, then the Fair Market Value shall be equal to the last-transaction price quoted for such date by The Nasdaq National Market;

(ii) If the Stock was traded on a stock exchange on the date in question, then the Fair Market Value shall be equal to the closing price reported by the applicable composite transactions report for such date; or

(iii) If none of the foregoing provisions is applicable, then the Fair Market Value shall be determined by the Committee in good faith on such basis as it deems appropriate. Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in THE WALL STREET JOURNAL or as reported directly to the Corporation by Nasdaq or a stock exchange. Such determination shall be conclusive and binding on all persons.

(k) "IPO" means the initial offering of Stock to the public pursuant to a registration statement filed by the Corporation with the Securities and Exchange Commission.

(l) "OFFERING PERIOD" means a 27-month period with respect to which the right to purchase Stock may be granted under the Plan, as determined pursuant to Section 3(a).

(m) "PARTICIPANT" means an Eligible Employee who elects to participate in the Plan, as provided in Section 3(c).

(n) "PARTICIPATING CORPORATION" means (i) the Corporation and (ii) each present or future Subsidiary designated by the Committee as a Participating Corporation.

(o) "PLAN" means this Advanced Medicine, Inc. Employee Stock Purchase Plan, as it may be amended from time to time.

(p) "PLAN ACCOUNT" means the account established for each Participant pursuant to Section 7(a).

(q) "PURCHASE PRICE" means the price at which Participants may purchase Stock under the Plan, as determined pursuant to Section 7(b).

(r) "STOCK" means the Common Stock of the Corporation.

(s) "SUBSIDIARY" means any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

EXHIBIT 10.6

ADVANCED MEDICINE, INC.

CHANGE IN CONTROL SEVERANCE PLAN

AND

SUMMARY PLAN DESCRIPTION

Plan Effective Date: [ ] __, 2000

ADVANCED MEDICINE, INC.
CHANGE IN CONTROL SEVERANCE PLAN
AND
SUMMARY PLAN DESCRIPTION

The Advanced Medicine, Inc. Change in Control Severance Plan (the "Plan") is primarily designed to provide eligible employees of Advanced Medicine, Inc. (the "Corporation") whose employment is terminated in connection with a change in control occurring after an initial public offering with separation pay and other benefits in the event of involuntary termination.

This Plan is designed to be an "employee welfare benefit plan," as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). This Plan is governed by ERISA and, to the extent applicable, the laws of the State of California. This document constitutes both the official plan document and the required summary plan description under ERISA.

I. ELIGIBILITY

You will be eligible for severance benefits under the Plan if:

- you are an employee of the Corporation;
- your active employment is Involuntarily Terminated other than for Misconduct within the designated period following a Change in Control;
- you execute the General Release of All Claims, a copy of which is attached, within the prescribed number of days following your date of termination, as set forth in the attached General Release of All Claims; and
- you are NOT in one of the excluded categories listed below.

You are NOT eligible for severance benefits under this Plan if:

- you are a temporary employee, part-time employee working fewer than 32 hours per week, probationary employee or student employee;
- you are employed with a successor employer following a Change in Control. However, you would be eligible for severance benefits pursuant to the terms of the Plan upon a subsequent Involuntary Termination other than for Misconduct within the designated period following a Change in Control; or
- you are dismissed for Misconduct.

II. HOW THE PLAN WORKS

If you are eligible for severance benefits under the Plan, the amount of your severance pay will be determined in accordance with the guidelines set forth below, subject to the Golden Parachute Tax limitation set forth below:

SEVERANCE GUIDELINES

IF YOUR EMPLOYMENT IS INVOLUNTARILY TERMINATED WITHIN TWENTY-FOUR (24) MONTHS AFTER A CHANGE IN CONTROL, YOU WILL BE PAID:

- 150% of the Eligible Employee's Annual Base Pay plus Target Bonus, if the Eligible Employee was the Chief Executive Officer of the Corporation immediately before the Change in Control; and

- 100% of the Eligible Employee's Annual Base Pay plus Target Bonus, if the Eligible Employee was an employee (other than the Chief Executive Officer) of the Corporation immediately before the Change in Control.

ANNUAL BASE PAY generally means your base salary at the rate in effect during the last regularly scheduled payroll period immediately preceding the occurrence of the Change in Control and does NOT include, for example, bonuses, overtime compensation, incentive pay, sales commissions or expense allowances.

TARGET BONUS means 100% of the bonus potential established for you by the Corporation for the applicable fiscal year.

INVOLUNTARY TERMINATION shall have the meaning assigned to such term in the Corporation's 2000 Equity Incentive Plan.

MISCONDUCT shall have the meaning assigned to such term in the Corporation's 2000 Equity Incentive Plan.

CHANGE IN CONTROL shall have the meaning assigned to such term in the Corporation's 2000 Equity Incentive Plan.

GOLDEN PARACHUTE TAX LIMITATION

The Internal Revenue Code imposes a 20% excise tax on certain payments and other benefits received by certain officers and shareholders in connection with a change of control involving the Corporation. Such payments can include severance pay and acceleration of option vesting. In the event that the cash severance payment you would receive under this Plan, when added to any other payments or benefits received by you, would (i) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code ("Code") and (ii) be subject to the 20% excise tax imposed by Section 4999 of the Code, then your cash severance payments shall be either

- payable in full or

- payable as to such lesser amount which would result in no portion of the

compensation payable to you being subject to excise tax under Section 4999 of the Code,

whichever of the foregoing amounts, taking into account the applicable Federal, state and local income taxes and the 20% excise tax imposed by Code Section 4999, results in your receipt, on an after-tax basis, of the greatest amount. If a reduction is to be effected, your bonus severance payment shall be reduced first and your salary severance payment next. No payments due you outside of this Plan shall be reduced by reason of this paragraph. Unless you and the Corporation agree otherwise in writing, any determination required to make this adjustment shall be made in writing by the Corporation's independent public accountants or other outside auditors selected by the Corporation immediately prior to the change of control triggering the parachute payments, whose determination shall be binding upon you and the Corporation. You and the Corporation are obligated to furnish to the accountants such information and documents as the accountants may reasonably request. The Corporation shall bear all costs of engaging the accountants in connection with these calculations.

III. OTHER IMPORTANT INFORMATION

PLAN ADMINISTRATION. As the Plan Administrator, the Corporation has full discretionary authority to administer and interpret the Plan, including discretionary authority to determine eligibility for benefits under the Plan and the amount of benefits (if any) payable per participant. Any determination by the Plan Administrator will be final and conclusive upon all persons. The Plan Administrator hereby delegates to the Chief Financial Officer all of its administrative duties. Accordingly, the Chief Financial Officer, on behalf of the Plan Administrator, has full discretionary authority to carry out its delegated duties. Any determination by the Chief Financial Officer will be final and conclusive upon all persons. The Corporation, as the Plan Administrator, will indemnify and hold harmless the Chief Financial Officer for carrying out the responsibilities of the Plan Administrator; provided, however, such person does not act with gross negligence or willful misconduct.

BENEFITS. When benefits are due, they will be paid from the general assets of the Corporation. The Corporation is not required to establish a trust to fund the Plan. The benefits provided under this Plan are not assignable and may be conditioned upon your compliance with any confidentiality agreement you have entered into with the Corporation or upon your compliance with any Corporation policy or program.

CLAIMS PROCEDURE. If you believe you are incorrectly denied a benefit or are entitled to a greater benefit than the benefit you receive under the Plan, you may submit a signed, written application to the Plan Administrator within ninety (90) days of your Termination Date. You will be notified of the approval or denial of this claim within ninety (90) days of the date that the Plan Administrator receives the claim, unless special circumstances require an extension of time for processing the claim. If your claim is denied, the notification will state specific reasons for the denial and you will have sixty (60) days from receipt of the written notification of the denial of your claim to file a signed, written request for a review of the denial with the Plan Administrator. This request should include the reasons you are requesting a review, facts supporting your

request and any other relevant comments. Pursuant to its discretionary authority to administer and interpret the Plan and to determine eligibility for benefits under the Plan, the Plan Administrator will generally make a final, written determination of your eligibility for benefits within sixty (60) days of receipt of your request for review.

PLAN TERMS. This Plan supersedes any and all prior separation, severance and salary continuation arrangements, programs and plans which were previously offered by the Corporation, for which you are eligible, but excluding terms of the Corporation's stock option plans and individual letter agreements which address the vesting of stock options or restricted stock.

PLAN AMENDMENT OR TERMINATION. The Corporation, acting through its Board of Directors or its Compensation Committee, reserves the right to terminate or amend the Plan at any time and in any manner. Any termination or amendment of the Plan may be made effective immediately with respect to any benefits not yet paid, whether or not prior notice of such amendment or termination has been given to affected employees. However, no amendment or termination may be approved following any Change in Control involving the Corporation.

TAXES. The Corporation will withhold taxes and other payroll deductions from any severance payment.

NO RIGHT TO EMPLOYMENT. This Plan does not provide you with any right to continue employment with the Corporation or affect the Corporation's right, which right is hereby expressly reserved, to terminate the employment of any individual at any time for any reason with or without cause.

IV. STATEMENT OF ERISA RIGHTS

As a participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). ERISA provides that all Plan participants shall be entitled to:

1. Examine, without charge, at the Plan Administrator's office, all Plan documents, including all documents filed by the Plan with the U.S. Department of Labor.

2. Obtain copies of all Plan documents and other Plan information upon written request to the Plan Administrator. The Plan Administrator may make a reasonable charge for the copies.

3. File suit in a federal court, if you, as a participant, request materials and do not receive them within thirty (30) days of your request. In such a case, the court may require the Plan Administrator to provide the materials and to pay you a fine of up to $100 for each day's delay until the materials are received, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

In addition to creating rights for certain employees of the Corporation under the Plan, ERISA imposes obligations upon the people who are responsible for the operation of the Plan. The people

who operate the Plan (called "fiduciaries") have a duty to do so prudently and in the interest of the Corporation's employees who are covered by the Plan.

No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit to which you are entitled under the Plan or from exercising your rights under ERISA.

If your claim for a severance benefit is denied or ignored, in whole or in part, you have a right to file suit in a federal or a state court. If Plan fiduciaries are misusing the Plan's assets (if any) or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor or file suit in a federal court. The court will decide who will pay court costs and legal fees. If you are successful in your lawsuit, the court may, if it so decides, order the party you have sued to pay your legal costs, including attorney fees. However, if you lose, the court may order you to pay these costs and fees, for example, if it finds that your claim or suit is frivolous.

If you have any questions about the Plan, this statement or your rights under ERISA, you should contact the Plan Administrator or the nearest Area Office of the U.S. Labor-Management Services Administration, Department of Labor.

ADDITIONAL PLAN INFORMATION

Name of Plan:	Advanced Medicine, Inc. Change in Control Severance Plan
Corporation Sponsoring Plan:	Advanced Medicine, Inc. 901 Gateway Boulevard South San Francisco, CA 94080 650-808-6000
Employer Identification Number:	94-3265960
Plan Number:	50_
Plan Year:	The calendar year; the first plan year shall end December 31, 2000
Plan Administrator:	Advanced Medicine, Inc. 901 Gateway Boulevard South San Francisco, CA 94080 650-808-6000
Agent for Service of Legal Process:	Plan Administrator
Type of Plan:	Severance Plan/Employee Welfare Benefit Plan
Plan Costs:	The cost of the Plan is paid by Advanced Medicine, Inc.

GENERAL RELEASE OF ALL CLAIMS

In consideration of the severance benefit to be paid to me by Advanced Medicine, Inc. under the Advanced Medicine, Inc. Severance Plan, I hereby fully and forever release and discharge Advanced Medicine, Inc. and its directors, officers, employees, agents, successors, predecessors, subsidiaries, shareholders, employee benefit plans and assigns (together called "the Corporation"), from all claims and causes of action arising out of or relating in any way to my employment with the Corporation, including the termination of my employment.

1. I understand and agree that this RELEASE is a full and complete waiver of all claims, including (without limitation) claims of wrongful discharge, breach of contract, breach of the covenant of good faith and fair dealing, violation of public policy, defamation, personal injury or emotional distress and claims under Title VII of the Civil Rights Act of 1964, as amended, the Fair Labor Standards Act, the Equal Pay Act of 1963, the Americans With Disabilities Act, the Civil Rights Act of 1866, the California Fair Employment and Housing Act or any other federal or state law or regulation relating to employment or employment discrimination. I further understand and agree that this RELEASE is a full and complete waiver of all claims, including (without limitation) claims under the Employee Retirement Income Security Act of 1974, as amended (ERISA), related to severance benefits. I further understand that by this RELEASE I agree not to assist, encourage, institute or cause to be instituted the filing of any administrative charge or legal proceeding against the Corporation relating to employment discrimination.

2. I also hereby agree that nothing contained in this RELEASE shall constitute or be treated as an admission of liability or wrongdoing by the Corporation or me.

3. I agree to abide by the Corporation's Proprietary Information and Inventions Agreement that I previously executed.

4. In addition, I hereby expressly waive any and all rights and benefits conferred upon me by the provisions of Section 1542 of the Civil Code of the State of California or any analogous provision under any other state law, which states as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

5. I understand that I have until the close of business on _____, ____, to review and consider this RELEASE, discuss it with an attorney of my own choosing, and decide to execute it or not execute it. I hereby acknowledge that I have read and understand the foregoing RELEASE and that I sign it voluntarily and without coercion. I further acknowledge that I was given an opportunity to consider and review this RELEASE and to consult with an attorney of my own choosing concerning the waivers contained in this RELEASE and that the waivers are knowing, conscious and with full appreciation that I am forever foreclosed from pursuing any of the rights that I waived.

_____,_____ _____

Signature

_____

Print Full Name

YOU ARE ADVISED TO CONSULT AN ATTORNEY
BEFORE SIGNING THIS RELEASE.

GENERAL RELEASE OF ALL CLAIMS

In consideration of the severance benefit to be paid to me by Advanced Medicine, Inc. under the Advanced Medicine, Inc. Severance Plan, I hereby fully and forever release and discharge Advanced Medicine, Inc. and its directors, officers, employees, agents, successors, predecessors, subsidiaries, shareholders, employee benefit plans and assigns (together called "the Corporation"), from all claims and causes of action arising out of or relating in any way to my employment with the Corporation, including the termination of my employment.

1. I understand and agree that this RELEASE is a full and complete waiver of all claims, including (without limitation) claims of wrongful discharge, breach of contract, breach of the covenant of good faith and fair dealing, violation of public policy, defamation, personal injury or emotional distress and claims under Title VII of the Civil Rights Act of 1964, as amended, the Fair Labor Standards Act, the Equal Pay Act of 1963, the Americans With Disabilities Act, the Civil Rights Act of 1866, the Age Discrimination in Employment Act of 1967, as amended (ADEA), the California Fair Employment and Housing Act or any other federal or state law or regulation relating to employment or employment discrimination. I further understand and agree that this RELEASE is a full and complete waiver of all claims, including (without limitation) claims under the Employee Retirement Income Security Act of 1974, as amended (ERISA), related to severance benefits. I further understand that by this RELEASE I agree not to assist, encourage, institute or cause to be instituted the filing of any administrative charge or legal proceeding against the Corporation relating to employment discrimination.

2. I also hereby agree that nothing contained in this RELEASE shall constitute or be treated as an admission of liability or wrongdoing by me or by the Corporation.

3. I agree to abide by the Corporation's Proprietary Information and Inventions Agreement that I previously executed.

4. In addition, I hereby expressly waive any and all rights and benefits conferred upon me by the provisions of Section 1542 of the Civil Code of the State of California, or any analogous provision under any other state law, which states as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

5. I hereby acknowledge that I have read and understand the foregoing RELEASE and that I sign it voluntarily and without coercion. I further acknowledge that I was given an opportunity to consider and review this RELEASE and to consult with an attorney of my own choosing concerning the waivers contained in this RELEASE and that the waivers are knowing, conscious and with full appreciation that I am forever foreclosed from pursuing any of the rights that I waived.

6. I understand that I have the right to consult with an attorney before signing this Release. I also understand that, as provided under the Older Workers Benefit Protection Act of 1990, I have 45 days after receipt of this RELEASE to review and consider this RELEASE, discuss it with an attorney of my own choosing, and decide to execute it or not execute it. I also understand that I may

revoke this RELEASE during a period of seven days after I sign it and that this RELEASE will not become effective for seven days after I sign it (and then only if I do not revoke it). In order to revoke this RELEASE, I must deliver to the _____ of Advanced Medicine, Inc., within seven days after I executed this RELEASE, a letter stating that I am revoking it.

7. I acknowledge that I have been provided with a notice, as required by the Older Workers Benefit Protection Act of 1990, that contains information about the individuals covered under the Advanced Medicine, Inc. Change in Control Severance Plan, the eligibility factors for participation in the Plan, the time limits applicable to the Plan, the job titles and ages of the employees designated to participate in the Plan, and the job titles and ages of the employees who have not been designated to participate in the Plan. (See ATTACHMENT 1.)

8. I understand that if I choose to revoke this RELEASE within seven days after I signed it, I will not receive any severance benefit and the RELEASE will have no effect.

9. Before signing my name to this RELEASE, I state that:

I have read it,

I understand it,

I know that I am giving up important rights,

I am aware of my right to consult an attorney before signing it, and

I have signed it knowingly and voluntarily.

_____,_____ _____
Signature

_____
Print Full Name

ATTACHMENT 1

NOTICE ABOUT

THE ADVANCED MEDICINE, INC. CHANGE IN CONTROL SEVERANCE PLAN

As required by the Older Workers Benefit Protection Act of 1990, this notice contains information about the individuals covered under the Advanced Medicine, Inc. Change in Control Severance Plan (the "Plan"), the eligibility factors for participation in the Plan, the time limits applicable to the Plan, the job titles and ages of the employees designated to participate in the Plan, and the job titles and ages of the employees who have not been designated to participate in the Plan.

1. The Plan applies to regular employees of the Corporation whose employment is terminated following a Change in Control on or after _____ __, 2000, and on or before _____ __, 2000 (provided that they meet the other requirements of the Plan).

Employees are not eligible to receive a benefit under the Plan unless they sign a General Release of All Claims (the "Release"). Employees who have attained age 40 must return the Release to the Corporation within 45 days after receiving the form. Once the signed Release is returned to the Corporation, the employees have seven days to revoke the Release.

The following is a listing of the ages and job titles of employees of the Corporation who were and were not selected for termination and participation in the Plan:

JOB TITLE	AGE	NUMBER SELECTED	NUMBER NOT SELECTED

EXHIBIT 10.9

INDEMNIFICATION AGREEMENT

THIS AGREEMENT (the "Agreement") is made and entered into as of March __, 2000, between ADVANCED MEDICINE INC., a Delaware corporation ("the Company"), and _____ ("Indemnitee").

WITNESSETH THAT:

WHEREAS, Indemnitee performs a valuable service for the Company; and

WHEREAS, the Board of Directors of the Company has adopted Bylaws (the "Bylaws") providing for the indemnification of the officers and directors of the Company to the maximum extent authorized by Section 145 of the Delaware General Corporation Law, as amended ("Law"); and

WHEREAS, the Bylaws and the Law, by their nonexclusive nature, permit contracts between the Company and the officers or directors of the Company with respect to indemnification of such officers or directors; and

WHEREAS, in accordance with the authorization as provided by the Law, the Company may purchase and maintain a policy or policies of directors' and officers' liability insurance ("D & O Insurance"), covering certain liabilities which may be incurred by its officers or directors in the performance of their obligations to the Company; and

WHEREAS, in recognition of past services and in order to induce Indemnitee to continue to serve as an officer or director of the Company, the Company has determined and agreed to enter into this contract with Indemnitee;

NOW, THEREFORE, in consideration of Indemnitee's service as an officer or director after the date hereof, the parties hereto agree as follows:

1. INDEMNITY OF INDEMNITEE. The Company hereby agrees to hold harmless and indemnify Indemnitee to the full extent authorized or permitted by the provisions of the Law, as such may be amended from time to time, and Article VI of the Bylaws, as such may be amended from time to time. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) PROCEEDINGS OTHER THAN PROCEEDINGS BY OR IN THE RIGHT OF THE COMPANY. Indemnitee shall be entitled to the rights of indemnification provided in this

Section 1(a) if, by reason of his Corporate Status (as hereinafter defined), he is, or is threatened to be made, a party to or participant in any Proceeding (as hereinafter defined) other than a Proceeding by or in the right of the Company. Pursuant to this Section 1(a), Indemnitee shall be indemnified against all Expenses (as hereinafter defined), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful.

(b) PROCEEDINGS BY OR IN THE RIGHT OF THE COMPANY. Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(b) if, by reason of his Corporate Status, he is, or is threatened to be made, a party to or participant in any Proceeding brought by or in the right of the Company. Pursuant to this Section 1(b), Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company; provided, however, that, if applicable law so provides, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in such Proceeding as to which Indemnitee shall have been adjudged to be liable to the Company unless and to the extent that the Court of Chancery of the State of Delaware shall determine that such indemnification may be made.

(c) INDEMNIFICATION FOR EXPENSES OF A PARTY WHO IS WHOLLY OR PARTLY SUCCESSFUL. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, he shall be indemnified to the maximum extent permitted by law against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

2. ADDITIONAL INDEMNITY. In addition to, and without regard to any limitations on, the indemnification provided for in Section 1, the Company shall and hereby does indemnify and hold harmless Indemnitee against all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf if, by reason of his Corporate Status, he is, or is threatened to be made, a party to or participant in any Proceeding (including a Proceeding by or in the right of the Company), including, without limitation, all liability arising out of the negligence or active or passive wrongdoing of Indemnitee. The only limitation that shall exist upon the Company's obligations pursuant to this Agreement shall be that the Company shall not be obligated to make any payment to Indemnitee

that is finally determined (under the procedures, and subject to the presumptions, set forth in Sections 6 and 7 hereof) to be unlawful under Delaware law.

3. CONTRIBUTION IN THE EVENT OF JOINT LIABILITY.

(a) Whether or not the indemnification provided in Sections 1 and 2 hereof is available, in respect of any threatened, pending or completed action, suit or proceeding in which Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), Company shall pay, in the first instance, the entire amount of any judgment or settlement of such action, suit or proceeding without requiring Indemnitee to contribute to such payment and Company hereby waives and relinquishes any right of contribution it may have against Indemnitee. Company shall not enter into any settlement of any action, suit or proceeding in which Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed action, suit or proceeding in which Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall contribute to the amount of expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction from which such action, suit or proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the events that resulted in such expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which the law may require to be considered. The relative fault of Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary, and the degree to which their conduct is active or passive.

(c) Company hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of the Company other than Indemnitee who may be jointly liable with Indemnitee.

4. INDEMNIFICATION FOR EXPENSES OF A WITNESS. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

5. ADVANCEMENT OF EXPENSES. Notwithstanding any other provision of this Agreement, the Company shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding by reason of Indemnitee's Corporate Status within ten (10) days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by an undertaking by or on behalf of Indemnitee to repay any Expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such Expenses. Any advances and undertakings to repay pursuant to this Section 5 shall be unsecured and interest free. Notwithstanding the foregoing, the obligation of the Company to advance Expenses pursuant to this Section 5 shall be subject to the condition that, if, when and to the extent that the Company determines that Indemnitee would not be permitted to be indemnified under applicable law, the Company shall be entitled to be reimbursed, within thirty (30) days of such determination, by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Company that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any advance of Expenses until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed).

6. PROCEDURES AND PRESUMPTIONS FOR DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION. It is the intent of this Agreement to secure for Indemnitee rights of indemnity that are as favorable as may be permitted under the law and public policy of the State of Delaware. Accordingly, the parties agree that the following procedures and presumptions shall apply in the event of any question as to whether Indemnitee is entitled to indemnification under this Agreement:

(a) To obtain indemnification (including, but not limited to, the advancement of Expenses and contribution by the Company) under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 6(a) hereof, a determination, if required by applicable law, with

respect to Indemnitee's entitlement thereto shall be made in the specific case by one of the following three methods, which shall be at the election of Indemnitee: (1) by a majority vote of the disinterested directors, even though less than a quorum, or (2) by independent legal counsel ("Independent Counsel") in a written opinion, or (3) by the stockholders.

(c) If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 6(b) hereof, the Independent Counsel shall be selected as provided in this Section 6(c). The Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board of Directors). Indemnitee or the Company, as the case may be, may, within 10 days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 13 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 6(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 6(b) hereof. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 6(b) hereof, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 6(c), regardless of the manner in which such Independent Counsel was selected or appointed.

(d) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 6(a) of this Agreement. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion, by clear and convincing evidence.

(e) Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. In addition, the

knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement. Whether or not the foregoing provisions of this Section 6(e) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion, by clear and convincing evidence.

(f) If the person, persons or entity empowered or selected under Section 6 to determine whether Indemnitee is entitled to indemnification shall not have made a determination within thirty (30) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 30 day period may be extended for a reasonable time, not to exceed an additional fifteen (15) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 6(f) shall not apply if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 6(b) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination the Board of Directors or the Disinterested Directors, if appropriate, resolve to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat.

(g) Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel, member of the Board of Directors, or stockholder of the Company shall act reasonably and in good faith in making a determination under the Agreement of the Indemnitee's entitlement to indemnification. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(h) The Company acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay,

distraction, disruption and uncertainty. In the event that any action, claim or proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such action, claim or proceeding with or without payment of money or other consideration) it shall be presumed that Indemnitee has been successful on the merits or otherwise in such action, suit or proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion, by clear and convincing evidence.

7. REMEDIES OF INDEMNITEE.

(a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 6(b) of this Agreement within 90 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, of his entitlement to such indemnification. Indemnitee shall commence such proceeding seeking an adjudication within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 7(a). The Company shall not oppose Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 7 shall be conducted in all respects as a DE NOVO trial, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination under Section 6(b).

(c) If a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 7, absent a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of his rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by the Company the Company shall pay on his behalf, in advance, any and all expenses (of the types described in the definition of Expenses in Section 13 of this Agreement) actually and reasonably incurred by him in such judicial adjudication, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of expenses or insurance recovery.

(e) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement.

8. NON-EXCLUSIVITY; SURVIVAL OF RIGHTS; INSURANCE; SUBROGATION.

(a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the certificate of incorporation of the Company, the Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in the Law, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents or fiduciaries of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

9. EXCEPTION TO RIGHT OF INDEMNIFICATION. Notwithstanding any other provision of this Agreement, Indemnitee shall not be entitled to indemnification under this Agreement with respect to any Proceeding brought by Indemnitee, or any claim therein, unless (a) the bringing of such Proceeding or making of such claim shall have been approved by the

Board of Directors of the Company or (b) such Proceeding is being brought by the Indemnitee to assert, interpret or enforce his rights under this Agreement.

10. DURATION OF AGREEMENT. All agreements and obligations of the Company contained herein shall continue during the period Indemnitee is an officer or director of the Company (or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue thereafter so long as Indemnitee shall be subject to any Proceeding (or any proceeding commenced under Section 7 hereof) by reason of his Corporate Status, whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as an officer or director of the Company or any other Enterprise at the Company's request.

11. SECURITY. To the extent requested by the Indemnitee and approved by the Board of Directors of the Company, the Company may at any time and from time to time provide security to the Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to the Indemnitee, may not be revoked or released without the prior written consent of the Indemnitee.

12. ENFORCEMENT.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as an officer or director of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as an officer or director of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

13. DEFINITIONS. For purposes of this Agreement:

(a) "Corporate Status" describes the status of a person who is or was a director, officer, employee or agent or fiduciary of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the express written request of the Company.

(b) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(c) "Enterprise" shall mean the Company and any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the express written request of the Company as a director, officer, employee, agent or fiduciary.

(d) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding.

(e) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(f) "Proceeding" includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise and whether civil, criminal, administrative or investigative, in which Indemnitee was, is or will be involved as a party or otherwise, by reason of the fact that Indemnitee is or was a director of the Company, by reason of any action taken by him or of any inaction on his part while acting as an officer or director of the Company, or by reason of the fact that he is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other Enterprise; in each case whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement; including one pending on or before the date of this Agreement; and excluding one initiated by an Indemnitee pursuant to Section 7 of this Agreement to enforce his rights under this Agreement.

14. SEVERABILITY. If any provision or provisions of this Agreement shall be held by a court of competent jurisdiction to be invalid, void, illegal or otherwise unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

15. MODIFICATION AND WAIVER. No supplement, modification, termination or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

16. NOTICE BY INDEMNITEE. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification covered hereunder. The failure to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise unless and only to the extent that such failure or delay materially prejudices the Company.

17. NOTICES. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, to the address set forth below Indemnitee signature hereto.

(b) If to the Company, to:

901 Gateway Blvd.
South San Francisco, California 94080
Attention:

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

18. IDENTICAL COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which

together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

19. HEADINGS. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

20. GOVERNING LAW. The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware without application of the conflict of laws principles thereof.

21. GENDER. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

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

ADVANCED MEDICINE, INC.

By:

Name:

Title:

Address: 901 Gateway Blvd.
South San Francisco, California 94080

INDEMNITEE

Address:

LEASE AGREEMENT

BY AND BETWEEN

HMS GATEWAY OFFICE L.P.,
A DELAWARE LIMITED PARTNERSHIP

AS LANDLORD,

AND

ADVANCED MEDICINE, INC.,
A DELAWARE CORPORATION

AS TENANT

DATED FEBRUARY 17,1999

TABLE OF CONTENT

LEASE AGREEMENT

BASIC LEASE INFORMATION

LEASE DATE:	February 17, 1999
LANDLORD:	HMS Gateway Office, L.P. a Delaware limited partnership
LANDLORD'S ADDRESS:	c/o Hines Interests Limited Partnership 101 California Street, Suite 1000 San Francisco, California 94111-5848 Attn: Tom Kruggel ALL NOTICES SENT TO LANDLORD UNDER THIS LEASE SHALL BE SENT TO THE ABOVE ADDRESS, WITH COPIES TO: Hines 651 Gateway Boulevard, Suite 1140 South San Francisco, California 94080 Attn: Lisa Burke
TENANT:	Advanced Medicine, Inc., a Delaware corporation
TENANT'S CONTACT PERSON:	Marty Glick
TENANT'S ADDRESS PRIOR TO THE COMMENCEMENT DATE:	280 Utah Avenue South San Francisco, CA 94080
AFTER THE COMMENCEMENT DATE:	901 Gateway Boulevard South San Francisco, California 94080
PREMISES SQUARE FOOTAGE:	One hundred ten thousand (110,000) square feet, subject to final determination by Landlord's Architect upon the commencement of the Term, such measurement to be made in accordance with BOMA standard definition of gross square footage.
PREMISES ADDRESS:	901 Gateway Boulevard South San Francisco, California

PROJECT:	Parcel 5 of Lot 9 of the Gateway, as shown on the Parcel Map dated February, 1999 and attached hereto as EXHIBIT A (as such lot and parcel now exist or may hereafter be modified through the filing of parcel maps, the consummation of lot line adjustments or other legal means), together with all improvements constructed thereon.
BUILDING (IF NOT THE SAME AS THE PROJECT):	901 Gateway Boulevard South San Francisco, California
TENANT'S PROPORTIONATE SHARE OF PROJECT:	100%
TENANT'S PROPORTIONATE SHARE OF BUILDING:	100%
LENGTH OF TERM:	One hundred forty-four (144) months
ESTIMATED COMMENCEMENT DATE:	April 1, 2000
ESTIMATED EXPIRATION DATE:	March 31, 2012
MONTHLY BASE RENT:	1. Monthly Base Rent for the first Lease Year shall be $203,500.00; 2. Monthly Base Rent for the second Lease Year shall be $209,605.00; 3. Monthly Base Rent for the third Lease Year shall be $215,893.15; 4. Monthly Base Rent for the fourth Lease Year shall be $222,369.94; 5. Monthly Base Rent for the fifth Lease Year shall be $229,041.04; 6. Monthly Base Rent for the sixth Lease Year shall be $235,912.27; 7. Monthly Base Rent for the seventh Lease Year shall be $242,989.64; 8. Monthly Base Rent for the eighth Lease Year shall be $250,279.33; 9. Monthly Base Rent for the ninth Lease Year shall be $257,787.71; 10. Monthly Base Rent for the tenth Lease Year shall be $265,521.34; 11. Monthly Base Rent for the eleventh Lease Year shall be $273,486.98;

	12. Monthly Base Rent for the twelfth Lease Year shall be $281,691.59. The above monthly Base Rent calculations are subject to change after final determination of the Premises gross square footage by Landlord's Architect and any such adjustment shall be based on a monthly Base Rent for the first Lease Year of $1.85 per square foot multiplied by the Premises gross square footage, and a monthly Base Rent for each subsequent Lease Year of 103% of the preceding Lease Year's monthly Base Rent.
LETTER OF CREDIT:	Two Million Seven Hundred Fifty Thousand Dollars ($2,750,000) subject to reduction in accordance with Paragraph 7(c) hereof.
PERMITTED USE:	General office and research and development activities associated with biotechnology/pharmaceutical services. All uses must be in accordance with all applicable Laws.
UNRESERVED PARKING SPACES:	Three Hundred Eight (308) non-exclusive and undesignated parking spaces. Except as otherwise provided in this Lease to the contrary, the foregoing parking calculation shall remain fixed and shall not be adjusted based upon the final determination of the Premises gross square footage by Landlord's Architect.
BROKER:	BT Commercial Real Estate
TENANT IMPROVEMENT ALLOWANCE:	Four Million Nine Hundred Fifty Thousand Dollars ($4,950,000.00) (VIZ. $45.00 per square foot), subject to adjustment upon the final determination of the Premises square footage by Landlord's Architect.
TENANT IMPROVEMENT LOAN:	Up to Two Million Seven Hundred Fifty Thousand Dollars ($2,750,000.00) (VIZ. $25.00 per square foot), subject to adjustment upon the final determination of the Premises gross square footage by Landlord's Architect. Subject to the right of Tenant to prepay the Tenant Improvement Loan in accordance with and to the extent provided in Section D of EXHIBIT C, the Tenant Improvement Loan shall be amortized over the initial Ten and repaid, together with interest at the per annum rate of 12%, in accordance with said Section D of EXHIBIT C.

LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into by and between Landlord and Tenant on the Lease Date. The defined terms used in this Lease which are defined in the Basic Lease Information attached to this Lease Agreement ("BASIC LEASE INFORMATION") shall have the meaning and definition given them in the Basic Lease Information. The Basic Lease Information, the exhibits, the addendum or addenda described in the Basic Lease Information, and this Lease Agreement are and shall be construed as a single instrument and are referred to herein as the "Lease".

1. DEMISE

In consideration for the rents and all other charges and payments payable by Tenant, and for the agreements, terms and conditions to be performed by Tenant in this Lease, LANDLORD DOES HEREBY LEASE TO TENANT, AND TENANT DOES HEREBY HIRE AND TAKE FROM LANDLORD, the Premises described below (the "Premises"), upon the agreements, terms and conditions, of this Lease for the Term hereinafter stated.

2. PREMISES

2.1. DEFINITION OF PREMISES, BUILDING, PROJECT PARKING AREAS, COMMON AREAS

The "Premises" demised by this Lease consist of that certain three (3) story building (the "BUILDING") shown on the Site Plan attached hereto as Exhibit BA-1, which Building is to be located in that certain real estate development (the "PROJECT") specified in the Basic Lease Information. Subject to the provisions of this Lease, Landlord shall have the right to revise the definition of "PROJECT" from time to time as Landlord develops and improves the Project and surrounding real property now or hereafter owned by Landlord or its Affiliates (as hereinafter defined), or sells to third parties portions of the Project or such adjacent properties. If at any time during the Term, Tenant is leasing, in accordance with the terms and conditions of this Lease, less than the entire Building, the "Premises" shall be deemed to include only that portion of the Building then leased by Tenant pursuant to this Lease. Tenant shall have the non exclusive right (in common with the other tenants, Landlord and any other person granted use by Landlord) to use the Common Areas (as hereinafter defined), except that, with respect to the Project's parking areas (the "PARKING AREAS"), Tenant shall have only the rights set forth in Paragraph 50 below. No easement for light or air is incorporated in the Premises. For purposes of this Lease, the term "COMMON AREAS" shall mean all areas and facilities outside the Premises and outside other buildings occupied or intended to be occupied by tenants and within the exterior boundary line of the Project that are from time to time provided and designated by Landlord for the non-exclusive use of Landlord, Tenant and other tenants of the Project and their respective employees, guests and invitees, including, without limitation, the Parking Areas.

2.2. CONSTRUCTION OF BASE BUILDING IMPROVEMENTS AND TENANT IMPROVEMENTS

Landlord shall cause the construction of the Base Building Improvements in accordance with the terms and conditions of the Base Building Construction Agreement attached hereto as EXHIBIT B. The Base Building Improvements are generally described on EXHIBIT B-1 hereto. Additionally, Tenant shall cause the construction of certain tenant improvements in the interior of the Premises in accordance with the terms and conditions of the Premises Construction Agreement attached hereto as EXHIBIT C.

2.3. CHANGES TO COMMON AREA

(a) Landlord has the right, in its sole and absolute discretion, from time to time, to: (i) make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces (provided, however, Landlord shall not have the right, except as otherwise provided herein, to reduce the total number of parking spaces below the number allocated to Tenant in the Basic Lease Information), Parking Areas, ingress, egress, direction of driveways, entrances, corridors and walkways; (ii) close temporarily any of the Common Areas for maintenance or construction purposes so long as reasonable access to the Premises remains available; (iii) add additional buildings and improvements to the Common Areas or remove existing buildings or improvements therefrom; (iv) use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project or any portion thereof so long as reasonable access to the Premises and the loading area serving the Premises remains available; and (v) do and perform any other acts or make any other changes in, to or with respect to the Common Areas and the Project as Landlord may, in its sole and absolute discretion, deem to be appropriate.

(b) In the event Tenant fails to exercise the Expansion Option (as hereinafter defined), then notwithstanding anything to the contrary contained in this Lease, including without limitation, Paragraph 2.3(a) above, Landlord shall have the right in its sole discretion to improve, develop, alter or make changes to the real property shown on the Site Plan upon which the Expansion Building would otherwise have been situated.

(c) Notwithstanding the terms of Paragraph 2.3(a) above, Tenant understands and acknowledges that Landlord will during the Term be developing the Project and other lands owned by Landlord for Tenant and other tenants or occupants and that from time to time, whether during periods of construction or otherwise, Landlord may be unable to provide the full number of parking spaces allocated to Tenant under this Lease in the Parking Areas. During such periods, Landlord shall have the right to provide parking to Tenant on properties reasonably proximate to the Project (the "ADJACENT PROPERTIES") or through the use of valets or parking attendants on the Parking Areas or the Adjacent Properties, provided only that Tenant shall at all times have parking for the number of automobiles contemplated under this Lease.

3. TERM

3.1. COMMENCEMENT DATE

The term of this Lease (the "TERM") shall commence on April 1, 2000 or such later date as may be established pursuant to Section D.4 of EXHIBIT B hereto (the "COMMENCEMENT DATE")

3.2. COMMENCEMENT AND EXPIRATION DATE MEMORANDUM; EXPIRATION DATE

In the event the actual Commencement Date, as determined pursuant to the foregoing, is a date other than April 1, 2000, then Landlord and Tenant shall promptly execute a Commencement and Expiration Date Memorandum in the form attached hereto as EXHIBIT D, wherein the parties shall specify the Commencement Date, the Expiration Date and the date on which Tenant is to commence paying Rent. The Term of this Lease shall expire on March 31, 2012 (the "EXPIRATION DATE") if the Commencement Date occurs on or before April 1, 2000; provided, however, that if the actual Commencement Date occurs after April 1, 2000 in accordance with Section D.4 of EXHIBIT B hereto, then the Expiration Date shall be the day immediately preceding the twelfth (12th) anniversary of such actual Commencement Date.

As used in this Lease, the term "LEASE YEAR" shall mean a period of twelve (12) full calendar months commencing on the Commencement Date of this Lease with respect to the first Building occupied by Tenant hereunder and each subsequent sequential twelve (12) full calendar month period thereafter.

4. RENT

4.1. MONTHLY BASE RENT

Commencing on the Commencement Date, Tenant shall pay to Landlord, in advance on the first day of each month, without further notice or demand and without offset or deduction, the monthly installments of rent specified in the Basic Lease Information (the "MONTHLY BASE RENT"). If the actual Commencement Date does not occur on the first (1st) day of a calendar month, or if the expiration or termination of the Term of this Lease is not the last day of a calendar month, a prorated installment of Rent based on a per diem calculation shall be paid for the fractional calendar month during which the Rent commences or the Term expires or terminates.

4.2. ADDITIONAL RENT

This Lease is intended to be a triple-net Lease with respect to Landlord; and subject to Paragraph 13.2 below, the Base Rent owing hereunder is (1) to be paid by Tenant absolutely net of all costs and expenses relating to Landlord's ownership and operation, of the Project and the Building, and (2) not to be reduced, offset or diminished, directly or indirectly, by any cost, charge or expense payable hereunder by Tenant or by others in connection with the Premises, the Building and/or the Project or any part

thereof. The provisions of this Paragraph 4.2 for the payment of Tenant's Proportionate Share(s) of Expenses (as hereinafter defined) are intended to pass on to Tenant its share of all such costs and expenses. In addition to the Base Rent, Tenant shall pay to Landlord, in accordance with this Paragraph 4. Tenant's Proportionate Share(s) of all costs and expenses paid or incurred by Landlord in connection with the ownership, operation, maintenance, management and repair of the Premises, the Building and/or the Project or any part thereof (collectively, the "EXPENSES"), including, without limitation, all the following items (the "ADDITIONAL RENT"):

1. TAXES AND ASSESSMENTS. ALL real estate taxes and assessments, which shall include any form of tax, assessment, fee, license fee, business license fee, levy, penalty (if a result of Tenant's delinquency), or tax (other than net income, estate, succession, inheritance, transfer or franchise taxes), imposed by any authority having the direct or indirect power to tax, or by any city, county, state or federal government or any improvement or other district or division thereof, whether such tax is (i) determined by the area of the Premises, the Building and/or the Project or any part thereof, or the Rent and other sums payable hereunder by Tenant or by other tenants, including, but not limited to, any gross income or excise tax levied by any of the foregoing authorities with respect to receipt of Rent and/or other sums due under this Lease; (ii) upon any legal or equitable interest of Landlord in the Premises, the Building and/or the Project or any part thereof; (iii) upon this transaction or any document to which Tenant is a party creating or transferring any interest in the Premises, the Building and/or the Project; (iv) levied or assessed in lieu of, in substitution for, or in addition to, existing or additional taxes against the Premises, the Building and/or the Project, whether or not now customary or within the contemplation of the parties; or (v) surcharged against the parking area. Tenant and Landlord acknowledge that Proposition 13 was adopted by the voters of the State of California in the June, 1978 election and that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such purposes as fire protection, street, sidewalk, road, utility construction and maintenance, refuse removal and for other governmental services which may formerly have been provided without charge to property owners or occupants. It is the intention of the parties that all new and increased assessments, taxes, fees, levies and charges due to any cause whatsoever are to be included within the definition of real property taxes for purposes of this Lease. "TAXES AND ASSESSMENTS" shall also include legal and consultants' fees, costs and disbursements incurred in connection with proceedings to contest, determine or reduce taxes, Landlord specifically reserving the right, but not the obligation, to contest by appropriate legal proceedings the amount or validity of any taxes. In the event Landlord elects not to contest the real property taxes and assessments levied against the Building with respect to any calendar year during the Term, and if Tenant demonstrates to Landlord's reasonable satisfaction that such a contest would likely result in a reduction of such taxes and assessments, then Tenant shall have the right to retain a consultant to prosecute such contest, subject to Landlord's reasonable approval of the identity of such consultant. Such contest shall be conducted at Tenant's sole cost and expense, provided that if Tenant prevails in such contest, the reasonable fees and costs of Tenant's consultants shall, to the extent of any actual savings resulting from such contest, be equitably shared by Tenant and other tenant(s) who receive the benefit of such savings. Tenant shall have

the right to deduct from its payments of Additional Rent the shares of such fees and costs to be charged to other tenants, as reasonably determined by Landlord, and Landlord shall cause such amounts to be billed or charged to the other benefited tenant(s).

2. INSURANCE. All insurance premiums for the Building and/or the Project or, subject to clause (i) of the paragraph immediately following Paragraph 4.2(8) below, any part thereof, including premiums for "all risk" fire and extended coverage insurance, commercial general liability insurance, rent loss or abatement insurance, earthquake insurance, flood or surface water coverage, and other insurance as Landlord deems necessary in its sole discretion, and any deductibles paid under policies of any such insurance.

3. UTILITIES. The cost of all Utilities (as hereinafter defined) serving the Premises, the Building and the Common Areas that are not separately metered to Tenant, any assessments or charges for Utilities or similar purposes included within any tax bill for the Building or the Common Areas, including without limitation, entitlement fees, allocation unit fees, and/or any similar fees or charges and any penalties (if a result of Tenant's delinquency) related thereto, and any amounts, taxes, charges, surcharges, assessments or impositions levied, assessed or imposed upon the Building or the Common Areas, or any part thereof, or upon Tenant's use and occupancy thereof, as a result of any rationing of Utility services or restriction on Utility use affecting the Building and/or the Common Areas, as contemplated in Paragraph 5 below (collectively, "UTILITY EXPENSES").

4. COMMON AREA EXPENSES. All costs to operate, maintain, repair, replace, supervise, insure and administer the Common Areas, including supplies, materials, labor and equipment used in or related to the operation and maintenance of the Common Areas, including parking areas (including, without limitation, all costs of resurfacing and restriping parking areas), signs and directories on the Building and/or the Project, landscaping (including maintenance contracts and fees payable to landscaping consultants), amenities, sprinkler systems, sidewalks, walkways, driveways, curbs, lighting systems and security services, if any, provided by Landlord for the Common Areas, and any charges, assessments, costs or fees levied by any association or entity of which the Project or any part thereof is a member or to which the Project or any part thereof is subject.

5. PARKING CHARGES. Any parking charges or other costs levied, assessed or imposed by, or at the direction of, or resulting from statutes or regulations, or interpretations thereof, promulgated by any governmental authority or insurer in connection with the use or occupancy of the Building or the Project.

6. MAINTENANCE AND REPAIR COSTS. Except for costs which are the responsibility of Landlord pursuant to Paragraph 13.2 below, all costs to maintain, repair, and replace the Premises, the Building and/or the Common Areas or any part thereof, including without limitation, (i) all costs paid under maintenance, management and service agreements such as contracts for janitorial, security and refuse removal, (ii) all

costs to maintain, repair and replace the roof coverings of the Building, (iii) all costs to maintain, repair and replace the heating, ventilating, air conditioning, plumbing, sewer, drainage, electrical, fire protection, life safety and security systems and other mechanical and electrical systems and equipment serving the Premises, the Building and/or the Common Areas or any part thereof (collectively, the "SYSTEMS"), all to the extent that Landlord or Landlord's Agents perform such tasks.

7. LIFE SAFETY COSTS. ALL costs to install, maintain, repair and replace all life safety systems, including, without limitation, all fire alarm systems, serving the Premises, the Building and/or the Common Areas or any part thereof (including all maintenance contracts and fees payable to life safety consultants) whether such systems are or shall be required by Landlord's insurance carriers, Laws (as hereinafter defined) or otherwise, all to the extent that Landlord or Landlord's Agents perform such tasks.

8. MANAGEMENT AND ADMINISTRATION. All costs for management and administration of the Premises, the Building and/or the Project or any part thereof, including, without limitation, a property management fee equal to two percent (2%) of the annual Rent derived from the Building, accounting, auditing, billing, postage, legal and accounting costs and fees for licenses and permits related to the ownership and operation of the Project (but specifically excluding any salaries and benefits of employees of Landlord or the property manager of the Building).

Notwithstanding anything in this Paragraph 4.2 to the contrary, (i) Tenant shall not be responsible for the payment of any Expenses which relate to or benefit solely another building within the Project occupied or intended to be occupied by tenants or for which Landlord receives full reimbursement from other tenants, and (ii) with respect to all sums payable by Tenant as Additional Rent under this Paragraph 4.2 for the replacement of any item or the construction of any new item in connection with the physical operation of the Premises, the Building or the Project (i.e., HVAC, roof membrane or coverings and parking area) which is a capital item the replacement of which would be capitalized under generally accepted accounting principles consistently applied, Tenant shall be required to pay only the prorata share of the cost of the item failing due within the Term (including any Renewal Term) based upon the amortization of the same over the useful life of such item, as reasonably determined by Landlord. Such share shall be paid by Tenant on a monthly basis throughout the Term (rather than in a lump sum when incurred by Landlord).

4.3. ADJUSTMENT TO ADDITIONAL RENT

Notwithstanding any other provision herein to the contrary, if the Building is not fully occupied during any year of the Term, an adjustment shall be made in computing Additional Rent for such year so that Additional Rent shall be computed as though the Building had been fully occupied during such year; provided, however, that in no event shall Landlord collect in total, from Tenant and all other tenants of the Building, an amount greater than one hundred percent (100%) of the actual Expenses during any year of the Term.

4.4. PAYMENT OF ADDITIONAL RENT

4.4.1. EXPENSE STATEMENT

Upon the Commencement Date, Landlord shall submit to Tenant an estimate of monthly Additional Rent for the period between the Commencement Date and the following December 31 and Tenant shall pay such estimated Additional Rent on a monthly basis, in advance, on the first day of each month. Tenant shall continue to make said monthly payments until notified by Landlord of a change therein. By April 1 of each calendar year, Landlord shall endeavor to provide to Tenant a statement (the "EXPENSE STATEMENT") showing the actual Additional Rent due to Landlord for the prior calendar year, to be prorated during the first year from the Commencement Date. If the total of the monthly payments of Additional Rent that Tenant has made for the prior calendar year is less than the actual Additional Rent chargeable to Tenant for such prior calendar year, then Tenant shall pay the difference in a lump sum within ten (10) days after receipt of such statement from Landlord. Any overpayment by Tenant of Additional Rent for the prior calendar year shall be credited towards the Additional Rent next due.

4.4.2. CALCULATION OF ADDITIONAL RENT

Landlord's then-current annual operating and capital budgets for the Building and the Project shall be used for purposes of calculating Tenant's monthly payment of estimated Additional Rent for the current year. Landlord shall make the final determination of Additional Rent for the year in which this Lease terminates as soon as possible after termination of such year. Even though the Term has expired and Tenant has vacated the Premises, Tenant shall remain liable for payment of any amount due to Landlord in excess of the estimated Additional Rent previously paid by Tenant, and, conversely, Landlord shall promptly return to Tenant any overpayment. Failure of Landlord to submit statements as called for herein shall not be deemed a waiver of Tenant's obligation to pay Additional Rent as herein provided.

4.4.3. TENANT'S PROPORTIONATE SHARE(S)

With respect to Expenses which Landlord allocates to the Building, Tenant's "PROPORTIONATE SHARE" shall be the percentage set forth in the Basic Lease Information as Tenant's Proportionate Share of the Building, as adjusted by Landlord from time to time for a remeasurement of or changes in the physical size of the Premises or the Building. With respect to Expenses which Landlord allocates to the Project, Tenant's "PROPORTIONATE SHARE" shall be the percentage set forth in the Basic Lease Information as Tenant's Proportionate Share of the Project as adjusted by Landlord from time to time in connection with the construction of additional buildings within the Project or a remeasurement of or changes in the physical size of the Premises or the Project, whether such changes in size are due to an addition to or a sale or conveyance of a portion of the Project or otherwise. Notwithstanding the foregoing, Landlord may equitably adjust Tenant's Proportionate Share(s) for all or part of any item of expense or cost reimbursable by Tenant that relates to a repair, replacement, or service that benefits

only the Premises or only a portion of the Building and/or the Project or that varies with the occupancy of the Building and/or the Project; provided, however, that Tenant's prorata allocation of any such Expense shall not be disproportionate to any other tenant's prorata allocation of such Expense.

4.4.4. TENANT'S AUDIT RIGHTS

Provided Tenant is not in Default under the terms of this Lease, Tenant, at its sole cost and expense, shall have the right within sixty (60) days after the delivery of each Expense Statement to review and audit Landlord's books and records regarding such Expense Statement for the sole purpose of determining the accuracy of such Expense Statement. Such review or audit shall be performed by a nationally recognized accounting firm that calculates its fees with respect to hours actually worked and that does not discount its time or rate (as opposed to a calculation based upon percentage of recoveries or other incentive arrangement), shall take place during normal business hours in the office of Landlord or Landlord's property manager and shall be completed within three (3) business days after the commencement thereof. If Tenant does not so review or audit Landlord's books and records, Landlord's Expense Statement shall be final and binding upon Tenant. In the event that Tenant determines on the basis of its review of Landlord's books and records that the amount of Expenses paid by Tenant pursuant to this Paragraph 4 for the period covered by such Expense Statement is less than or greater than the actual amount properly payable by Tenant under the terms of this Lease, Tenant shall promptly pay any deficiency to Landlord or, if Landlord concurs with the results of Tenant's audit, Landlord shall promptly refund any excess payment to Tenant, as the case may be. Landlord shall pay for any reasonable audit expenses if such excess payment exceeds the aggregate Expenses in Landlord's Expense Statement by seven percent (7%).

4.5. GENERAL PAYMENT TERMS

The Base Rent, Additional Rent and all other sums payable by Tenant to Landlord hereunder, including, without limitation, any Late Charges, as defined below, assessed pursuant to Paragraph 6 below, any interest assessed pursuant to Paragraph 44 below and any payments of principal and/or interest on the Tenant Improvement Loan, are referred to collectively as the "RENT." All Rent shall be paid without deduction, offset or abatement (except as specifically provided in this Lease) in lawful money of the United States of America. Checks are to be made payable to HMS Gateway Office, L.P. and shall be mailed: c/o Hines Interests Limited Partnership, 101 California Street, Suite 1000, San Francisco, California 94111-5848, Attn: Tom Kruggel, or to such other person or place as Landlord may, from time to time, designate to Tenant in writing. The Rent for any fractional part of a calendar month at the commencement or termination of the Lease term shall be a prorated amount of the Rent for a full calendar month based upon the number of days in the month of the commencement or termination of the Lease term, as applicable.

5. UTILITY EXPENSES

5.1. TENANT'S OBLIGATION TO PAY

Tenant shall pay the cost of all water, sewer use, sewer discharge fees, gas, heat, electricity, refuse pick-up, janitorial service (including, without limitation, exterior and interior window washing), telephone, cable T.V., telecommunications facilities and all materials and services or other utilities (collectively, "UTILITIES") billed or metered separately to the Premises and/or Tenant, together with all taxes, assessments, charges and penalties added to or included within such cost. Tenant acknowledges that the Premises, the Building and/or the Project may become subject to the rationing of Utility services or restrictions on Utility use as required by a public utility company, governmental agency or other similar entity having jurisdiction thereof. Tenant acknowledges and agrees that its tenancy and occupancy hereunder shall be subject to such rationing or restrictions as may be imposed upon Landlord, Tenant, the Premises, the Building and/or the Project, and Tenant shall in no event be excused or relieved from any covenant or obligation to be kept or performed by Tenant by reason of any such rationing or restrictions. Tenant agrees to comply with energy conservation programs implemented by Landlord by reason of rationing, restrictions or Laws.

5.2. LIMITATION OF LANDLORD'S LIABILITY FOR INTERRUPTION OF UTILITIES

(a) Landlord shall not be liable for any loss, injury or damage to property caused by or resulting from any variation, interruption, or failure of Utilities due to any cause whatsoever, or from failure to make any repairs or perform any maintenance. No temporary interruption or failure of such services incident to the making of repairs, alterations, improvements, or due to accident, strike, or conditions or other events shall be deemed an eviction of Tenant or relieve Tenant from any of its obligations hereunder; provided, however, that Landlord shall give Tenant not less than forty-eight (48) hours' notice of any interruption of Utilities planned in advance by Landlord. Landlord shall also use reasonable efforts to notify Tenant of any planned interruption of Utilities by any Utility service provider, provided that Landlord obtains actual knowledge of such planned interruption. In no event shall Landlord be liable to Tenant for any damage to the Premises or for any loss, damage or injury to any property therein or thereon occasioned by bursting, rupture, leakage, failure or overflow of any plumbing or other pipes (including, without limitation, water, steam, and/or refrigerant lines), sprinklers, tanks, drains, drinking fountains or washstands, or other similar cause in, above, upon or about the Premises, the Building or the Project.

(b) Notwithstanding the provisions of Paragraph 5.2(a) above, if any Utility Services to the Premises are interrupted or interfered with as the result of the negligence or willful misconduct of any contractors engaged by Landlord to perform services at the Project, then Landlord shall use commercially reasonable efforts to pursue any claims for compensation or reimbursement available to Landlord against such contractors to the extent of any losses suffered by Tenant and shall make any monies received available to Tenant after allowance for Landlord's costs of collection. In

addition to the foregoing, if any policy of insurance maintained by Landlord with respect to the Premises provides coverage for losses incurred due to the failure of Utilities, then Landlord shall make a claim under such policy to the extent of any losses suffered by Tenant, and shall make the proceeds received, if any, available to Tenant after allowance for Landlord's costs of collection.

6. LATE CHARGE

Notwithstanding any other provision of this Lease, Tenant hereby acknowledges that late payment to Landlord of Rent, or other amounts due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. If any Rent or other sums due from Tenant are not received by Landlord or by Landlord's designated agent when due, and if Tenant does not cure such failure within five (5) days after the due date (the "GRACE PERIOD"), then Tenant shall pay to Landlord a late charge equal to five percent (5%) of such overdue amount (the "LATE CHARGE"), plus any costs and reasonable attorneys' fees incurred by Landlord by reason of Tenant's failure to pay Rent and/or other charges when due hereunder; provided, however, that Tenant shall have the right to pay Rent during the Grace Period only five (5) times during the Term and, after Tenant has paid Rent during the Grace Period an aggregate of five (5) times, Tenant shall pay to Landlord a Late Charge on any Rent or other sums due hereunder that are not received by Landlord or Landlord's designated agent when due. Notwithstanding the foregoing, if Tenant establishes and maintains throughout the Term a direct payment or debit arrangement with a bank or financial institution pursuant to which the Rent due hereunder is automatically paid to Landlord by electronic transfer on the first day of each month, and if Tenant provides Landlord with evidence of such arrangement, then Landlord shall provide Tenant with notice of any late payment of Rent prior to the imposition of a Late Charge. Landlord and Tenant hereby agree that such Late Charge represent a fair and reasonable estimate of the cost that Landlord will incur by reason of Tenant's late payment and shall not be construed as a penalty. Landlord's acceptance of such Late Charge shall not constitute a waiver of Tenant's default with respect to such overdue amount or estop Landlord from exercising any of the other rights and remedies granted under this Lease.

INITIALS: LANDLORD /s/ [Illegible] TENANT /s/ [Illegible]

7. LETTER OF CREDIT

(a) DELIVERY OF LETTER OF CREDIT. Concurrently with the execution hereof, Tenant shall deliver to Landlord, at Tenant's sole cost and expense, the Letter of Credit described below in the amount of Two Million Seven Hundred Fifty Thousand Dollars ($2,750,000) as security for the full and faithful performance of Tenant's covenants and obligations under this Lease. Upon the date that is forty-five (45) days after the expiration of the Term or earlier termination of this Lease, the Letter of Credit (as reduced pursuant to this Paragraph 7) shall be returned to Tenant, reduced by any

amounts that Landlord reasonably estimates to be required to remedy any Defaults on the part of Tenant hereunder.

(b) LANDLORD'S RIGHT TO DRAW ON LETTER OF CREDIT; LETTER OF CREDIT PROCEEDS. Landlord may (but shall not be required to) draw upon the Letter of Credit from time to time, in a singular draw or by partial draws at Landlord's election, as permitted by the Letter of Credit, and use the proceeds therefrom (the "LETTER OF CREDIT PROCEEDS") or any portion thereof to (i) cure or remedy any Default of Tenant under this Lease, (ii) repair damage to the Premises caused by Tenant, (iii) clean the Premises upon termination of this Lease, (iv) reimburse Landlord for the payment of any amount which Landlord may spend or be required to spend by reason of Tenant's Default, or (v) compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's Default, including, without limitation, all costs incurred by Landlord in releasing the Premises and any tenant improvement costs and leasing commissions associated therewith; it being understood that any use of the Letter of Credit Proceeds shall not constitute a bar or defense to any of Landlord's remedies set forth in this Lease. In such event and upon written notice from Landlord to Tenant specifying the amount of the Letter of Credit Proceeds so utilized by Landlord, Tenant shall immediately deliver to Landlord an amendment to the Letter of Credit restoring the Letter of Credit to the full amount required under Paragraph 7(a) above, less any reductions theretofore permitted pursuant to Paragraph 7(c) below. Tenant's failure to deliver such amendment to Landlord within ten (10) business days of Landlord's notice shall constitute a Default hereunder.

(c) REDUCTION OF AMOUNT OF LETTER OF CREDIT. As used herein, "Letter of Credit" shall mean an unconditional, stand-by irrevocable letter of credit (hereinafter referred to as the "LETTER OF CREDIT") issued by Mellon Bank or the San Francisco Bay Area office of another major national bank mutually satisfactory to Landlord and Tenant (collectively, the "PHASE I LC ISSUING BANK"), naming Landlord as beneficiary, in the amount specified above; provided, however, that the amount of the Letter of Credit shall be subject to reduction from time to time as provided below:

(1) If Tenant elects to and actually repays the unamortized principal balance of and all accrued interest on the Tenant Improvement Loan on the first, second or third anniversary of the Commencement Date in accordance with Section D of EXHIBIT C hereto, the then-current amount of the Letter of Credit shall be reduced by twenty-five percent (25%) (in addition to any other reduction to which Tenant is entitled under subparagraphs (2) and (3) below);

(2) If Tenant achieves actual annual net sales revenues of Twenty Million Dollars ($20,000,000) or more during any calendar year during the Term, the then-current amount of the Letter of Credit shall be reduced by twenty-five percent (25%) (in addition to any other reduction to which Tenant is entitled under subparagraph (1) above and subparagraph (3) below); for purposes of this subparagraph (2), "net sales revenues" shall mean the gross revenues actually realized by Tenant from the operation of its core business (as opposed to non-recurring income or

revenues not generated by Tenant's core business), less actual expenses incurred by Tenant during the applicable calendar year; and

(3) commencing on the fourth (4th) anniversary of the Commencement Date, the then-current amount of the Letter of Credit shall be reduced on the first day of each Lease Year in substantially equal annual amounts such that the balance of the Letter of Credit shall be zero on the Expiration Date.

The Letter of Credit shall be for no less than a one-year term and in any event shall be maintained in effect from the date hereof through the date that is forty-five (45) days after expiration of the Term or the earlier termination of this Lease.

(d) FORM OF LETTER OF CREDIT. The Letter of Credit shall provide: (i) that Landlord may make partial and multiple draws thereunder, up to the face amount thereof, (ii) that Landlord may draw upon the Letter of Credit up to the full amount thereof, and the Phase I LC Issuing Bank will pay to Landlord the amount of such draw upon receipt by the Phase I LC Issuing Bank of a draft signed by Landlord (which draft may be presented by Landlord to the Phase I LC Issuing Bank in person, by overnight mail or by telefacsimile), accompanied by a written statement from Landlord that Tenant is in Default under the Lease or that Landlord is otherwise entitled to draw upon the Letter of Credit, and (iii) that, in the event of Landlord's assignment or other transfer of its interest in this Lease, the Letter of Credit shall be freely transferable by Landlord, without recourse, to the assignee or transferee of such interest and the Phase I LC Issuing Bank shall confirm the same to Landlord and such assignee or transferee.

(e) FAILURE TO PROVIDE FOR ANNUAL RENEWAL OR REPLACEMENT OF LETTER OF CREDIT. In the event that the Phase I LC Issuing Bank shall fail to notify Landlord at least forty-five (45) days prior to expiration of the Letter of Credit that the Letter of Credit will be renewed for at least one (1) year beyond the then applicable expiration date, and deliver to Landlord a replacement Letter of Credit or a modification to the existing Letter of Credit effectuating such renewal at least forty-five (45) days prior to expiration of the Letter of Credit, and Tenant shall not have otherwise delivered to Landlord, at least forty-five (45) days prior to the relevant annual expiration date, a replacement Letter of Credit in the amount required hereunder and otherwise meeting the requirements set forth above, then Landlord shall be entitled to draw on the Letter of Credit as provided above, and shall hold the proceeds of such draw in a segregated interest bearing cash collateral account in the name of Landlord and with a bank selected by Landlord, as security for the full and faithful performance of Tenant's obligations hereunder, until Tenant shall have provided a new Letter of Credit satisfying the requirements of this Paragraph 7, in which event Landlord shall promptly return the proceeds of such draw plus all accrued interest thereon, not otherwise used in accordance with the terms of the Lease, to Tenant.

8. POSSESSION

8.1. TENANT'S RIGHT OF POSSESSION

Subject to Paragraph 8.2, Tenant shall be entitled to possession of the Premises upon the substantial completion of the Base Building Improvements.

8.2. DELAY IN PERFORMANCE OF COVENANTS RELATED TO BASE BUILDING IMPROVEMENTS

Except as expressly provided in Paragraph 8.3 below, if for any reason whatsoever Landlord cannot perform any covenant contained in this Lease or in any exhibit hereto relating to the design and construction of the Base Building Improvements, this Lease shall not be void or voidable and shall not entitle Tenant to terminate this Lease, nor shall Landlord, or Landlord's agents, advisors, employees, partners, shareholders, directors, invitees or independent contractors (collectively, "LANDLORD'S AGENTS"), be liable to Tenant for any loss or damage resulting therefrom, nor shall such failure affect the obligations of Tenant under this Lease, including, without limitation, the obligation to pay Rent commencing on the Commencement Date.

8.3. TENANT'S RIGHT TO TERMINATE LEASE

(a) Subject to Paragraph 8.3(b) below, if for any reason Landlord fails to complete the milestones set forth below (each, a "MILESTONE") on or before the outside date for performance specified below (each, a "MILESTONE DATE"), then Tenant shall have the right, as its sole and exclusive remedy for such failure, to terminate this Lease by written notice given to Landlord on or before the tenth (10th) day after the applicable Milestone Date. In the event Tenant has the right and fails to deliver a termination notice to Landlord in a timely manner as provided herein, then Tenant shall be deemed to have waived its right to terminate this Lease with respect to the applicable Milestone and this Lease shall continue in full force and effect. The Milestones and Milestone Dates are as follows:

MILESTONE	MILESTONE DATE
Certificate from Landlord's Architect that the foundation of the Building has been completed ("INITIAL MILESTONE").	December 15, 1999
Concrete for the third (3rd) floor metal deck has been poured ("SECONDARY MILESTONE").	March 1, 2000

(b) Notwithstanding anything to the contrary contained in Paragraph 8.3(a) above, if Landlord is delayed in completing any Milestone due to Tenant Delays or Force Majeure Events (as hereinafter defined), the Milestone Dates shall be extended for a period equal to the length of such delay. As used herein, "TENANT DELAYS" means any delays caused by Tenant or any employee, agent or representative of Tenant, including, without limitation, delays caused by (i) failure to furnish information in accordance with EXHIBIT B or EXHIBIT C of this Lease; (ii) Tenant's request for any special, long lead time materials or installations as part of the Tenant Improvements or the Tenant Requested Base Building Improvements (as defined in EXHIBIT B hereto); (iii) Tenant's changes in the Approved Plans (as defined in EXHIBIT C hereto); (iv) any changes initiated by reason of the disapproval of any plans or drawings or any cost proposals or authorizations resulting in the preparation of revised plans, drawings, cost proposals or authorizations; (v) field changes to construction work; (vi) the delivery, installation or completion of the Tenant Improvements work performed by Contractor (as defined in EXHIBIT C hereto); (vii) Tenant's request for any Tenant Requested Base Building Improvements; or (viii) any other act or omission of Tenant. As used herein, "FORCE MAJEURE EVENTS" means strikes, embargoes, governmental regulations, acts of God, war, civil commotion or other strife, and other events beyond the reasonable control of the party whose performance is affected thereby.

8.4. EARLY OCCUPANCY

In the event that, prior to April 1, 2000, the Tenant Improvements have been substantially completed (as determined in accordance with this Paragraph 8.4), then Tenant shall have the right to occupy the Premises and to commence business operations therein (such period commencing on Tenant's actual occupancy of the Premises and expiring on March 31, 2000 being herein referred to as the "EARLY OCCUPANCY PERIOD"), provided that (A) Tenant shall pay Base Monthly Rent during the Early Occupancy Period equal to twenty-five percent (25%) of the Base Monthly Rent first payable hereunder from and after April 1, 2000, (B) Tenant shall not be required to commence paying monthly installments on the Tenant Improvement Loan until April 1, 2000, and (C) except as expressly provided to the contrary in the foregoing clauses (A) and (B), Tenant's occupancy of the Premises during the Early Occupancy Period shall be subject to all of the terms and conditions of this Lease, including, without limitation, the covenant to pay Additional Rent in accordance with the terms of Paragraph 4.2 above. For purposes of this Paragraph 8.4, the Premises shall be deemed to be "substantially completed" when the following conditions have been satisfied:

(a) The Tenant Improvements have been approved by the appropriate governmental agency as being in accordance with its building code and the building permit issued for such improvements, as evidenced by the issuance of a certificate of occupancy or final building inspection approval, as applicable; and

(b) Tenant's Architect and Contractor have both certified in writing that the Tenant Improvements have been substantially completed in accordance with the

plans and specifications therefor, subject only to items of a "punch-list" nature which do not materially affect the use or functionality of the space.

9. USE OF PREMISES

9.1. PERMITTED USE

(a) The use of the Premises by Tenant and Tenant's agents, advisors, employees, partners, shareholders, directors, invitees and independent contractors (collectively, "TENANT'S AGENTS") shall be solely for the Permitted Use specified in the Basic Lease Information and for no other use. Tenant shall not permit any objectionable or unpleasant smoke, dust, gas, noise or vibration to emanate from or near the Premises, and shall use its best efforts to prevent any objectionable odor from emanating from or near the Premises. Tenant shall strictly comply with the measures set forth on EXHIBIT E hereto and any additional measures reasonably required by Landlord from time to time to eliminate the emanation of objectionable odors. Tenant shall promptly provide Landlord with copies of all permits issued to Tenant by the Bay Area Air Quality Management District (the "AIR MANAGEMENT DISTRICT") and any other governmental agency responsible for or having jurisdiction over matters related to air quality, together with copies of all correspondence between Tenant and the Air Management District or such other agencies. Tenant acknowledges that The Gateway, the real estate development in which the Project is located, is a first-class office and R&D campus and that "objectionable odors" is a subjective standard. Accordingly, Tenant agrees that if odors in the area of the Building lead to complaints from other tenants and occupants of The Gateway, and if Landlord reasonably determines, based upon observation and/or a review of Tenant's records, that such odors emanated from the Premises, Tenant shall promptly use its best efforts to correct the situation at Tenant's sole cost and expense. Such measures to be taken by Tenant shall include, without limitation, the hiring of special consultants and the making of capital improvements to the Premises. Tenant shall make its laboratory records available to Landlord for review in connection with any complaints by tenants or occupants of the Gateway and as otherwise reasonably requested by Landlord. Any failure of Tenant to comply with its obligations under this Paragraph 9.1(a) shall constitute an immediate Default under this Lease.

(b) The Premises shall not be used to create any nuisance or trespass, for any illegal purpose, for any purpose not permitted by Laws, for any purpose that would invalidate the insurance or increase the premiums for insurance on the Premises, the Building or the Project or for any purpose or in any manner that would unreasonably interfere with other tenants' use or occupancy of the Project. Tenant agrees to pay to Landlord, as Additional Rent, any increases in premiums on policies resulting from Tenant's Permitted Use or any other use or action by Tenant or Tenant's Agents which increases Landlord's premiums or requires additional coverage by Landlord to insure the Premises. Tenant agrees not to overload the floor(s) of the Building.

9.2. COMPLIANCE WITH GOVERNMENTAL REGULATIONS AND PRIVATE RESTRICTIONS

(a) Subject to the terms and conditions of the Lease, Landlord covenants that the Base Building Improvements shall be constructed in compliance with all applicable building code requirements in effect and actively being enforced by the City of South San Francisco on the date the building permits are issued to the Contractor therefor and substantially in accordance with the Base Building Plans and Specifications (as defined in EXHIBIT B hereto). Any claims by Tenant under this Paragraph 9.2 shall be made in writing not later than one (1) year after the Commencement Date of the Lease. In the event Tenant fails to deliver a written claim to Landlord on or before such date, then Landlord shall be conclusively deemed to have satisfied its obligations under this paragraph. The covenants contained in this paragraph are subject to Paragraph 39 below of the Lease and are made specifically and exclusively for the benefit of the original Tenant and any assignee or sublessee under a Permitted Transfer pursuant to Paragraph 23.4 below.

(b) Tenant and Tenant's Agents shall, at Tenant's expense, faithfully observe and comply with (1) all municipal, state and federal laws, statutes, codes, rules, regulations, ordinances, requirements, and orders (collectively, "LAWS"), now in force or which may hereafter be in force pertaining to the Premises or Tenant's use of the Premises, the Building or the Project, including without limitation, any Laws requiring installation of fire sprinkler systems, seismic reinforcement and related alterations, whether substantial in cost or otherwise, provided, however, that except as provided in Paragraph 9.3 below, Tenant shall not be required to make or, except as provided in Paragraph 4 above, pay for, structural changes to the Premises or the Building not related to Tenant's specific use of the Premises unless the requirement for such changes is imposed as a result of any improvements or additions made or proposed to be made at Tenant's request; (2) all recorded covenants, conditions and restrictions affecting the Project ("PRIVATE RESTRICTIONS") now in force or which may hereafter be in force, Landlord hereby specifically reserving the right to hereafter adopt such Private Restrictions and to impose the same on the Project or any portion thereof; provided that such Private Restrictions adopted after the date hereof shall not unreasonably impair Tenant's use of the Premises for any Permitted Use; and (3) any and all rules and regulations set forth in EXHIBIT E and any other rules and regulations now or hereafter promulgated by Landlord (collectively, the "RULES AND REGULATIONS"). Without limiting the generality of the foregoing, Tenant hereby covenants and agrees for itself, its successors and assigns, and all persons claiming under or through it, that this Lease is made and accepted upon and subject to the condition that there shall be no discrimination against, or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the Premises herein leased, nor shall Tenant, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the premises herein leased. The judgment of any court of competent jurisdiction, or the admission of Tenant in any action or proceeding against Tenant, whether Landlord be a party thereto or not,

that Tenant has violated any such Laws or Private Restrictions, shall be conclusive of that fact as between Landlord and Tenant.

9.3. COMPLIANCE WITH AMERICANS WITH DISABILITIES ACT

Landlord and Tenant hereby agree and acknowledge that the Premises, the Building and/or the Project may be subject to, among other Laws, the requirements of the Americans with Disabilities Act, a federal law codified at 42 U.S.C. 12101 ET SEQ., including, but not limited to Title III thereof, and all regulations and guidelines related thereto, together with any and all laws, rules, regulations, ordinances, codes and statutes now or hereafter enacted by local or state agencies having jurisdiction thereof, including all requirements of Title 24 of the State of California, as the same may be in effect on the date of this Lease and may be hereafter modified, amended or supplemented (collectively, the "ADA"). Landlord shall cause the Base Building Improvements to be constructed in compliance with the ADA as currently administered by the City of South San Francisco. Any Tenant Improvements to be constructed hereunder or Alterations (as hereinafter defined) made during the Term shall be in compliance with the requirements of the ADA, and all costs incurred for purposes of compliance therewith shall be a part of and included in the costs of the Tenant Improvements or the Alterations, as applicable. Tenant shall be solely responsible for conducting its own independent investigation of this matter and for ensuring that the design of all Tenant Improvements strictly complies with all requirements of the ADA. Subject to reimbursement pursuant to Paragraph 4 above, if any barrier removal work or other work is required to the Building, the Common Areas or the Project under the ADA, then such work shall be the responsibility of Landlord; provided, if such work is required under the ADA as a result of Tenant's use of the Premises or any work or Alteration made to the Premises by or on behalf of Tenant, then such work shall be performed by Landlord at the sole cost and expense of Tenant; and, provided further, that if any such work is required under the ADA as a result of another tenant's specific use of its premises or improvements made by another tenant to its premises, then the cost of such work shall be solely chargeable to such tenant and Tenant shall have no responsibility therefor. Except as otherwise expressly provided in this provision, Tenant shall be responsible at its sole cost and expense for fully and faithfully complying with all applicable requirements of the ADA, including without limitation, not discriminating against any disabled persons in the operation of Tenant's business in or about the Premises, and offering or otherwise providing auxiliary aids and services as, and when, required by the ADA. Within ten (10) days after receipt, Tenant shall advise Landlord in writing, and provide Landlord with copies of (as applicable), any notices alleging violation of the ADA relating to any portion of the Premises, the Building or the Project; any claims made or threatened orally or in writing regarding noncompliance with the ADA and relating to any portion of the Premises, the Building or the Project; or any governmental or regulatory actions or investigations instituted or threatened regarding noncompliance with the ADA and relating to any portion of the Premises, the Building or the Project. Tenant shall and hereby agrees to protect, defend (with counsel acceptable to Landlord) and hold Landlord and Landlord's Agents harmless and indemnify Landlord and Landlord's Agents from and against all liabilities, damages, claims, losses, penalties, judgments, charges and expenses (including attorneys'

fees, costs of court and expenses necessary in the prosecution or defense of any litigation including the enforcement of this provision) arising from or in any way related to, directly or indirectly, Tenant's or Tenant's Agents' violation or alleged violation of the ADA. Landlord shall and hereby agrees to protect, defend (with counsel acceptable to Tenant) and hold Tenant and Tenant's Agents harmless and indemnify Tenant and Tenant's Agents from and against all liabilities, damages, claims, losses, penalties, judgments, charges and expenses (including attorneys' fees, costs of court and expenses necessary in the prosecution or defense of any litigation including the enforcement of this provision) arising from or in any way related to, directly or indirectly, Landlord's failure to have the Base Building Improvements constructed in compliance with the ADA as currently administered by the City of South San Francisco.

10. ACCEPTANCE OF PREMISES

By taking possession of the Premises hereunder Tenant accepts the Premises as suitable for Tenant's intended use and as being in good and sanitary operating order, condition and repair, AS IS, and without representation or warranty by Landlord as to the condition, use or occupancy which may be made thereof, except for Landlord's express obligations described in EXHIBIT B and Landlord's covenant set forth in Section 9.2(a) above. Any exceptions to the foregoing must be by written agreement executed by Landlord and Tenant.

11. SURRENDER

11.1. SURRENDER AT EXPIRATION OR TERMINATION

Tenant agrees that on the last day of the Term, or on the sooner termination of this Lease, Tenant shall surrender the Premises to Landlord (i) in good condition and repair (damage by acts of God, fire, and normal wear and tear excepted), but with all interior walls painted or cleaned so they appear painted and, where appropriate, patched, any carpets cleaned, all floors cleaned and waxed, and all plumbing fixtures in good condition and working order and, where appropriate, capped, and (ii) otherwise in accordance with Paragraph 32.9. Normal wear and tear shall not include any damage or deterioration that would have been prevented by proper maintenance by Tenant, or Tenant otherwise performing all of its obligations under this Lease.

11.2. REMOVAL OBLIGATIONS AND ABANDONMENT OF TENANT'S PROPERTY

On or before the expiration or sooner termination of this Lease, Tenant shall, in accordance with this Paragraph 11, and at Tenant's sole cost and expense, remove, and repair any damage caused by such removal, (A) all of Tenant's Property (as hereinafter defined) and Tenant's signage from the Premises, the Building and the Project, and (B) all Tenant Improvements and Alterations required to be removed pursuant to Paragraph 12 below and Section 5 of EXHIBIT B hereto. Any of Tenant's Property not so removed by Tenant as required herein shall be deemed abandoned and may be stored, removed, and disposed of by Landlord at Tenant's expense, and Tenant waives all claims

against Landlord for any damages resulting from Landlord's retention and disposition of such property; provided, however, that Tenant shall remain liable to Landlord for all costs incurred in storing and disposing of such abandoned property of Tenant. All Tenant Improvements and Alterations except those which Tenant is required to remove pursuant to Paragraph 12 below hereto shall remain in the Premises as the property of Landlord.

11.3. INDEMNIFICATION

If the Premises are not surrendered at the end of the Term or sooner termination of this Lease, and in accordance with the provisions of this Paragraph 11 and Paragraph 32.9 below, Tenant shall indemnify, defend and hold Landlord harmless from and against any and all loss or liability resulting from delay by Tenant in so surrendering the Premises including, without limitation, any loss or liability resulting from any claim against Landlord made by any succeeding tenant or prospective tenant founded on or resulting from such delay and losses to Landlord due to lost opportunities to lease any portion of the Premises to any such succeeding tenant or prospective tenant, together with, in each case, reasonable attorneys' fees and costs.

12. ALTERATIONS AND ADDITIONS

12.1. LANDLORD'S CONSENT REQUIRED

Tenant shall not make, or permit to be made, any alteration, addition or improvement (hereinafter referred to individually as an "ALTERATION" and collectively as the "ALTERATIONS") to the Premises or any part thereof without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, that Landlord shall have the right in its sole and absolute discretion to consent or to withhold its consent to any Alteration which affects the structural portions of the Premises, the Building or the Project or the Systems serving the Premises, the Building and/or the Project or any portion thereof.

12.2. ALTERATIONS PERMITTED WITHOUT LANDLORD'S CONSENT; REMOVAL REQUIREMENTS

Notwithstanding the foregoing, but subject to the conditions set forth below, Tenant may, without Landlord's consent, make Alterations within the Premises provided that (i) such Alterations do not affect the structural portions of the Premises, the Building or the Project or the Systems, and (ii) the cost, on an individual project basis, of any Alteration or related series of Alterations is less than $50,000, and all Alterations in the aggregate do not exceed $500,000 over the Term. The Alterations made by Tenant without the consent of Landlord in accordance with this Paragraph 12.2 shall be herein referred to as the "PERMITTED ALTERATIONS."

12.3. ALTERATIONS AT TENANT'S EXPENSE

Any Alteration to the Premises shall be at Tenant's sole cost and expense, in compliance with all applicable Laws and all requirements requested by Landlord,

including, without limitation, the requirements of any insurer providing coverage for the Premises or the Project or any part thereof, and in accordance with plans and specifications approved in writing by Landlord (except for Permitted Alterations). which approval shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, with respect to Alterations that may be made without Landlord's prior consent as permitted above, Landlord agrees that Tenant shall not be required to submit plans and specifications for prior approval of the Landlord and that Landlord shall not require prior approval of the installing contractor; provided, however, if Tenant does not obtain the prior approval of plans and specifications for any Alteration, then subject to the terms of Paragraph 12.4(b) below, Landlord may, by notice to Tenant given not later than ninety (90) days prior to the Expiration Date (except in the event of a termination of this Lease prior to the scheduled Expiration Date, in which event no advance notice shall be required), require Tenant, at Tenant's expense, to remove, and repair any damage caused by removal of, any and all such Alterations. If Tenant does not obtain Landlord's prior consent as to the installing contractor, Tenant shall be responsible for maintaining harmonious labor relations with all contractors and service providers servicing the Premises, Building and/or Project. In addition, with respect to any Permitted Alterations made without Landlord's prior consent as permitted above, Tenant agrees to meet with Landlord, at Landlord's request, not more than once in every calendar year, to discuss any such Permitted Alterations that have been made to the Premises (each such meeting being herein referred to as an "ALTERATIONS MEETING"). Tenant shall provide to Landlord within forty five (45) days after written request as-built plans and specifications for any Alterations (including, without limitation, any Permitted Alterations) made by Tenant to the Premises. Notwithstanding anything in this Lease to the contrary, any approval by Landlord of any drawings, plans or specifications prepared on behalf of Tenant shall not in any way bind Landlord, create any responsibility or liability on the part of Landlord for the completeness of the same, their design sufficiency or compliance with applicable statutes, ordinances or regulations or constitute a representation or warranty by Landlord as to the adequacy or sufficiency of such drawings, plans or specifications, or the improvements to which they relate, but such approval shall merely evidence the consent of Landlord to such drawings, plans or specifications.

12.4. REQUIREMENTS OF REQUEST FOR APPROVAL

(a) Any Alterations requiring the prior consent of Landlord shall contain a request that Landlord specify in writing to Tenant those Alterations that Tenant will be required to remove in accordance with Paragraph 11.1 upon expiration or sooner termination of this Lease. Upon receipt of such request, Landlord shall make such determination and respond to Tenant within twenty (20) business days of such request. Landlord's failure to respond within such time shall be deemed to mean that Tenant shall not be required to remove such Alterations upon the expiration or sooner termination of this Lease.

(b) In the event Tenant constructs or installs any Permitted Alterations without the consent of Landlord, then Tenant shall have the right at the next succeeding Alterations Meeting to request that Landlord specify in writing whether Tenant will be

required to remove all or any portion of such Permitted Alterations upon expiration or sooner termination of this Lease. Upon receipt of such request, Landlord shall make such determination and respond to Tenant within twenty (20) business days of such request. Landlord's failure to respond within such time shall conclusively be deemed to be an irrevocable waiver of Landlord's right to demand their removal.

12.5. PERMITS REQUIRED; INSURANCE REQUIRED

12.5.1. PERMITS

Before Alterations may begin, valid building permits or other permits or licenses required must be furnished to Landlord, and, once the Alterations begin, Tenant will diligently and continuously pursue their completion. Landlord may monitor construction of the Alterations, either through its own employees or through a construction manager retained by Landlord.

12.5.2. INSURANCE

Tenant shall maintain during the course of any construction (including, without limitation, during the construction of the Tenant Improvements and any Alterations), at its sole cost and expense, builders' risk insurance for the amount of the completed value of the Alterations and Tenant Improvements on an all-risk nonreporting form covering all improvements under construction, including building materials, and other insurance in amounts and against such risks as Landlord shall reasonably require in connection with the Alterations and Tenant Improvements, including without limitation naming Landlord and Landlord's lender as loss payee under any such policy. In addition to and without limitation on the generality of the foregoing, Tenant shall ensure that its contractor(s) procure and maintain in full force and effect during the course of construction a "broad form" commercial general liability and property damage policy of insurance naming Landlord, Tenant and Landlord's lenders as additional insureds. The minimum limit of coverage of the aforesaid policy shall be in the amount of not less than Three Million Dollars ($3,000,000.00) for injury or death of one person in any one accident or occurrence and in the amount of not less than Three Million Dollars ($3,000,000.00) for injury or death of more than one person in any one accident or occurrence, and shall contain a severability of interest clause or a cross liability endorsement. Such insurance shall further insure Landlord and Tenant against liability for property damage of at least One Million Dollars ($1,000,000.00).

12.6. TITLE TO IMPROVEMENTS; REMOVAL RIGHTS; FINANCING

Except as otherwise expressly stated herein or agreed to in writing between the parties, the Tenant Improvements actually paid for by Tenant, including, without limitation, any Tenant Improvements exclusively paid for with the proceeds of the Tenant Improvement Loan, and all Alterations, including, but not limited to, heating, lighting, electrical, air conditioning, fixed partitioning, drapery, wall covering and paneling, built-in cabinet work and carpeting installations made by Tenant, together with all property

that has become an integral part of the Premises or the Building, shall upon installation become the property of Tenant; provided, however, that title to all such Tenant Improvements, Alterations and property shall automatically transfer to Landlord upon the expiration of the Term or the sooner termination of this Lease without the payment of any consideration or the execution of any transfer documents. Notwithstanding the foregoing, Tenant shall retain title to and ownership of Tenant's Property at all times.

12.7. COMPUTER, UTILITY AND TELECOMMUNICATIONS EQUIPMENT

No private telephone systems, utilities and/or other related computer, utility or telecommunications equipment or lines may be installed without Landlord's prior written consent, which consent shall not be unreasonably withheld. If Landlord gives such consent, all equipment must be installed within the Premises and, unless Landlord, at the time of installation, notifies Tenant in writing that removal will be required, left in the Premises and surrendered to Landlord upon the expiration or sooner termination of this Lease.

12.8. NOTICE AND OPPORTUNITY TO POST NOTICE OF NONRESPONSIBILITY

Tenant agrees not to proceed to make any Alterations, notwithstanding consent from Landlord to do so, without fifteen (15) days prior written notice to Landlord, in order that Landlord may post appropriate notices to avoid any liability to contractors or material suppliers for payment for Tenant's improvements. Tenant will at all times permit such notices to be posted and to remain posted until the completion of work.

13. MAINTENANCE AND REPAIRS OF PREMISES

13.1. MAINTENANCE BY TENANT

Subject to the provisions of Paragraph 13.2, 21 and 22 below, throughout the Term, Tenant shall, at its sole expense, (1) keep and maintain in good order and condition the Building and the Premises and repair the Building and the Premises and every part thereof, including interior and exterior glass, windows, window frames and casements, interior and exterior doors and door frames and door closers; interior and exterior lighting (including, without limitation, light bulbs and ballasts), the roof covering; the Systems serving the Premises and the Building; interior and exterior signage, interior demising walls and partitions, equipment, interior painting and interior walls and floors, and the roll-up doors, ramps and dock equipment, including, without limitation, dock bumpers, dock plates, dock seals, dock levelers and dock lights located in or on the Premises (excepting only those portions of the Building or the Project to be maintained by Landlord, as provided in Paragraph 13.2 below), (2) furnish all expendables, including light bulbs, paper goods and soaps, used in the Premises, and (3) keep and maintain in good order and condition and repair and replace all of Tenant's security systems in or about or serving the Premises. Tenant shall not do nor shall Tenant allow Tenant's Agents to do anything to cause any damage, deterioration or unsightliness

to the Premises, the Building or the Project. Tenant shall perform its obligations under this Paragraph 13.1 in accordance with maintenance and repair standards adopted by Landlord from time to time for the Project. Tenant shall cause to be furnished to Landlord on not less than a quarterly basis maintenance reports on all Systems and the roof of the Building prepared by a qualified vendor or consultant, and Tenant shall promptly perform any maintenance tasks recommended by such reports or otherwise required by Landlord to cause the Premises and the Systems to comply with Landlord's maintenance and repair standards.

13.2. MAINTENANCE BY LANDLORD

Subject to the provisions of Paragraphs 13.1, 21 and 22, and further subject to Tenant's obligation under Paragraph 4 to reimburse Landlord, in the form of Additional Rent, for Tenant's Proportionate Share(s) of the Project and the Building, as applicable, of the cost and expense of the following items, Landlord agrees to repair and maintain the Common Areas in good order and condition, including, without limitation, the Parking Areas, pavement, landscaping, sprinkler systems, sidewalks, driveways, curbs, and lighting systems in the Common Areas. Subject to the provisions of Paragraphs 13.1, 21 and 22, Landlord, at its own cost and expense, agrees to repair and maintain the following items: the structural portions of the roof (specifically excluding the roof coverings), the foundation, the footings, the floor slab, and the load bearing walls and exterior walls of the Building (excluding any glass and any routine maintenance, including, without limitation, any painting, sealing, patching and waterproofing of such walls).

13.3. LANDLORD'S RIGHT TO PERFORM TENANT'S OBLIGATIONS

Notwithstanding anything in this Paragraph 13 to the contrary, Landlord shall have the right to either repair or to require Tenant to repair any damage to any portion of the Premises, the Building and/or the Project caused by or created due to any act, omission, negligence or willful misconduct of Tenant or Tenant's Agents and to restore the Premises, the Building and/or the Project, as applicable, to the condition existing prior to the occurrence of such damage; provided, however, that in the event Landlord elects to perform such repair and restoration work, Tenant shall reimburse Landlord upon demand for all costs and expenses incurred by Landlord in connection therewith. Landlord's obligation hereunder to repair and maintain is subject to the condition precedent that Landlord shall have received written notice of the need for such repairs and maintenance and a reasonable time to perform such repair and maintenance. Tenant shall promptly report in writing to Landlord any defective condition which Landlord is required to repair, and failure to so report such defects shall make Tenant responsible to Landlord for the costs and expenses of repairing any Preventable Damage occurring after the date Tenant obtains actual knowledge of such defective condition and any liability incurred by Landlord by reason of Tenant's failure to notify Landlord of such defective condition in a timely manner as provided herein. As used herein, "PREVENTABLE DAMAGE" means any damage or deterioration which could have been prevented had Landlord received timely notice of the defective condition. Nothing

contained herein shall be deemed or construed to limit Tenant's obligations under Paragraph 16 below.

13.4. TENANT'S WAIVER OF RIGHTS

Tenant hereby expressly waives all rights to make repairs at the expense of Landlord or to terminate this Lease, as provided for in California Civil Code Sections 1941 and 1942, and 1932(1), respectively, and any similar or successor statute or law in effect or any amendment thereof during the Term.

14. LANDLORD'S INSURANCE

At all times during the Term of this Lease, Landlord shall purchase and keep in force "all risk" property insurance covering the Base Building Improvements, the Tenant Improvements and all Alterations made to the Premises by Tenant in accordance with the terms of Paragraph 12 above, in accordance with Landlord's customary insurance program for comparable properties. Tenant shall provide Landlord with such information as may be requested by Landlord or its insurers concerning the value of the Tenant Improvements or any Alterations. Tenant acknowledges and agrees that Landlord shall have no obligation to maintain property insurance covering any alterations, additions or improvements made to the Premises other than Alterations made in strict accordance with Paragraph 12 (such other alterations, additions or improvements being herein referred to as "UNPERMITTED ALTERATIONS"), and Tenant hereby agrees to indemnify and hold harmless Landlord and Landlord's Agents from and against any and all Losses (as hereinafter defined) resulting from or arising out of the making of any such Unpermitted Alterations. Tenant shall, at its sole cost and expense, comply with any and all reasonable requirements pertaining to the Premises, the Building and the Project of any insurer necessary for the maintenance of reasonable property damage and commercial general liability insurance, covering the Building and the Project. Landlord, at Tenant's cost, may maintain "Loss of Rents" insurance, insuring that the Rent will be paid in a timely manner to Landlord for a period of at least twelve (12) months if the Building or any portion thereof are destroyed or rendered unusable or inaccessible by any cause insured against under this Lease.

15. TENANT'S INSURANCE

15.1. COMMERCIAL GENERAL LIABILITY

At all times during the Term of this Lease, Tenant shall, at Tenant's expense, secure and keep in force a Commercial General Liability insurance policy covering the Premises, insuring Tenant, and naming Landlord and its lenders as additional insureds, against liability arising out of the ownership, use, occupancy or maintenance of the Premises. The minimum limit of coverage of such policy shall be in the amount of not less than Three Million Dollars ($3,000,000.00) for each occurrence combined single limit for bodily injury and property damage, shall include contractual liability coverage (which shall include coverage for Tenant's indemnification obligations in this Lease,

provided that the amount of such coverage shall not be construed to limit Tenant's indemnification obligations hereunder), and shall contain severability of interests and cross liability coverage clauses and/or endorsements. Such insurance shall be endorsed to be primary and non-contributory to any insurance Landlord may carry. Landlord may from time to time require reasonable increases in any such limits if Landlord believes that additional coverage is necessary or desirable. The limit of any insurance shall not limit the liability of Tenant hereunder. No policy maintained by Tenant under this Paragraph 15.1 shall contain a deductible greater than Five Thousand Dollars ($5,000.00). Such policies of insurance shall be issued as primary policies and not contributing with or in excess of coverage that Landlord may carry.

15.2. PROPERTY INSURANCE

At all times during the Term of this Lease, Tenant shall, at Tenant's expense, maintain in full force and effect special form property insurance on all of its personal property, possessions, furniture, furnishings, trade or business fixtures, equipment and such other items listed on EXHIBIT H (collectively, "TENANT'S PROPERTY") located on the Premises. Such special form property insurance shall be on a full replacement cost basis and shall be written to cover all risks of direct loss or damage, including, but not be limited to, theft, water damage and sprinkler leakage. No such policy shall contain a deductible greater than Five Thousand Dollars ($5,000.00). During the Term of this Lease the proceeds from any such policy or policies of insurance shall be used for the repair or replacement of Tenant's Property. Landlord shall have no interest in the insurance upon Tenant's Property and will sign all documents reasonably necessary in connection with the settlement of any claim or loss by Tenant. Landlord will not carry insurance on Tenant's Property.

15.3. WORKER'S COMPENSATION INSURANCE; EMPLOYER'S LIABILITY INSURANCE

At all times during the Term of this Lease, Tenant shall, at Tenant's expense, maintain in full force and effect worker's compensation insurance with not less than the minimum limits required by Law, and employer's liability insurance with a minimum limit of coverage of One Million Dollars ($1,000,000) per accident.

15.4. BUSINESS INTERRUPTION INSURANCE

Tenant shall, at all times during the Term of this Lease, maintain in full force and effect loss of income and extra expense insurance in such amounts as will reimburse Tenant for direct or indirect loss of earnings or extra expenses attributable to or resulting from all perils commonly insured under a special form policy of property insurance.

15.5. INSURANCE STANDARDS AND EVIDENCE OF COVERAGE

All insurance required to be carried by Tenant hereunder shall be maintained with insurance companies authorized to do business in the State of California for the issuance of the applicable type of insurance coverage and rated A:XIII or better in

Best's Key Rating Guide. Notwithstanding the foregoing, Landlord hereby approves General Star Indemnity as the carrier of the insurance required under Paragraph 15.1 above, provided that General Star Indemnity shall at all times during the Term maintain a Best's Key Rating of not less than A++:VIII. Tenant shall deliver to Landlord certificates of insurance and true and complete copies of any and all endorsements required herein for all insurance required to be maintained by Tenant hereunder at the time of execution of this Lease by Tenant. Tenant shall, at least thirty (30) days prior to expiration of each policy, furnish Landlord and the other parties named as additional insureds with certificates of renewal or "binders" thereof. Each certificate shall expressly provide that such policies shall not be cancelable except after thirty (30) days prior written notice to Landlord and the other parties named as additional insureds as required in this Lease (except for cancellation for nonpayment of premium, in which event cancellation shall not take effect until at least ten (10) days' notice has been given to Landlord and the parties named as additional insureds hereunder).

16. INDEMNIFICATION

16.1. OF LANDLORD

Tenant shall indemnify and hold harmless Landlord and Landlord's advisors, employees. partners, shareholders and directors against and from any and all claims, liabilities, judgments, costs, demands, causes of action and expenses (including, without limitation, reasonable attorneys' fees) (collectively, "LOSSES") arising from (1) the use of the Premises, the Building or the Project by Tenant or Tenant's Agents, or from any activity done, permitted or suffered by Tenant or Tenant's Agents in or about the Premises, the Building or the Project, and (2) any act, neglect, fault, willful misconduct or omission of Tenant or Tenant's Agents, or from any breach or default in the terms of this Lease by Tenant or Tenant's Agents, and (3) any action or proceeding brought on account of any matter in items (1) or (2); provided, however, that in no event shall Tenant be required to indemnify Landlord against any claims, demands or losses resulting from any failure of Landlord to observe any of the terms and conditions of this Lease, including, without limitation, the covenant set forth in Paragraph 9.2(a) above, in each case to the extent such failure or breach has persisted for an unreasonable period of time after written notice of such failure or breach. If any action or proceeding is brought against Landlord by reason of any such claim, upon notice from Landlord, Tenant shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord. As a material part of the consideration to Landlord, Tenant hereby releases Landlord and Landlord's Agents from responsibility for, waives its entire claim of recovery for and assumes all risk of (i) damage to property or injury to persons in or about the Premises, the Building or the Project from any cause whatsoever (except that which is caused by the gross negligence or willful misconduct of Landlord or Landlord's Agents or by the failure of Landlord to observe any of the terms and conditions of this Lease, if such failure has persisted for an unreasonable period of time after written notice of such failure), or (ii) loss resulting from business interruption or loss of income at the Premises. The obligations of Tenant under this paragraph 16.1 shall survive the expiration or earlier termination of this Lease.

16.2. OF TENANT

Landlord shall indemnify and hold harmless Tenant and Tenant's employees, partners, shareholders and directors against and from any and all Losses relating to the Project and arising from (1) the gross negligence or willful misconduct of Landlord or Landlord's Agents, (2) the failure of Landlord to observe any of the terms and conditions of this Lease, if such failure has persisted for an unreasonable period of time after written notice of such failure, and (3) any action or proceeding brought on account of any matter in items (1) or (2). If any action or proceeding is brought against Tenant by reason of any such claim, upon notice from Tenant, Landlord shall defend the same at Landlord's expense by counsel reasonably satisfactory to Landlord. The obligations of Landlord under this Paragraph 16.2 shall survive any termination of this Lease.

16.3. NO IMPAIRMENT OF INSURANCE

The foregoing indemnity shall not relieve any insurance carrier of its obligations under any policies required to be carried by either party pursuant to this Lease, to the extent that such policies cover the peril or occurrence that results in the claim that is subject to the foregoing indemnity.

17. SUBROGATION

Landlord and Tenant hereby mutually waive any claim against the other and its Agents for any loss or damage to any of their property located on or about the Premises, the Building or the Project that is caused by or results from perils covered by the property insurance required to be carried by the respective parties in accordance with Paragraphs 14 and 15 of this Lease, whether or not due to the negligence of the other party or its Agents. Because the foregoing waivers will preclude the assignment of any claim by way of subrogation to an insurance company or any other person, each party now agrees to immediately give to its insurer written notice of the terms of these mutual waivers and shall have their insurance policies endorsed to prevent the invalidation of the insurance coverage because of these waivers. Nothing in this Paragraph 17 shall relieve a party of liability to the other for failure to carry insurance required by this Lease.

18. SIGNS

Tenant shall not place or permit to be placed in, upon, or about the Premises, the Building or the Project any exterior lights, decorations, balloons, flags, pennants, banners, advertisements or notices, or erect or install any signs, windows or door lettering, placards, decorations, or advertising media of any type which can be viewed from the exterior of the Premises without obtaining Landlord's prior written consent or without complying with Landlord's signage program, as the same may be modified by Landlord from time to time, and with all applicable Laws, and will not conduct, or permit to be conducted, any sale by auction on the Premises or otherwise on the Project. Tenant shall remove any sign, advertisement or notice placed on the Premises, the Building or

the Project by Tenant upon the expiration of the Term or sooner termination of this Lease, and Tenant shall repair any damage or injury to the Premises, the Building or the Project caused thereby, all at Tenant's expense. If any signs are not removed, or necessary repairs not made, Landlord shall have the right to remove the signs and repair any damage or injury to the Premises, the Building or the Project at Tenant's sole cost and expense.

19. FREE FROM LIENS

Tenant shall keep the Premises, the Building and the Project free from any liens arising out of any work performed, material furnished or obligations incurred by or for Tenant in accordance with the provisions of this Paragraph 19. In the event that Tenant shall not, within ten (10) days following the imposition of any such lien, cause the lien to be released of record by payment or posting of a proper bond, Landlord shall have in addition to all other remedies provided herein and by law the right but not the obligation to cause same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All such sums paid by Landlord and all expenses incurred by it in connection therewith (including, without limitation, reasonable attorneys' fees) shall be payable to Landlord by Tenant upon demand. Landlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law or that Landlord shall deem proper for the protection of Landlord, the Premises, the Building and the Project, from mechanics' and materialmen's liens. Tenant agrees not to proceed to perform any repairs or construction on the Premises without fifteen (15) days prior written notice to Landlord in order that Landlord may post appropriate notices to avoid any liability to contractors or material suppliers for payment for Tenant's work.

20. ENTRY BY LANDLORD

Tenant shall permit Landlord and Landlord's Agents to enter into and upon the Premises at all reasonable times upon twenty-four (24) hours' notice (except in the case of an emergency, in which event no advance notice shall be required) for the purpose of inspecting the same or showing the Premises to prospective purchasers, lenders or tenants or to alter, improve, maintain and repair the Premises or the Building as required or permitted of Landlord under the terms hereof, or for any other reasonable business purpose, without any rebate of Rent and without any liability to Tenant for any loss of occupation or quiet enjoyment of the Premises thereby occasioned; and Tenant shall permit Landlord to post notices of non-responsibility and ordinary "for sale" or "for lease" signs. Notwithstanding the foregoing, Landlord shall only enter the Premises for the purpose of showing the same to prospective tenants during the last ten (10) months of the Term. No such entry shall be construed to be a forcible or unlawful entry into, or a detailer of, the Premises, or an eviction of Tenant from the premises. Tenant's representatives shall have the right to accompany landlord on any inspection of the Premises, provided that Tenant's representatives are available at the time of such inspections. Landlord may temporarily close entrances, doors, corridors, elevators or

other facilities without liability to Tenant by reason of such closure in the case of an emergency and when Landlord otherwise reasonably deems such closure necessary.

21. DESTRUCTION AND DAMAGE

21.1. DAMAGE COVERED BY EXTENDED COVERAGE INSURANCE

If the Premises are damaged by fire or other perils covered by extended coverage insurance, Landlord shall, at Landlord's option:

21.1.1. MATERIAL DAMAGE; INSURED LOSS

In the event of material damage to the Premises (which shall mean damage or destruction of a nature such that all required permits cannot be reasonably obtained and/or the Premises can not be substantially repaired and restored to the condition existing immediately prior to such damage or destruction within three hundred sixty-five (365) days after the date Landlord obtains actual knowledge of such destruction (the "Casualty Discovery Date")), Landlord may elect either to commence promptly to repair and restore the Premises and prosecute the same diligently to completion, in which event this Lease shall remain in full force and effect; or not to repair or restore the Premises, in which event this Lease shall terminate. Landlord shall give Tenant written notice of its intention within sixty (60) days after the Casualty Discovery Date. If Landlord elects in writing not to restore the Premises, this Lease shall be deemed to have terminated as of the date of such destruction.

21.1.2. MINOR DAMAGE; INSURED LOSS

In the event of minor damage to the Premises (which shall mean damage or destruction of a nature such that all required permits can be reasonably obtained and the Premises may be substantially repaired or restored to the condition existing immediately prior to such damage or destruction within three hundred sixty-five (365) days after the Casualty Discovery Date) for which Landlord will receive insurance proceeds sufficient to cover the cost to repair and restore such partial destruction, Landlord shall commence and proceed diligently with the work of repair and restoration, in which event this Lease shall continue in full force and effect. If the insurance proceeds (plus any amounts Tenant may elect or is obligated to contribute) are not sufficient to cover the cost of such repair and restoration, Landlord may elect either to so repair and restore, in which event this Lease shall continue in full force and effect, or not to repair or restore, in which event this Lease shall terminate. In either case, Landlord shall give written notice to Tenant of its intention within sixty (60) days after the Casualty Discovery Date. If Landlord elects, in writing, not to restore the Premises, this Lease shall be deemed to have terminated as of the date of such partial destruction.

21.1.3. CALCULATION OF RESTORATION PERIOD.

Following the occurrence of any casualty event, Landlord shall obtain from a licensed general contractor selected by Landlord (the "Restoration Contractor") an

estimate of the time required to obtain all permits and to fully repair and restore the Premises. In the event the Restoration Contractor determines that the work of repair and restoration shall require more than three hundred sixty-five (365) days to complete, Tenant shall have the right to discuss such timing with the Restoration Contractor and, with the approval of Landlord, to discuss modifications to the scope of work in an effort to reduce the repair and restoration time to a period of less than three hundred sixty-five days; provided, however, that in the event of any disagreement between the parties as to the estimated length of the restoration period or the scope of work required, the determination of Landlord and the Restoration Contractor shall control.

21.2. UNINSURED LOSS

If the Premises are damaged by any peril not covered by Landlord's property insurance, and the cost to repair such damage exceeds any amount Tenant may agree to contribute, Landlord may elect either to commence promptly to repair and restore the Premises and prosecute the same diligently to completion, in which event this Lease shall remain in full force and effect; or not to repair or restore the Premises, in which event this Lease shall terminate. Landlord shall give Tenant written notice of its intention within sixty (60) days after the Casualty Discovery Date. If Landlord elects, in writing, not to restore the Premises, this Lease shall be deemed to have terminated as of the date on which Tenant surrenders possession of the Premises to Landlord.

21.3. CASUALTY DURING LAST TWELVE MONTHS OF TERM

If fifty percent (50%) or more of the Building is damaged or destroyed during the last twelve (12) months of the Term (unless Tenant has remaining extension options and has previously validly exercised such options or validly exercises such options within ten (10) days after the Casualty Discovery Date), Landlord shall have the option to terminate this Lease, exercisable by notice to Tenant within sixty (60) days after the Casualty Discovery Date.

21.4. TENANT'S RIGHT TO TERMINATE LEASE

If the Premises is damaged or destroyed to the extent that the Premises cannot be substantially repaired or restored by Landlord within three hundred sixty-five (365) days after the Casualty Discovery Date, Tenant may terminate this Lease immediately upon notice thereof to Landlord, which notice shall be given, if at all, not later than fifteen (15) days after Landlord notifies Tenant of Landlord's estimate of the period of time required to repair such damage or destruction.

21.5. RENT ABATEMENT

In the event of repair and restoration as herein provided, the monthly installments of Base Rent and Additional Rent shall be abated proportionately to the extent Tenant's use of the Premises is impaired during the period of such repair or restoration, but only to the extent of rental abatement insurance proceeds actually

received by Landlord. The number of parking spaces allocated to Tenant hereunder shall be reduced on a proportionate basis in the event any of the parking spaces in the Parking Areas are eliminated as a result of such damage or destruction affecting such Parking Areas. Except as expressly provided above with respect to abatement of Base Rent, Tenant shall have no claim against Landlord for, and hereby releases Landlord and Landlord's Agents from responsibility for and waives its entire claim of recovery for any cost, loss or expense suffered or incurred by Tenant as a result of any damage to or destruction of the Premises, the Building or the Project or the repair or restoration thereof, including, without limitation, any cost, loss or expense resulting from any loss of use of the whole or any part of the Premises, the Building or the Project and/or any inconvenience or annoyance occasioned by such damage, repair or restoration.

21.6. RESTORATION OF BASE BUILDING IMPROVEMENTS AND TENANT IMPROVEMENTS

If Landlord is obligated to or elects to repair or restore as herein provided, Landlord shall repair or restore only the Base Building Improvements constructed pursuant to the terms of this Lease, substantially to their condition existing immediately prior to the occurrence of the damage or destruction; and Tenant shall promptly repair and restore, at Tenant's expense, the Tenant Improvements and Tenant's Alterations. Landlord shall make available to Tenant to pay Restoration Costs (as hereinafter defined) any insurance proceeds actually collected by Landlord allocable to the Tenant Improvements and Alterations. Such proceeds shall be disbursed by Landlord in accordance with customary construction-lending practices and disbursement procedures (including, without limitation, the creation of a retention). As used herein, "RESTORATION COSTS" means costs actually incurred by Tenant in repairing and restoring the Tenant Improvements and any Alterations made by Tenant to the Premises.

21.7. WAIVER

Tenant hereby waives the provisions of California Civil Code Section 1932(2) and Section 1933(4) which permit termination of a lease upon destruction of the leased premises, and the provisions of any similar law now or hereinafter in effect, and the provisions of this Paragraph 21 shall govern exclusively in case of such destruction.

22. CONDEMNATION

(a) If twenty-five percent (25%) or more of the Building or fifty percent (50%) or more of the Designated Parking Areas (as hereinafter defined) is taken for any public or quasi-public purpose by any lawful governmental power or authority, by exercise of the right of appropriation, inverse condemnation, condemnation or eminent domain, or sold to prevent such taking (each such event being referred to as a "CONDEMNATION"), Landlord may, at its option, terminate this Lease as of the date title vests in the condemning party. If twenty-five percent (25%) or more of the Premises is taken and if the Premises remaining after such Condemnation and any

repairs by Landlord would be untenantable for the conduct of Tenant's business operations, Tenant shall have the right to terminate this Lease as of the date title vests in the condemning party. If either party elects to terminate this Lease as provided herein, such election shall be made by written notice to the other party given within thirty (30) days after the nature and extent of such Condemnation have been finally determined. If neither Landlord nor Tenant elects to terminate this Lease to the extent permitted above, Landlord shall promptly proceed to restore the Premises, to the extent of any Condemnation award received by Landlord, to substantially the same condition as existed prior to such Condemnation, allowing for the reasonable effects of such Condemnation, and a proportionate abatement shall be made to the Base Rent and Additional Rent corresponding to the time during which, and to the portion of the floor area of the Premises (adjusted for any increase thereto resulting from any reconstruction) of which, Tenant is deprived on account of such Condemnation and restoration, as reasonably determined by Landlord. Except as expressly provided in the immediately preceding sentence with respect to abatement of Rent, Tenant shall have no claim against Landlord for, and hereby releases Landlord and Landlord's Agents from responsibility for and waives its entire claim of recovery for any cost, loss or expense suffered or incurred by Tenant as a result of any Condemnation or the repair or restoration of the Premises, the Building, the Project or the Parking Areas following such Condemnation, including, without limitation, any cost, loss or expense resulting from any loss of use of the whole or any part of the Premises, the Building, the Project or the parking areas, and/or any inconvenience or annoyance occasioned by such Condemnation, repair or restoration. The provisions of California Code of Civil Procedure Section 1265.130, which allows either party to petition the Superior Court to terminate the Lease in the event of a partial taking of the Premises, the Building or the Project or the parking areas for the Building or the Project, and any other applicable law now or hereafter enacted, are hereby waived by Tenant.

(a) Landlord shall be entitled to any and all compensation, damages, income, rent, awards, or any interest therein whatsoever which may be paid or made in connection with any Condemnation, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Lease or otherwise; provided, however, that Tenant shall be entitled to receive any award separately allocated by the condemning authority to Tenant for Tenant's relocation expenses or the value of Tenant's Property (specifically excluding fixtures, Alterations and other components of the Premises which under this Lease or by law are or at the expiration of the Term will become the property of Landlord), provided that such award does not reduce any award otherwise allocable or payable to Landlord.

23. ASSIGNMENT AND SUBLETTING

23.1. LANDLORD'S CONSENT REQUIRED EXCEPT FOR PERMITTED TRANSFERS

Except as specifically provided for in Paragraph 23.3 below, Tenant shall not voluntarily or by operation of law, (1) mortgage, pledge, hypothecate or encumber

this Lease or any interest herein, (2) assign or transfer this Lease or any interest herein, (3) sublease the Premises or any part thereof, or any right or privilege appurtenant thereto, or (4) allow any other person (the employees and invitees of Tenant excepted) to occupy or use the Premises, or any portion thereof, without first obtaining the written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed provided that Tenant is not then in Default under this Lease nor is any event then occurring which with the giving of notice or the passage of time, or both, would constitute a Default hereunder.

23.2. REQUIREMENTS OF REQUEST FOR CONSENT.

When Tenant requests Landlord's consent to such assignment or subletting, it shall notify Landlord in writing of the name and address of the proposed assignee or subtenant and the nature and character of the business of the proposed assignee or subtenant and shall provide current and prior financial statements for the proposed assignee or subtenant prepared in accordance with generally accepted accounting principles consistently applied ("GAAP"). Tenant shall also provide Landlord with a copy of the proposed sublease or assignment agreement, including all material terms and conditions thereof, and such additional information concerning the proposed assignee or subtenant as Landlord may request. Landlord shall have the option, to be exercised within fifteen (15) days of receipt of the foregoing in the case of a proposed assignment or subletting affecting not more than twenty five thousand (25,000) square feet of the Premises, and within thirty (30) days of receipt of the foregoing in the case of a proposed assignment or subletting affecting more than twenty five thousand (25,000) square feet ("LANDLORD'S REVIEW PERIOD"), to (1) consent to the proposed assignment or sublease, (2) refuse its consent to the proposed assignment or sublease, providing that such consent shall not be unreasonably withheld, conditioned or delayed so long as Tenant is not then in Default under this Lease or the Expansion Lease, if any, nor is any event then occurring which with the giving of notice or the passage of time, or both, would constitute a Default hereunder or under the Expansion Lease, or (3) sublease or take an assignment, as the case may be, from Tenant of the interest in this Lease and/or the Premises that Tenant proposes to assign or sublease, on the same terms and conditions as stated in the proposed sublet or assignment agreement. Notwithstanding the foregoing, in the event Tenant wishes to assign or sublet all of the Premises for all of the remainder of the Term (except in either event in connection with a Permitted Transfer), then in addition to the options specified in the aforesaid clauses (1), (2) and (3), Landlord shall have the additional right, to be exercised within the aforesaid thirty (30) day period, to terminate this Lease in its entirety. In the event Landlord elects to terminate this Lease or sublease or take an assignment from Tenant of the interest in this Lease and/or the Premises that Tenant proposes to assign or sublease as provided in the foregoing clauses of this Paragraph 23.2, then Landlord shall have the additional right to negotiate directly with Tenant's proposed assignee or subtenant and to enter into a direct lease or occupancy agreement with such party on such terms as shall be acceptable to Landlord in its sole and absolute discretion, and Tenant hereby waives any claims against Landlord related thereto, including, without limitation, any claims for any compensation or profit related to such lease or occupancy agreement.

23.3 CRITERIA TO BE CONSIDERED IN CONNECTION WITH REQUEST FOR CONSENT

Without otherwise limiting the criteria upon which Landlord may withhold its consent to a proposed assignment or sublease, Landlord shall be entitled to consider all reasonable criteria including, but not limited to, the following: (1) whether or not the proposed subtenant or assignee is engaged in a business which, and the Premises will be used in a manner which, is in keeping with the then character and nature of all other tenancies in the Project, (2) whether the use to be made of the Premises by the proposed subtenant or assignee will conflict with any so-called "exclusive" use then in favor of any other tenant of the Building, the Project, or the Adjacent Properties, and whether such use would be prohibited by any other portion of this Lease, including, but not limited to, any rules and regulations then in effect, or under applicable Laws, and whether such use imposes an unreasonable load upon the Premises and the Building and Project services, (3) the business reputation of the proposed individuals who will be managing and operating the business operations of the assignee or subtenant, and the long-term financial and competitive business prospects of the proposed assignee or subtenant, and (4) the creditworthiness and financial stability of the proposed assignee or subtenant in light of the responsibilities involved. In any event, Landlord may withhold its consent to any assignment or sublease if the actual use proposed to be conducted in the Premises or portion thereof is not a Permitted Use provided for under Paragraph 9 above or a general office use.

23.4. PERMITTED TRANSFERS

Notwithstanding the foregoing, Tenant may, without Landlord's consent, but upon notice and delivery of evidence documenting such assignment or subletting, assign or sublet to an Affiliate (as defined below) of the original Tenant (such assignment or subletting being referred to as a "PERMITTED TRANSFER"). In addition, a sale or transfer of the capital stock of Tenant shall be deemed a Permitted Transfer if (1) such sale or transfer occurs in connection with any bona fide financing or capitalization for the benefit of Tenant or (2) occurring through a public trade. For purposes of this Lease, "AFFILIATE" shall mean, as to any Person, any person, firm or corporation (i) which shall be controlled by, under the control of, or under common control with such person, (ii) which results from a merger of, reorganization of, or consolidation with, or (iii) which acquires substantially all of the stock or assets with respect to the business that is conducted in the Premises. "PERSON" means any natural person, corporation, firm, association, government, governmental agency or any other entity, whether acting in any individual, fiduciary or other capacity. For purposes hereof, "CONTROL" shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, firm or corporation, whether through the ownership of voting securities, by contract or otherwise.

23.5. EXCESS RENT

If Landlord approves an assignment or subletting as herein provided, Tenant shall pay to Landlord, as Additional Rent, fifty percent (50%) of the Transfer

Profits (as hereinafter defined), as evidenced by written records satisfactory to Landlord. As used herein, "Transfer Profits" means the difference, if any, between (1) the Base Rent plus Additional Rent allocable to that part of the Premises affected by such assignment or sublease pursuant to the provisions of this Lease, and (2) the rent and any additional rent payable by the assignee or sublessee to Tenant, less actual leasing commissions and reasonable attorneys' fees, if any, incurred by Tenant in connection with such assignment or sublease, and actual tenant improvement costs paid by Tenant up to an aggregate of five dollars ($5.00) per square foot of space subject to the assignment or sublease transaction. The assignment or sublease agreement, as the case may be, after approval by Landlord, shall not be amended without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed, shall contain an express assumption by the assignee or subtenant of Tenant's obligations under this Lease and shall contain a provision directing the assignee or subtenant to pay the rent and other sums due thereunder directly to Landlord upon receiving written notice from Landlord that Tenant is in default under this Lease with respect to the payment of Rent. In the event that, notwithstanding the giving of such notice, Tenant collects any rent or other sums from the assignee or subtenant, then Tenant shall hold such sums in trust for the benefit of Landlord and shall immediately forward the same to Landlord. Landlord's collection of such rent and other sums shall not constitute an acceptance by Landlord of attornment by such assignee or subtenant. A consent to one assignment, subletting, occupation or use shall not be deemed to be a consent to any other or subsequent assignment, subletting, occupation or use, and consent to any assignment or subletting shall in no way relieve Tenant of any liability under this Lease. Any assignment or subletting without Landlord's consent shall be void, and shall, at the option of Landlord, constitute a Default under this Lease.

23.6. NO RELEASE OF TENANT

Notwithstanding any assignment or subletting, including, without limitation, a Permitted Transfer, Tenant shall at all times remain fully responsible and liable for the payment of the Rent and for compliance with all of Tenant's other obligations under this Lease (regardless of whether Landlord's approval has been obtained for any such assignment or subletting).

23.7 PAYMENT OF LANDLORD'S FEES

Tenant shall pay Landlord's reasonable fees (including, without limitation, the fees of Landlord's counsel, not to exceed $1,000.00 per transaction), incurred in connection with Landlord's review and processing of documents regarding any proposed assignment or sublease.

23.8. NO CONSENT TO FURTHER ASSIGNMENT

Notwithstanding anything in this Lease to the contrary, in the event Landlord consents to an assignment or subletting by Tenant in accordance with the terms of this Paragraph 23 (specifically excluding any Permitted Transfer), Tenant's assignee or

subtenant shall have no right to further assign this Lease or any interest therein or thereunder or to further sublease all or any portion of the Premises.

23.9. CONSTRAINTS REASONABLE

Tenant acknowledges and agrees that the restrictions, conditions and limitations imposed by this Paragraph 23 on Tenant's ability to assign or transfer this Lease or any interest herein, to sublet the Premises or any part thereof, to transfer or assign any right or privilege appurtenant to the Premises, or to allow any other person to occupy or use the Premises or any portion thereof, are, for the purposes of California Civil Code Section 1951.4, as amended from time to time, and for all other purposes, reasonable at the time that the Lease was entered into, and shall be deemed to be reasonable at the time that Tenant seeks to assign or transfer this Lease or any interest herein, to sublet the Premises or any part thereof, to transfer or assign any right or privilege appurtenant to the Premises, or to allow any other person to occupy or use the Premises or any portion thereof.

24. TENANT'S DEFAULT

The occurrence of any one of the following events shall constitute an event of default on the part of Tenant ("DEFAULT"):

(a) The vacation of the Premises for a consecutive period of sixty (60) days or more, without (i) the intention of retaking possession or occupancy, and (ii) providing for the security of the Building, or the abandonment of the Premises by Tenant or any other vacation which would cause any insurance policy to be invalidated or otherwise lapse;

(b) Failure to pay any installment of Rent or any other monies due and payable hereunder within five (5) days after the date the same are due;

(c) A general assignment by Tenant for the benefit of creditors;

(d) The filing of a voluntary petition in bankruptcy by Tenant, the filing by Tenant of a voluntary petition for an arrangement, the filing by or against Tenant of a petition, voluntary or involuntary, for reorganization, or the filing of an involuntary petition by the creditors of Tenant, said involuntary petition remaining undischarged for a period of sixty (60) days;

(e) Receivership, attachment, or other judicial seizure of substantially all of Tenant's assets on the Premises, such attachment or other seizure remaining undismissed or undischarged for a period of sixty (60) days after the levy thereof;

(f) Death or disability of Tenant, if Tenant is a natural person., or the failure by Tenant to maintain its legal existence, if Tenant is a corporation, partnership, limited liability company, trust or other legal entity;

(g) Failure of Tenant to execute and deliver to Landlord any estoppel certificate, subordination agreement, or lease amendment in the time periods and manner required by Paragraphs 30 or 31 or 42;

(h) An assignment or sublease, or attempted assignment or sublease, of this Lease or the Premises by Tenant contrary to the provisions of Paragraph 23,
unless such assignment or sublease is expressly conditioned upon Tenant having received Landlord's consent thereto;

(i) Failure of Tenant to deposit the Letter of Credit with Landlord when required under Paragraph 7, and/or failure of Tenant to restore the Letter of Credit to the amount and within the time period provided in Paragraph 7;

(j) Failure in the performance of any of Tenant's covenants, agreements or obligations hereunder (except those failures specified as events of Default in any other subparagraphs of this Paragraph 24, which shall be governed by such other subparagraphs), which failure continues for thirty (30) days after written notice thereof from Landlord to Tenant, provided that, if Tenant has exercised reasonable diligence to cure such failure and such failure cannot be cured within such thirty (30) day period despite reasonable diligence, Tenant shall not be in default under this subparagraph so long as Tenant thereafter diligently and continuously prosecutes the cure to completion;

(k) Chronic delinquency by Tenant in the payment of Rent, or any other periodic payments required to be paid by Tenant under this Lease. "CHRONIC DELINQUENCY" shall mean failure by Tenant to pay Rent, or any other periodic payments required to be paid by Tenant under this Lease, when due (i) for any three (3) months (consecutive or nonconsecutive) during any period of twelve (12) months or (ii) for any twelve (12) months (consecutive or nonconsecutive) during the Term. In the event of a Chronic Delinquency, in addition to Landlord's other remedies for Default provided in this Lease, at Landlord's option, Landlord shall have the right to require that Rent be paid by Tenant quarterly, in advance;

(l) Chronic overuse by Tenant or Tenant's Agents of the number of undesignated parking spaces set forth in the Basic Lease Information. "CHRONIC OVERUSE" shall mean use by Tenant or Tenant's Agents of a number of parking spaces greater than the number of parking spaces set forth in the Basic Lease Information more than three (3) times during any twelve (12) month period;

(m) Any insurance required to be maintained by Tenant pursuant to this Lease shall be canceled or terminated or shall expire or be reduced or materially changed, except as permitted in this Lease, and shall not have been replaced with substitute insurance satisfying the requirements of this Lease within five (5) business days of Tenant's receipt of notice of such termination, reduction or change;

(n) Any failure by Tenant to discharge any lien or encumbrance placed on the Project or any part thereof in violation of this Lease within ten (10) days after the date such lien or encumbrance is filed or recorded against the Project or any part thereof; and

(o) The occurrence of a Default under an Expansion Lease, if any.

Tenant agrees that any notice given by Landlord pursuant to Paragraph 24(j) above shall satisfy the requirements for notice under California Code of Civil Procedure Section 1161. and Landlord shall not be required to give any additional notice in order to be entitled to commence an unlawful detainer proceeding.

25. LANDLORD'S REMEDIES

25.1. TERMINATION

In the event of any Default by Tenant, then in addition to any other remedies available to Landlord at law or in equity and under this Lease, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event that Landlord shall elect to so terminate this Lease then Landlord may recover from Tenant:

(1) the worth at the time of award of any unpaid Rent and any other sums due and payable which have been earned at the time of such termination; plus

(2) the worth at the time of award of the amount by which the unpaid Rent and any other sums due and payable which would have been earned after termination until the time of award exceeds the amount of such rental loss Tenant proves could have been reasonably avoided; plus

(3) the worth at the time of award of the amount by which the unpaid Rent and any other sums due and payable for the balance of the term of this Lease after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; plus

(4) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course would be likely to result therefrom, including, without limitation, (A) any costs or expenses incurred by Landlord (1) in retaking possession of the Premises; (2) in maintaining, repairing, preserving, restoring, replacing, cleaning, altering, remodeling or rehabilitating the Premises or any affected portions of the Building or the Project, including such actions undertaken in connection with the reletting or attempted reletting of the Premises to a new tenant or tenants, (3) for leasing commissions, advertising costs and other expenses of reletting the Premises; or (4) in carrying the Premises, including taxes, insurance premiums, utilities and security precautions; (B) any unearned brokerage commissions paid in connection with this Lease; (C) reimbursement of any previously waived or abated Base Rent or Additional

Rent or any free rent or reduced rental rate granted hereunder; and (D) any concession made or paid by Landlord to the benefit of Tenant in consideration of this Lease including, but not limited to, any moving allowances, contributions, payments or loans by Landlord for tenant improvements or build-out allowances (including without limitation, any unamortized portion of the Tenant Improvement Allowance (such Tenant Improvement Allowance to be amortized over the Term in the manner reasonably determined by Landlord), if any, and any outstanding balance (principal and accrued interest) of the Tenant Improvement Loan, if any), or assumptions by Landlord of any of Tenant's previous lease obligations; plus

(5) such reasonable attorneys' fees incurred by Landlord as a result of a Default, and costs in the event suit is filed by Landlord to enforce such remedy; and plus

(6) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

Notwithstanding the provisions of Paragraph 25.1(4) above, in the event of a Default by Tenant occurring on or after the commencement of the seventh (7th) Lease Year. Landlord shall be entitled to recover from Tenant the expenses described in clauses (B), (C) and (D) of said Paragraph 25.1(4) only to the extent that Landlord does not (i) recover from Tenant the unpaid Rent described in Paragraphs 25.1(1) through 25.1(3) or (ii) enter into a lease agreement covering the Premises with a replacement tenant with a scheduled expiration date not earlier than the Expiration Date of this Lease, and pursuant to which the Replacement Tenant agrees to pay Rent for the Premises equal to or greater than the Rent (including, without limitation, installments of principal and interest on the Tenant Improvement Loan) otherwise due hereunder during such period.

As used in subparagraphs (1) and (2) above, the "WORTH AT THE TIME OF AWARD" is computed by allowing interest at an annual rate equal to twelve percent (12%) per annum or the maximum rate permitted by law, whichever is less. As used in subparagraph (3) above, the "WORTH AT THE TIME OF AWARD" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award, plus one percent (1%). Tenant waives redemption or relief from forfeiture under California Code of Civil Procedure Sections 1174 and 1179, or under any other pertinent present or future Law, in the event Tenant is evicted or Landlord takes possession of the Premises by reason of any Default of Tenant hereunder.

25.2. CONTINUATION OF LEASE

In the event of any Default by Tenant, then in addition to any other remedies available to Landlord at law or in equity and under this Lease, Landlord shall have the remedy described in California Civil Code Section 1951.4 (Landlord may continue this Lease in effect after Tenant's Default and abandonment and recover Rent as it becomes due, provided Tenant has the right to sublet or assign, subject only to reasonable limitations). In addition, Landlord shall not be liable in any way whatsoever

for its failure or refusal to relet the Premises; provided, however, that the foregoing provision shall not be deemed to relieve Landlord of any duty under applicable law to mitigate Tenant's damages in the event Landlord elects to seek damages for Tenant's breach or default. For purposes of this Paragraph 25.2, the following acts by Landlord will not constitute the termination of Tenant's right to possession of the Premises:

(1) Acts of maintenance or preservation or efforts to relet the Premises, including, but not limited to, alterations, remodeling, redecorating, repairs, replacements and/or painting as Landlord shall consider advisable for the purpose of reletting the Premises or any part thereof; or

(2) The appointment of a receiver upon the initiative of Landlord to protect Landlord's interest under this Lease or in the Premises.

25.3. RE-ENTRY

In the event of any Default by Tenant, Landlord shall also have the right, with or without terminating this Lease, in compliance with applicable law, to re-enter the Premises and remove all persons and property from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant.

25.4. RELETTING

In the event of the abandonment of the Premises by Tenant or in the event that Landlord shall elect to re-enter as provided in Paragraph 25.3 or shall take possession of the Premises pursuant to legal proceeding or pursuant to any notice provided by law, then if Landlord does not elect to terminate this Lease as provided in Paragraph 25.1, Landlord may from time to time, without terminating this Lease, relet the Premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Landlord in its sole discretion may deem advisable with the right to make alterations and repairs to the Premises in Landlord's sole discretion. In the event that Landlord shall elect to so relet, then rentals received by Landlord from such reletting shall be applied in the following order: (1) to reasonable attorneys' fees incurred by Landlord as a result of a Default and costs in the event suit is filed by Landlord to enforce such remedies; (2) to the payment of any indebtedness, other than Rent due hereunder from Tenant to Landlord; (3) to the payment of any costs of such reletting; (4) to the payment of the costs of any alterations and repairs to the Premises; (5) to the payment of Rent due and unpaid hereunder; and (6) the residue, if any, shall be held by Landlord and applied in payment of future Rent and other sums payable by Tenant hereunder as the same may become due and payable hereunder. Should that portion of such rentals received from such reletting during any month, which is applied to the payment of Rent hereunder, be less than the Rent payable during the month by Tenant hereunder, then Tenant shall pay such deficiency to Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as ascertained, any costs and

expenses incurred by Landlord in such reletting or in making such alterations and repairs not covered by the rentals received from such reletting.

25.5. TERMINATION

No re-entry or taking of possession of the Premises by Landlord pursuant to this Paragraph 25 shall be construed as an election to terminate this Lease unless a written notice of such intention is given to Tenant or unless the termination thereof is decreed by a court of competent jurisdiction. Notwithstanding any reletting without termination by Landlord because of any Default by Tenant, Landlord may at any time after such reletting elect to terminate this Lease for any such Default.

25.6. CUMULATIVE REMEDIES

The remedies herein provided are not exclusive and Landlord shall have any and all other remedies provided herein or by law or in equity.

25.7. NO SURRENDER

No act or conduct of Landlord, whether consisting of the acceptance of the keys to the Premises, or otherwise, shall be deemed to be or constitute an acceptance of the surrender of the Premises by Tenant prior to the expiration of the Term, and such acceptance by Landlord of surrender by Tenant shall only flow from and must be evidenced by a written acknowledgment of acceptance of surrender signed by Landlord. The surrender of this Lease by Tenant, voluntarily or otherwise, shall not work a merger unless Landlord elects in writing that such merger take place, but shall operate as an assignment to Landlord of any and all existing subleases, or Landlord may, at its option, elect in writing to treat such surrender as a merger terminating Tenant's estate under this Lease, and thereupon Landlord may terminate any or all such subleases by notifying the sublessee of its election so to do within five (5) days after such surrender.

26. LANDLORD'S RIGHT TO PERFORM TENANT'S OBLIGATIONS

26.1. LANDLORD'S RIGHT TO PERFORM

Without limiting the rights and remedies of Landlord contained in Paragraph 25 above, if Tenant shall be in Default in the performance of any of the terms, provisions, covenants or conditions to be performed or complied with by Tenant pursuant to this Lease, then Landlord may at Landlord's option, without any obligation to do so, and without further notice to Tenant perform any such term, provision, covenant, or condition, or make any such payment and Landlord by reason of so doing shall not be liable or responsible for any loss or damage thereby sustained by Tenant or anyone holding under or through Tenant or any of Tenant's Agents, unless caused by Landlord's gross negligence or willful misconduct.

26.2. IN EMERGENCIES

Without limiting the rights of Landlord under Paragraph 25 above, Landlord shall have the right at Landlord's option, without any obligation to do so, to perform any of Tenant's covenants or obligations under this Lease without notice to Tenant in the case of an emergency, as determined by Landlord in its good faith and absolute judgment, or if Landlord otherwise determines in its reasonable discretion that such performance is necessary or desirable for the preservation of the rights and interests or safety of other tenants of the Building or the Project.

26.3. TENANT'S OBLIGATION TO REIMBURSE LANDLORD

If Landlord performs any of Tenant's obligations hereunder in accordance with this Paragraph 26, the full amount of the cost and expense incurred or the payment so made or the amount of the loss so sustained shall immediately be owing by Tenant to Landlord, and Tenant shall promptly pay to Landlord upon demand, as Additional Rent, the full amount thereof with interest thereon from the date of payment by Landlord at the lower of (1) twelve percent (12%) per annum, or (2) the highest rate permitted by applicable law.

27. ATTORNEYS' FEES

27.1. PREVAILING PARTY ENTITLED TO FEES

If either party hereto fails to perform any of its obligations under this Lease or if any dispute arises between the parties hereto concerning the meaning or interpretation of any provision of this Lease, then the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party on account of such default and/or in enforcing or establishing its rights hereunder, including, without limitation, court costs and reasonable attorneys' fees and disbursements. Any such attorneys' fees and other expenses incurred by either party in enforcing a judgment in its favor under this Lease shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys' fees obligation is intended to be severable from the other provisions of this Lease and to survive and not be merged into any such judgment.

27.2. COSTS OF COLLECTION

Without limiting the generality of Paragraph 27.1 above, if Landlord utilizes the services of an attorney for the purpose of collecting any Rent due and unpaid by Tenant or in connection with any other breach of this Lease by Tenant, Tenant agrees to pay Landlord reasonable attorneys' fees as determined by Landlord for such services, regardless of the fact that no legal action may be commenced or filed by Landlord.

28. TAXES

Tenant shall be liable for and shall pay, prior to delinquency, all taxes levied against Tenant's Property. If any Alteration or Tenant Improvement installed by Tenant pursuant to Paragraph 12 or any of Tenant's Property is assessed and taxed with the Project or Building, Tenant shall pay such taxes to Landlord, in an amount reasonably determined by Landlord if such taxes are not separately stated in the applicable tax bill, within ten (10) days after delivery to Tenant of a statement therefor.

29. EFFECT OF CONVEYANCE

The term "LANDLORD" as used in this Lease means, from time to time, the then current owner of the Building or the Project containing the Premises, so that, in the event of any sale of the Building or the Project, Landlord shall be and hereby is entirely freed and relieved of all covenants and obligations of Landlord arising hereunder from and after the date of such transfer, and it shall be deemed and construed, without further agreement between the parties and the purchaser at any such sale, that the purchaser of the Building or the Project has assumed and agreed to carry out any and all covenants and obligations of Landlord hereunder.

30. TENANT'S ESTOPPEL CERTIFICATE

From time to time, upon written request of Landlord, Tenant shall execute, acknowledge and deliver to Landlord or its designee, a written certificate stating (a) the date this Lease was executed, the Commencement Date of the Term and the date the Term expires; (b) the date Tenant entered into occupancy of the Premises; (c) the amount of Rent and the date to which such Rent has been paid; (d) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way (or, if assigned, modified, supplemented or amended, specifying the date and terms of any agreement so affecting this Lease); (e) that this Lease represents the entire agreement between the parties with respect to Tenant's right to use and occupy the Premises (or specifying such other agreements, if any); (f) that all obligations under this Lease to be performed by Landlord as of the date of such certificate have been satisfied (or specifying those as to which Tenant claims that Landlord has yet to perform); (g) that all required contributions by Landlord to Tenant on account of Tenant's improvements have been received (or stating exceptions thereto); (h) that on such date there exist no defenses or offsets that Tenant has against the enforcement of this Lease by Landlord (or stating exceptions thereto); (i) that no Rent or other sum payable by Tenant hereunder has been paid more than one (1) month in advance (or stating exceptions thereto); (j) that a currently valid Letter of Credit has been deposited with Landlord, stating the original amount thereof and any increases or decreases thereto; and (k) any other matters evidencing the status of this Lease that may be required either by a lender making a loan to Landlord to be secured by a deed of trust covering the Building or the Project or by a purchaser of the Building or the Project. Any such certificate delivered pursuant to this Paragraph 30 may be relied upon by a prospective purchaser of Landlord's interest or a mortgagee of Landlord's interest or assignee of any mortgage upon Landlord's interest in

the Premises. If Tenant shall fail to provide such certificate within ten (10) days of receipt by Tenant of a written request by Landlord as herein provided, such failure shall at Landlord's election, constitute a Default under this Lease, and Tenant shall be deemed to have given such certificate as above provided without modification and shall be deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee.

31. SUBORDINATION

Landlord shall have the right to cause this Lease to be and remain subject and subordinate to any and all mortgages, deeds of trust and ground leases, if any ("ENCUMBRANCES") that are now or may hereafter be executed covering the Premises, or any renewals, modifications, consolidations, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances, together with interest thereon and subject to all the terms and provisions thereof, provided only, and as an express condition precedent to any such subordination of this Lease to an Encumbrance hereafter executed covering the Premises, the holder of such Encumbrance ("HOLDER") shall agree to recognize Tenant's rights under this Lease upon the foreclosure or termination, as applicable, of such Encumbrance as long as Tenant shall pay the Rent and observe and perform all the provisions of this Lease to be observed and performed by Tenant. Within ten (10) days after Landlord's written request, Tenant shall execute, acknowledge and deliver any and all reasonable documents required by Landlord or the Holder to effectuate such subordination, provided that, concurrently with the execution of such subordination documents, the Holder shall execute a nondisturbance agreement in favor of Tenant consistent with the terms of this Paragraph 31. If Tenant fails to do so, such failure shall constitute a Default by Tenant under this Lease. Notwithstanding anything to the contrary set forth in this Paragraph 31, Tenant hereby attorns and agrees to attorn to any person or entity purchasing or otherwise acquiring the Premises at any sale or other proceeding or pursuant to the exercise of any other rights, powers or remedies under such Encumbrance.

32. ENVIRONMENTAL COVENANTS

32.1. DISCLOSURE CERTIFICATE

Prior to executing this Lease, Tenant has completed, executed and delivered to Landlord a Hazardous Materials Disclosure Certificate ("INITIAL DISCLOSURE CERTIFICATE"), a fully completed copy of which is attached hereto as EXHIBIT G and incorporated herein by this reference. Tenant covenants, represents and warrants to Landlord that the information on the Initial Disclosure Certificate is, to the best of Tenant's knowledge, true and correct and accurately describes the Hazardous Materials which will be treated, used or stored on or about the Premises by Tenant or Tenant's Agents.

32.2. TENANT'S OBLIGATION TO UPDATE DISCLOSURE CERTIFICATE

Tenant shall, on a semi-annual basis, complete, execute and deliver to Landlord an updated Disclosure Certificate (each, an "UPDATED DISCLOSURE CERTIFICATE") describing Tenant's then current and proposed future uses of Hazardous Materials on or about the Premises, which Updated Disclosure Certificates shall be in the same format as that which is set forth in EXHIBIT G or in such updated format as Landlord may require from time to time. Landlord shall have the right to approve or disapprove such new or additional Hazardous Materials in its sole and absolute discretion. Tenant shall make no use of Hazardous Materials on or about the Premises except as described in the Initial Disclosure Certificate or as otherwise approved by Landlord in writing in accordance with this Paragraph 32.2.

32.3. DEFINITION OF HAZARDOUS MATERIALS

As used in this Lease, the term "HAZARDOUS MATERIALS" shall mean and include any substance that is or contains (1) any "hazardous substance" as now or hereafter defined in Section 101(14) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA") (42 U.S.C. Section 9601 ET SEQ.) or any regulations promulgated under CERCLA; (2) any "hazardous waste" as now or hereafter defined in the Resource Conservation and Recovery Act, as amended ("RCRA") (42 U.S.C. Section 6901 ET SEQ.) or any regulations promulgated under RCRA; (3) any substance now or hereafter regulated by the Toxic Substances Control Act, as amended ("TSCA") (15 U.S.C. Section 2601 ET SEQ.) or any regulations promulgated under TSCA; (4) petroleum, petroleum by-products, gasoline, diesel fuel, or other petroleum hydrocarbons; (5) asbestos and asbestos-containing material, in any form, whether friable or non-friable; (6) polychlorinated biphenyls; (7) lead and lead-containing materials; or (8) any additional substance, material or waste (A) the presence of which on or about the Premises (i) requires reporting, investigation or remediation under any Environmental Laws (as hereinafter defined), (ii) causes or threatens to cause a nuisance on the Premises or any adjacent area or property or poses or threatens to pose a hazard to the health or safety of persons on the Premises or any adjacent area or property, or (iii) which, if it emanated or migrated from the Premises, could constitute a trespass, or (B) which is now or is hereafter classified or considered to be hazardous or toxic under any Environmental Laws. Landlord hereby notifies Tenant in accordance with California Health & Safety Code Section 25359.7 that in 1981-82, the Project was the subject of a state-supervised cleanup of hazardous waste disposed of on the site by prior occupants. As part of the cleanup approved by the applicable agencies, some soils containing heavy metals were left in place, covered by clean fill. These soils are managed in accordance with the requirements of the applicable agencies and a Declaration of Covenants, Conditions and Restrictions imposed by Homart Development Co.

32.4. DEFINITION OF ENVIRONMENTAL LAWS

As used in this Lease, the term "ENVIRONMENTAL LAWS" shall mean and include (1) CERCLA, RCRA and TSCA; and (2) any other federal, state or local laws,

ordinances, statutes, codes, rules, regulations, orders or decrees now or hereinafter in effect relating to (A) pollution, (B) the protection or regulation of human health, natural resources or the environment, (C) the treatment, storage or disposal of Hazardous Materials, or (D) the emission, discharge, release or threatened release of Hazardous Materials into the environment.

32.5. TENANT'S USE OF HAZARDOUS MATERIALS

Tenant agrees that during its use and occupancy of the Premises it will (1) not (A) introduce any Hazardous Materials on or about the Premises except in a manner and quantity necessary for the ordinary performance of Tenant's business or (B) release, discharge or dispose of any Hazardous Materials on, in, at, under, or emanating from, the Premises, the Building or the Project; (2) comply with all Environmental Laws relating to Tenant's use of Hazardous Materials in, on or about the Premises and not engage in or permit Tenant's Agents to engage in any activity in, on or about the Premises in violation of any Environmental Laws; and (3) immediately notify Landlord of (A) any inquiry, test, investigation or enforcement proceeding by any governmental agency or authority against Tenant, Landlord or the Premises, Building or Project relating to any Hazardous Materials or under any Environmental Laws or (B) the occurrence of any event or existence of any condition that would cause a breach of any of the covenants set forth in this Paragraph 32.

32.6. TENANT'S REMEDIATION OBLIGATIONS

If Tenant's use of Hazardous Materials on or about the Premises results in a release, discharge or disposal of Hazardous Materials on, in, at, under, or emanating from, the Premises, the Building or the Project, Tenant agrees to investigate, clean up, remove or remediate such Hazardous Materials in full compliance with (1) the requirements of (A) all Environmental Laws and (B) any governmental agency or authority responsible for the enforcement of any Environmental Laws; and (2) any additional requirements of Landlord that are reasonably necessary to protect the value of the Premises, the Building or the Project.

32.7. LANDLORD'S INSPECTIONS

Upon twenty-four (24) hours' notice to Tenant (except in the case of an emergency, in which event no advance notice shall be required), Landlord may inspect the Premises and surrounding areas for the purpose of determining whether there exists on or about the Premises any Hazardous Material or other condition or activity that is in violation of the requirements of this Lease or of any Environmental Laws. Such inspections may include, but are not limited to, entering upon the property adjacent to or surrounding the Premises with drill rigs or other machinery for the purpose of obtaining laboratory samples. Landlord shall not be limited in the number of such inspections during the Term of this Lease. In the event (1) such inspections reveal the presence of any such Hazardous Material or other condition or activity caused by Tenant or its Agents in violation of the requirements of this Lease or of any Environmental Laws, or

(2) Tenant or its Agents contribute or knowingly consent to the importation of any Hazardous Materials in, on, under, through or about the Premises, the Building or the Project or, through their actions, exacerbate the condition of or the conditions caused by any Hazardous Materials in, on, under, through or about the Premises, the Building or the Project, Tenant shall reimburse Landlord for the cost of such inspections within ten (10) days of receipt of a written statement therefor. Tenant will supply to Landlord such historical and operational information regarding the Premises and surrounding areas as may be reasonably requested to facilitate any such inspection and will make available for meetings appropriate personnel having knowledge of such matters. In the event Tenant vacates the Premises prior to the Expiration Date, Tenant shall give Landlord at least sixty (60) days' prior notice of its intention to vacate the Premises so that Landlord will have an opportunity to perform such an inspection prior to such vacation. The right granted to Landlord herein to perform inspections shall not create a duty on Landlord's part to inspect the Premises, or liability on the part of Landlord for Tenant's use, storage, treatment or disposal of Hazardous Materials, it being understood that Tenant shall be solely responsible for all liability in connection therewith.

32.8. LANDLORD'S RIGHT TO REMEDIATE

Landlord shall have the right, but not the obligation, prior or subsequent to a Default, without in any way limiting Landlord's other rights and remedies under this Lease, to enter upon the Premises, or to take such other actions as it deems necessary or advisable, to investigate, clean up, remove or remediate any Hazardous Materials or contamination by Hazardous Materials present on, in, at, under, or emanating from, the Premises, the Building or the Project in violation of Tenant's obligations under this Lease or under any Environmental Laws. Notwithstanding any other provision of this Lease, Landlord shall also have the right, at its election, in its own name or as Tenant's agent, to negotiate, defend, approve and appeal, at Tenant's expense, any action taken or order issued by any governmental agency or authority with regard to any such Hazardous Materials or contamination by Hazardous Materials. All reasonable costs and expenses paid or incurred by Landlord in the exercise of the rights set forth in this Paragraph 32 shall be payable by Tenant upon demand.

32.9. CONDITION OF PREMISES UPON EXPIRATION OR TERMINATION

Tenant shall surrender the Premises to Landlord upon the expiration or earlier termination of this Lease free of debris, waste or Hazardous Materials placed on, about or near the Premises by Tenant or Tenant's Agents, and in a condition which complies with (i) all Environmental Laws, and (ii) any additional requirements of Landlord that are reasonably necessary to protect the value of the Premises, the Building or the Project, including, without limitation, the obtaining of any closure permits or other governmental permits or approvals related to Tenant's use of Hazardous Materials in or about the Premises. Tenant's obligations and liabilities pursuant to the provisions of this Paragraph 32 shall survive the expiration or earlier termination of this Lease.

32.10. TENANT'S INDEMNIFICATION OF LANDLORD

Tenant agrees to indemnify and hold harmless Landlord from and against any and all claims, losses (including, without limitation, loss in value of the Premises, the Building or the Project and any losses to Landlord due to lost opportunities to lease any portions of the Premises to succeeding tenants due to the failure of Tenant to surrender the Premises upon the expiration or sooner termination of this Lease in accordance with the provisions of Paragraph 32.9 above), liabilities and expenses (including attorney's fees) sustained by Landlord attributable to (1) any Hazardous Materials placed on or about the Premises, the Building or the Project by Tenant or Tenant's Agents, or (2) Tenant's breach of any provision of this Paragraph 32.

32.11. LANDLORD'S INDEMNIFICATION OF TENANT

Landlord agrees to indemnify and hold harmless Tenant from and against any and all claims, losses, liabilities and expenses (including attorneys' fees, but specifically excluding lost profits and consequential damages) actually sustained by Tenant attributable to any Hazardous Materials placed on or about the Premises, the Building or the Project by Landlord or Landlord's Agents, except to the extent the condition thereof has been exacerbated by Tenant or Tenant's Agents.

32.12. LIMITATION OF TENANT'S LIABILITY

Notwithstanding anything in this Lease to the contrary, Tenant shall not be responsible for the clean up or remediation of, and shall not be required to indemnify Landlord against any costs or liabilities attributable to, contamination by Hazardous Materials during the Term caused by third parties or Hazardous Materials place on or about the Premises (i) prior to the Commencement Date by third parties not related to Tenant or Tenant's Agents, or (ii) by Landlord at any time, except in any of the foregoing cases to the extent that Tenant or Tenant's Agents have contributed to or exacerbated the presence of such Hazardous Materials.

32.13. SURVIVAL

The provisions of this Paragraph 32 shall survive the expiration or earlier termination of this Lease.

33. NOTICES

All notices and demands which are required or may be permitted to be given to either party by the other hereunder shall be in writing and shall be sent by United States mail, postage prepaid, certified, or by personal delivery or overnight courier, addressed to the addressee at Tenant's Address or Landlord's Address as specified in the Basic Lease Information, or to such other place as either party may from time to time designate in a notice to the other party given as provided herein. Copies of all notices and demands given to Landlord shall additionally be sent to Landlord's property manager at the address specified in the Basic Lease Information or at such other address as Landlord

may specify in writing from time to time. Notice shall be deemed given upon actual receipt (or attempted delivery if delivery is refused), if personally delivered, or one (1) business day following deposit with a reputable overnight courier that provides a receipt, or on the third (3rd) day following deposit in the United States mail in the manner described above.

34. WAIVER

The waiver of any breach of any term, covenant or condition of this Lease shall not be deemed to be a waiver of such term, covenant or condition or of any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant, other than the failure of Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Rent. No delay or omission in the exercise of any right or remedy of Landlord in regard to any Default by Tenant shall impair such a right or remedy or be construed as a waiver. Any waiver by Landlord of any Default must be in writing and shall not be a waiver of any other Default concerning the same or any other provisions of this Lease.

35. HOLDING OVER

Any holding over after the expiration of the Term, without the express written consent of Landlord, shall constitute a Default and, without limiting Landlord's remedies provided in this Lease, such holding over shall be construed to be a tenancy at sufferance, at a rental rate equal to the greater of one hundred fifty percent (150%) of (i) the fair market rental value for the Premises as determined by Landlord or (ii) the Base Rent last due in this Lease, plus Additional Rent, and shall otherwise be on the terms and conditions herein specified, so far as applicable; provided, however, in no event shall any renewal or extension option or other similar right or option contained in this Lease be deemed applicable to any such tenancy at sufferance. If the Premises are not surrendered at the end of the Term or sooner termination of this Lease, and in accordance with the provisions of Paragraphs 11 and 32.9, Tenant shall indemnify, defend and hold Landlord harmless from and against any and all loss or liability resulting from delay by Tenant in so surrendering the Premises including, without limitation, any loss or liability resulting from any claim against Landlord made by any succeeding tenant or prospective tenant caused by such delay and losses to Landlord due to lost opportunities to lease any portion of the Premises to any such succeeding tenant or prospective tenant, together with, in each case, actual attorneys' fees and costs.

36. SUCCESSORS AND ASSIGNS

36.1. BINDING ON SUCCESSORS, ETC.

The terms, covenants and conditions of this Lease shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors,

administrators and assigns of all of the parties hereto. If Tenant shall consist of more than one entity or person, the obligations of Tenant under this Lease shall be joint and several.

36.2. LANDLORD'S RIGHT TO SELL

Notwithstanding anything in this Lease to the contrary, Landlord shall have the right to sell, transfer or otherwise convey, either separately or jointly, its interest in the Building and/or the Project, and all of Landlord's related rights and obligations hereunder, to any Person.

37. TIME

Time is of the essence of this Lease and each and every term, condition and provision herein.

38. BROKERS

Landlord and Tenant each represents and warrants to the other that neither it nor its officers or agents nor anyone acting on its behalf has dealt with any real estate broker except the Broker(s) specified in the Basic Lease Information in the negotiating or making of this Lease, and each party agrees to indemnify and hold harmless the other from any claim or claims, and costs and expenses, including attorneys' fees, incurred by the indemnified party in conjunction with any such claim or claims of any other broker or brokers to a commission in connection with this Lease as a result of the actions of the indemnifying party. Landlord shall pay the brokerage commissions due to the Brokers listed in the Basic Lease Information. Nothing contained herein shall restrict Landlord from paying any fees owed by Landlord in connection with the execution of this Lease to any constituent partner of Landlord (or any Affiliate of any such partner) and to any consultants providing services to Landlord in connection with the Project.

39. LIMITATION OF LIABILITY

Tenant agrees that, in the event of any default or breach by Landlord with respect to any of the terms of this Lease to be observed and performed by Landlord or with respect to the enforcement of an indemnity obligation of Landlord under this Lease (1) Tenant shall look solely to the then-current landlord's interest in the Building for the satisfaction of such indemnity obligation of Landlord or for satisfaction of Tenant's remedies for the collection of a judgment (or other judicial process) requiring the payment of money by Landlord; (2) no other property or assets of Landlord, its partners, shareholders, officers, directors, employees, investment advisors, or any successor in interest of any of them (collectively, THE "LANDLORD PARTIES") shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies; (3) no personal liability shall at any time be asserted or enforceable against the Landlord Parties; and (4) no judgment will be taken against the Landlord Parties (except for a judgment against Landlord which is enforceable only to the extent of Landlord's interest

in the Building). The provisions of this Paragraph shall apply only to the Landlord and the parties herein described, and shall not be for the benefit of any insurer nor any other third party.

40. FINANCIAL STATEMENTS

Within ten (10) days after Landlord's request, Tenant shall deliver to Landlord the then current, or if Tenant is a publicly traded company, the publicly available financial statements of Tenant (including interim periods following the end of the last fiscal year for which annual statements are available), prepared, compiled or reviewed by a certified public accountant, including a balance sheet and profit and loss statement for the most recent prior year, all prepared in accordance with GAAP.

41. RULES AND REGULATIONS

Tenant agrees to comply with such reasonable rules and regulations as Landlord may adopt from time to time for the orderly and proper operation of the Building and the Project. Such rules may include but shall not be limited to the following: (a) restriction of employee parking to a limited, designated area or areas in reasonable proximity to the Building; and (b) regulation of the removal, storage and disposal of Tenant's refuse and other rubbish at the sole cost and expense of Tenant. The then current rules and regulations shall be binding upon Tenant upon delivery of a copy of them to Tenant. Landlord shall not be responsible to Tenant for the failure of any other person to observe and abide by any of said rules and regulations; provided, however, Landlord shall enforce such rules and regulation in a non-discriminatory manner. Landlord's current rules and regulations are attached to this Lease as EXHIBIT F.

42. MORTGAGEE PROTECTION

42.1. MODIFICATIONS FOR LENDER

If, in connection with obtaining financing for the Project or any portion thereof, Landlord's lender shall request reasonable modifications to this Lease as a condition to such financing, Tenant shall not unreasonably withhold, delay or defer its consent to such modifications, provided such modifications do not materially adversely affect Tenant's rights or increase Tenant's obligations under this Lease.

42.2. RIGHTS TO CURE

Tenant agrees to give to any trust deed or mortgage holder ("HOLDER"), by registered mail, at the same time as it is given to Landlord, a copy of any notice of default given to Landlord, provided that prior to such notice Tenant has been notified, in writing, (by way of notice of assignment of rents and leases, or otherwise) of the address of such Holder. Tenant further agrees that if Landlord shall have failed to cure such default within the time provided for in this Lease, then the Holder shall have an additional twenty (20) days after expiration of such period, or after receipt of such notice from Tenant (if

such notice to the Holder is required by this Paragraph 42.2), whichever shall last occur within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary if within such twenty (20) days, any Holder has commenced and is diligently pursuing the remedies necessary to cure such default (including but not limited to commencement of foreclosure proceedings, if necessary to effect such cure), in which event there shall be no default under this Lease.

43. ENTIRE AGREEMENT

This Lease, including the Exhibits and any Addenda attached hereto, which are hereby incorporated herein by this reference, contains the entire agreement of the parties hereto, and no representations, inducements, promises or agreements, oral or otherwise, between the parties, not embodied herein or therein, shall be of any force and effect.

44. INTEREST

Any installment of Rent and any other sum due from Tenant under this Lease which is not received by Landlord when due shall bear interest from the date such payment was originally due under this Lease until paid at an annual rate equal to the maximum rate of interest permitted by law. Payment of such interest shall not excuse or cure any Default by Tenant. In addition, Tenant shall pay all costs and reasonable attorneys' fees incurred by Landlord in collection of such amounts.

45. INTERPRETATION

This Lease shall be construed and interpreted in accordance with the laws of the State of California. The parties acknowledge and agree that no rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall be employed in the interpretation of this Lease, including the Exhibits and any Addenda attached hereto. All captions in this Lease are for reference only and shall not be used in the interpretation of this Lease. Whenever required by the context of this Lease, the singular shall include the plural, the masculine shall include the feminine, and vice versa. If any provision of this Lease shall be determined to be illegal or unenforceable, such determination shall not affect any other provision of this Lease and all such other provisions shall remain in full force and effect. Unless otherwise specifically stated herein to the contrary, Landlord's consent may be given or withheld in Landlord's sole and absolute discretion.

46. REPRESENTATIONS AND WARRANTIES

46.1. OF TENANT

Tenant hereby makes the following representations and warranties, each of which is material and being relied upon by Landlord, is true in all respects as of the date of this Lease, and shall survive the expiration or termination of the Lease.

(1) If Tenant is an entity, Tenant is duly organized, validly existing and in good standing under the laws of the state of its organization and the persons executing this Lease on behalf of Tenant have the full right and authority to execute this Lease on behalf of Tenant and to bind Tenant without the consent or approval of any other person or entity. Tenant has full power, capacity, authority and legal right to execute and deliver this Lease and to perform all of its obligations hereunder. This Lease is a legal, valid and binding obligation of Tenant, enforceable in accordance with its terms.

(2) Tenant has not (i) made a general assignment for the benefit of creditors, (ii) filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by any creditors, (iii) suffered the appointment of a receiver to take possession of all or substantially all of its assets, (iv) suffered the attachment or other judicial seizure of all or substantially all of its assets, (v) admitted in writing its inability to pay its debts as they come due, or (vi) made an offer of settlement, extension or composition to its creditors generally.

46.2. OF LANDLORD

Landlord hereby makes the following representations and warranties, each of which is material and being relied upon by Tenant, is true in all respects as of the date of this Lease, and shall survive the expiration or termination of the Lease.

(1) If Landlord is an entity, Landlord is duly organized, validly existing and in good standing under the laws of the state of its organization and the persons executing this Lease on behalf of Landlord have the full right and authority to execute this Lease on behalf of Landlord and to bind Landlord without the consent or approval of any other person or entity. Landlord has full power, capacity, authority and legal right to execute and deliver this Lease and to perform all of its obligations hereunder. This Lease is a legal, valid and binding obligation of Landlord, enforceable in accordance with its terms.

(2) Landlord has not (i) made a general assignment for the benefit of creditors, (ii) filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by any creditors, (iii) suffered the appointment of a receiver to take possession of all or substantially all of its assets, (iv) suffered the attachment or other judicial seizure of all or substantially all of its assets, (v) admitted in writing its inability to pay its debts as they come due, or (vi) made an offer of settlement, extension or composition to its creditors generally.

47. SECURITY

47.1. LANDLORD NOT OBLIGATED TO PROVIDE SECURITY

Tenant acknowledges and agrees that, while Landlord may engage security personnel to patrol the Building or the Project, Landlord is not required to

provide any security services with respect to the Premises, the Building or the Project and the Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with respect to, any loss by theft or any other damage suffered or incurred by Tenant in connection with any unauthorized entry into the Premises or any other breach of security with respect to the Premises, the Building or the Project.

47.2. TENANT'S OBLIGATION TO COMPLY WITH SECURITY MEASURES

Tenant hereby agrees to the exercise by Landlord and Landlord's Agents, within their sole discretion, of such security measures as, but not limited to, the evacuation of the Premises, the Building or the Project for cause, suspected cause or for drill purposes, the denial of any access to the Premises, the Building or the Project and other similarly related actions that it deems necessary to prevent any threat of property damage or bodily injury. The exercise of such security measures by Landlord and Landlord's Agents, and the resulting interruption of service and cessation of Tenant's business, if any, shall not be deemed an eviction or disturbance of Tenant's use and possession of the Premises, or any part thereof, or render Landlord or Landlord's Agents liable to Tenant for any resulting damages, or relieve Tenant from Tenant's obligations under this Lease.

48. JURY TRIAL WAIVER

Landlord and Tenant each hereby waive any right to trial by jury with respect to any action or proceeding (i) brought by Landlord, Tenant or any other party, relating to (A) this Lease and/or any understandings or prior dealings between the parties hereto, or (B) the Premises, the Building or the Project or any part thereof, or (ii) to which Landlord is a party. The parties each hereby agree that this Lease constitutes a written consent to waiver of trial by jury pursuant to the provisions of California Code of Civil Procedure Section 631.

49. OPTION TO RENEW

Tenant shall have two (2) options (each a "RENEWAL OPTION") to extend the Term of this Lease with respect to the entire Premises (including, without limitation, the "EXPANSION BUILDING," if Tenant has exercised the "EXPANSION OPTION") for successive periods of five (5) years each (each a "RENEWAL TERM"). Each Renewal Option shall be effective only if Tenant is not in Default under this Lease and no event has occurred which with the giving of notice or the passage of time, or both, would constitute a Default hereunder, either at the time of exercise of the Renewal Option or the time of commencement of the Renewal Term. For purposes of this Paragraph 49, "EXPANSION BUILDING" and "EXPANSION OPTION" shall have the meanings set forth in the Option to Lease Agreement, by and between Landlord and Tenant, dated as of even date herewith.

49.1. COMMENCEMENT DATES

If Tenant exercises the first Renewal Option in accordance herewith, the first Renewal Term shall commence on the day following the last day of the initial Term and end on the day preceding the fifth anniversary thereof. If Tenant exercises the second Renewal Option, the second Renewal Term shall commence on the day following the last day of the first Renewal Term and end on the day preceding the fifth anniversary thereof. The second Renewal Option may not be exercised unless Tenant has previously exercised the first Renewal Option. Each Renewal Term, if properly exercised, shall be upon the same terms and conditions as the Lease except for Monthly Base Rent (which shall be determined as provided in the following provisions of this Paragraph).

49.2. RENEWAL OPTION IS PERSONAL; NON-TRANSFERABLE

The Renewal Option shall be personal to Tenant, any transferee under a Permitted Transfer, and any assignee to whom Tenant assigns its entire right, title and interest under, or any sublessee to whom Tenant subleases the entire Premises for the entire remaining Term of, this Lease, and shall not be assignable or otherwise transferable in whole or in part, voluntarily or by operation of law, to any other permitted assignee, subtenant or other third parties and there shall be no further Renewal Option beyond the expiration of the second Renewal Term.

49.3. TENANT'S NOTICE OF EXERCISE

In order to exercise a Renewal Option, Tenant shall give written notice to Landlord of Tenant's exercise of such election ("Tenant's Notice") at least ten (10) months prior to expiration of the then current Term and if such notice is not so given, the Renewal Option shall lapse; the Tenant hereby expressly acknowledges and agrees that time is of the essence for purposes of notice of exercise of a Renewal Option and that Tenant's failure to do so by said date will relieve Landlord of any obligation under this Paragraph. If Tenant gives such notice within the time prescribed, Landlord and Tenant shall be deemed to have entered into an extension of this Lease for a five (5) year extended term on the terms and conditions set forth herein.

49.4. MONTHLY BASE RENT DURING RENEWAL TERM

The Monthly Base Rent payable during any Renewal Term shall be an amount equal to the greater of (i) the Monthly Base Rent payable for the last month of the then expiring Term (provided that such Monthly Base Rent shall be increased during each year of the Renewal Term to an amount equal to one hundred three percent (103%) of the Monthly Base Rent payable during the immediately preceding term), or (ii) ninety-five percent (95%) of the Fair Market Rent (as hereinafter defined) for the Premises during such Renewal Term.

49.4.1. FAIR MARKET RENT DEFINITION

"FAIR MARKET Rent, shall mean the rate being charged for comparable office/R&D/laboratory space in comparable locations in the South San Francisco/Brisbane market area, taking into consideration: tenant credit, tenant improvements or allowances provided or to be provided and leasing commissions, but specifically excluding any specialized laboratory improvements or other Tenant Improvements in the Premises paid for exclusively by Tenant, including without limitation, any Tenant Improvements paid for with the proceeds of the Tenant Improvement Loan.

49.4.2. DETERMINATION OF FAIR MARKET RENT

Landlord and Tenant shall meet and attempt in good faith to mutually determine the Fair Market Rent for any Renewal Term. If the parties have not reached agreement on the Fair Market Rent by the date that is thirty (30) days after Landlord's receipt of Tenant's Notice, each party shall appoint an arbitrator and shall give to the other party notice of the identity of the arbitrator no later than the date that is forty (40) days after Landlord's receipt of Tenant's Notice. If either party fails to appoint an arbitrator by the date that is forty (40) days after Landlord's receipt of Tenant's Notice, the sole arbitrator appointed, if any, shall determine the Fair Market Rent. If two arbitrators are appointed, they shall immediately meet and attempt to agree upon such Fair Market Rent. If the arbitrators cannot reach agreement on the Fair Market Rent by the date that is sixty (60) days after Landlord's receipt of Tenant's Notice, each arbitrator shall submit a determination of Fair Market Rent to Landlord and Tenant. If the determinations of Fair Market Rent made by these two arbitrators vary by ten percent (10%) or less, the Fair Market Rent shall be the average of the two determinations. If the determinations vary by more than ten percent (10%), the two arbitrators shall within ten (10) days after submission of their determinations appoint a third arbitrator. If the two arbitrators shall be unable to agree on the selection of a third arbitrator within the 10-day period, then either Tenant or Landlord may request such appointment by petitioning the presiding judge of the Superior Court in and for the County of San Mateo. Such third arbitrator shall, within thirty (30) days after appointment, make a determination of the Fair Market Rent and submit such determination to Landlord and Tenant. The Fair Market Rent shall be the determination of Fair Market Rent submitted by the original two arbitrators that is closer to the Fair Market Rent determination of the third arbitrator. If the third arbitrator's determination is exactly between the Fair Market Rent determination of the original two arbitrators, then the Fair Market Rent shall be the average of the original two determinations. The determination of Fair Market Rent pursuant to this Paragraph 49 shall be final and binding on Landlord and Tenant.

49.4.3. ARBITRATOR QUALIFICATIONS

For purposes of this Paragraph, "ARBITRATOR" shall mean a licensed commercial real estate broker or leasing agent with not less than five (5) years of full-time commercial brokerage experience in San Mateo County.

49.4.4. FEES AND COSTS OF ARBITRATORS

Each party shall bear the fees and costs of its arbitrator in connection with the determination of Fair Market Rent and one-half of the fees and costs of the third arbitrator, if any.

49.4.5. ARBITRATION PERIOD BASE RENT

If the determination of Fair Market Rent has not been made by the expiration of the then expiring Term, Tenant shall (i) continue to pay Monthly Base Rent at the Monthly Base Rent for the last month of the Term (the "ARBITRATION PERIOD BASE RENT") as well as any Additional Rent due under the Lease and (ii) pay to Landlord, or receive as a refund from Landlord, as applicable, on the first day of the month after the determination of Fair Market Rent is made, an amount, if any, equal to the difference between the Arbitration Period Base Rent that was paid to Landlord and the Monthly Base Rent for the Renewal Term that should have been paid to Landlord as the Monthly Base Rent for the Renewal Term as determined hereunder.

50. PARKING

50.1. GRANT OF PARKING LICENSE

Provided that Tenant shall comply with and abide by Landlord's parking rules and regulations from time to time in effect, Tenant shall have a license to use for the parking of passenger automobiles the number of non-exclusive and undesignated parking spaces set forth in the Basic Lease Information in the areas shown on the Site Plan attached to this Lease as EXHIBIT B-1 (the "DESIGNATED PARKING AREAS"), provided, however, that Landlord shall not be required to enforce Tenant's right to use such parking spaces (but Landlord shall use commercially reasonable efforts to resolve any problems related to parking); and, provided further, that the number of parking spaces allocated to Tenant hereunder shall be reduced on a proportionate basis in the event any of the parking spaces in the Designated Parking Areas are taken or otherwise eliminated as a result of any Condemnation or casualty event affecting such Designated Parking Areas. Notwithstanding the foregoing provisions of this Paragraph 50.1, Landlord shall have the right to relocate Tenant's parking from time to time to other areas within the Project and to provide parking spaces to Tenant in surface parking lots, parking structures or other areas now or hereafter designated by Landlord as the "Project's Parking Areas." All unreserved spaces will be on a first-come, first-served basis in common with other tenants of and visitors to the Project in parking spaces provided by Landlord from time to time in the Project's Parking Areas. Tenant's license to use the parking spaces provided for herein shall be subject to such terms, conditions, rules and regulations as Landlord or the operator of the Parking Area may impose from time to time.

50.2. NO ASSIGNMENT OF PARKING LICENSE

The license granted hereunder is for self-service parking only and does not include additional rights or services except to the extent that Landlord elects in its sole and absolute discretion to provide any such services.

50.3. VISITOR PARKING

Tenant recognizes and agrees that visitors, clients and/or customers (collectively the "VISITORS") to the Project and the Premises must park automobiles or other vehicles only in areas designated by Landlord from time to time as being for the use of such Visitors and Tenant hereby agrees to ask its Visitors to park only in the areas designated by Landlord from time to time for the use of Tenant's Visitors.

51. RIGHT OF FIRST OFFER

51.1. OFFER NOTICE

If subsequent to the full execution of this Lease, Landlord desires to sell the Building, Landlord shall notify Tenant in writing of such intent to sell (the "OFFER NOTICE"); provided, however, Landlord shall not be required to provide Tenant with the Offer Notice with respect to the Building if Landlord has previously terminated this Lease or recaptured the Premises. This Right of First Offer shall be personal to Tenant and any transferee under a Permitted Transfer and shall not be assignable or otherwise transferable in whole or in part, voluntarily or by operation of law, to any other permitted assignee, subtenant or other third parties. Tenant's right to receive the Offer Notice shall further be effective only if Tenant is not in Default under this Lease and no event has occurred which with the giving of notice or the passage of time, or both, would constitute a Default hereunder. Subject to Paragraph 51.4 below, Tenant's right to receive an Offer Notice in accordance with this Paragraph 51.1 shall be a one-time right.

51.2. ELECTION NOTICE

In the event Tenant desires to purchase the Building, Tenant shall notify Landlord in writing of its election to purchase the Building (the "ELECTION NOTICE") within ten (10) days following Tenant's receipt of the Offer Notice. If Tenant delivers an Election Notice to Landlord, Tenant shall acquire the Building on an "as-is" basis and without any representations or warranties from Landlord.

51.3. PURCHASE AND SALE AGREEMENT

In the event Tenant timely delivers the Election Notice to Landlord, the parties shall thereafter execute a purchase and sale agreement prepared by Seller's counsel (the "PURCHASE AND SALE AGREEMENT") with the purchase price of the Building equal to the quotient of the Net Operating Income (as defined below) of the Building divided by nine one hundredths (.09) and with a closing to be held on or before the date that is forty-five (45) days after delivery of the Offer Notice.

51.4. FAILURE TO EXERCISE OR SIGN AGREEMENT

If Tenant fails to deliver an Election Notice within the 10-day time period, or if for any reason whatsoever Tenant has not executed the Purchase and Sale Agreement within ten (10) days after its receipt thereof from Landlord, Tenant's right to purchase the

Building hereunder shall automatically terminate and be of no further force and effect with respect to Landlord or any other Person (as hereinafter defined) and Landlord shall thereafter have the right to sell the Building at any time to any Person on terms acceptable to Landlord in its sole and absolute discretion. Notwithstanding the foregoing, if Landlord fails to enter into a letter of intent or purchase and sale agreement for the sale of the Building to any such Person within two hundred seventy (270) days after the date Tenant's right to purchase the Building lapses pursuant to this Paragraph 51.4, then Tenant's rights under this Paragraph 51 shall be reinstated and Landlord shall once again furnish Tenant with an Offer Notice prior to selling the Building to a Person other than a Landlord Affiliate. Tenant hereby expressly acknowledges and agrees that time is of the essence for purposes of the Election Notice and the ten (10) day period to execute the Purchase and Sale Agreement and that Tenant's failure to deliver such Election Notice or the executed Purchase and Sale Agreement as specified herein will relieve Landlord of any obligation under this Paragraph.

51.5. NET OPERATING INCOME

As used herein, "Net Operating Income" shall mean the Monthly Base Rent due under the Lease with respect to the Building being purchased for the twelve (12) full calendar months following the Offer Notice or, if the Offer Notice is given prior to the Commencement Date, the Monthly Base Rent for the Premises for the first (1st) Lease Year. As used in this Paragraph 51.5, Monthly Base Rent shall mean the scheduled Monthly Base Rent set forth in the Basic Lease Information PLUS the monthly installment of principal and interest required to be paid on the Tenant Improvement Loan pursuant to Section D of EXHIBIT C.

51.6 LANDLORD'S SALE TO AFFILIATE; SURVIVAL OF OPTION

Notwithstanding anything in this Paragraph to the contrary, this Paragraph shall be inapplicable to, and neither Landlord nor any person or entity providing financing to Landlord in connection with the Building ("LENDER") shall have any obligation to provide an Offer Notice to Tenant in connection with (i) any sale, conveyance or other transfer or proposed sale, conveyance or other transfer of the Building to any Person who controls, is controlled by or is under common control with, Landlord or Lender or any Person in which Hines Interest Limited Partnership or Morgan Stanley Real Estate Investment Fund maintains an interest (collectively, a "LANDLORD AFFILIATE"), or (ii) any foreclosure sale or deed-in-lieu of foreclosure or the exercise of any similar remedy (collectively, a "FORECLOSURE") by any Lender. As used herein "PERSON" shall mean any natural person, corporation, firm, association or other entity, whether acting in an individual, fiduciary or other capacity. Tenant's rights under this Paragraph 51.6 shall survive Landlord's transfer pursuant to clause (i) of this Paragraph 51.6 but shall not survive any Foreclosure.

52. MEMORANDUM OF LEASE

Promptly after full execution of this Lease, Landlord and Tenant shall execute and cause to be recorded a Memorandum of Lease in the form attached hereto as EXHIBIT I.

Landlord and Tenant have executed and delivered this Lease as of the Lease Date specified in the Basic Lease Information.

LANDLORD: HMS GATEWAY OFFICE, L.P.,
a Delaware limited partnership

By: Hines Gateway Office, L.P.,
Administrative Partner

By: Hines Interests Limited Partnership,
General Partner

By: Hines Holdings, Inc.,
General Partner

By: /s/ Jim Buie

Name: Jim Buie

Its: Executive Vice President

TENANT: ADVANCED MEDICINE, INC.,
a Delaware corporation

By: /s/ Marty Glick

Print Name: Marty Glick

Its: Senior Vice President & CEO

EXHIBIT A
TENTATIVE PARCEL MAP

[MAP]

EXHIBIT B

BASE BUILDING CONSTRUCTION AGREEMENT

This exhibit, entitled "Base Building Construction Agreement", is and shall constitute EXHIBIT B to the Lease Agreement, dated as of February 17, 1999, by and between Landlord and Tenant (the "LEASE"). The terms and conditions of this EXHIBIT B are hereby incorporated into and are made a part of the Lease.

Subject to the terms and conditions set forth herein and in the Lease, Landlord shall cause construction of the Building in accordance with the procedures set forth below:

A. DEFINITIONS

1. "BASE BUILDING IMPROVEMENTS" shall mean a three (3) story building, containing approximately 110,000 square feet, all exterior surfaces, utilities, landscaping and paved parking, all in substantial compliance with those items listed on the 901 Gateway Preliminary Specifications as "Base Building" and located substantially in accordance with the Site Plan; provided, however, that the term "BASE BUILDING IMPROVEMENTS" shall not include any Tenant Requested Base Building Improvements.

2. "BASE BUILDING PLANS AND SPECIFICATIONS" is defined in Section B.1 below.

3. "BUILDING WORK COST" is defined in Section B.3 below.

4. "CONTRACTOR" shall mean a licensed general contractor selected by Landlord and approved by Tenant, which approval shall not be unreasonably withheld, conditioned or delayed.

5. "CONSTRUCTION WARRANTIES" is defined in Section D.2 below.

6. "LANDLORD'S ARCHITECT" shall mean Dowler Gruman Architects (in association with Form 4 Architects) or another architect selected by Landlord in Landlord's reasonable discretion.

7. "LANDLORD'S CONTRACT" shall mean the construction contract entered into by and between Landlord and the Contractor for the construction of the Base Building Improvements and any Tenant Requested Base Building Improvements.

8. "901 GATEWAY PRELIMINARY SPECIFICATIONS" shall mean those preliminary specifications for construction of the Base Building

Improvements categorized as "Base Building" and more particularly described on the attached EXHIBIT B-1.

9. "SITE PLAN" shall mean the site plan set forth on the attached EXHIBIT B-2 establishing the approximate location of the Building.

10. "TENANT'S COSTS" is defined in Section B.6 below.

11. "TENANT REQUESTED BASE BUILDING IMPROVEMENTS" shall mean those improvements requested by Tenant in accordance with this EXHIBIT B that are to be incorporated into the Base Building Plans and Specifications.

Capitalized terms not otherwise defined in this EXHIBIT B shall have the meanings ascribed to them in the Lease.

B. SCHEDULE

1. PLANS AND SPECIFICATIONS. At Landlord's sole cost and expense, Landlord's Architect shall prepare (A) on or before March 15, 1999, plans and specifications for the civil and structural trades within the Base Building Improvements (such plans and specifications being herein referred to as "CONSTRUCTION PACKAGE #1") substantially in accordance with the 901 Gateway Preliminary Specifications, and (B) on or before May 1, 1999, plans and specifications for all other trades within the Base Building Improvements ("CONSTRUCTION PACKAGE #2 and, together with Construction Package #1, collectively, the "BASE BUILDING PLANS AND SPECIFICATIONS"). Tenant shall have the right to approve the Base Building Plans and Specifications only to the extent of any material deviations from the 901 Gateway Preliminary Specifications; provided, however, that such approval shall not be unreasonably withheld, conditioned or delayed and, provided further, that if Tenant fails to respond within ten (10) days following Landlord's request for approval, Tenant shall be conclusively deemed to have given its approval to the matter submitted by Landlord. Notwithstanding the foregoing, the Base Building Plans and Specifications are, from time to time, subject to change in Landlord's discretion, upon written consent from Tenant, which consent shall not be unreasonably withheld, conditioned or delayed and provided further that if Tenant fails to respond within five (5) business days following Landlord's request for consent, Tenant shall be conclusively deemed to have given its consent to any such change. Landlord may without the written

consent of the Tenant change the Base Building Plans and Specifications as may be required by any governmental agency or as necessary to comply with any governmental requirements or to address structural or unanticipated field conditions or which, in the reasonable discretion of Landlord, will not have a material effect on Tenant's use of the Premises or a material effect on the aesthetic appearance or impression relating to the Base Building Improvements.

2. TENANT REQUESTED BASE BUILDING IMPROVEMENTS. On or before May 1, 1999, Tenant shall deliver to Landlord's Architect detailed specifications for any Tenant Requested Base Building Improvements. Landlord shall have ten (10) days from its receipt of such specifications to approve or disapprove the Tenant Requested Base Building Improvements. Landlord's approval may be given or withheld in Landlord's reasonable discretion, to ensure, among other things, that the Tenant Requested Base Building Improvements are compatible with all other construction and all Systems within the Building. If Landlord disapproves the Tenant Requested Base Building Improvements, then within five (5) business days thereafter, Landlord shall meet with the Tenant's Architect (as defined in EXHIBIT C) and Tenant to discuss, or shall submit to Tenant's Architect and Tenant in writing, the reasons for Landlord's disapproval. Within five (5) business days following such meeting or submission, Tenant shall cause Tenant's Architect to revise the same and to submit new specifications for the Tenant Requested Base Building Improvements to Landlord. The procedure set forth in this paragraph will be repeated as set forth above until Landlord has approved the Tenant Requested Base Building Improvements.

3. ESTIMATE OF BUILDING WORK COSTS. Following the approval by Landlord of the Tenant Requested Base Building Improvements, Landlord shall furnish Tenant with an estimate of the cost of the Tenant Requested Base Building Improvements (the "BUILDING WORK COST").

4. TENANT'S REVIEW OF BUILDING WORK COST. The Building Work Cost shall be subject to Tenant's approval, which approval shall not be unreasonably withheld, conditioned or delayed and provided further that if Tenant fails to respond within five (5) business days following Landlord's request for consent, Tenant shall be conclusively deemed to have given its approval to the Building

Work Cost. If Tenant timely disapproves the Building Work Cost, then within five (5) business days thereafter, Tenant shall meet with Landlord, Contractor, Landlord's Architect and Tenant's Architect to discuss value engineering changes to the Tenant Requested Base Building Improvements. Within five (5) business days following such meeting, Tenant shall cause Tenant's Architect to revise the Tenant Requested Base Building Improvements and to submit revised specifications for approval by Landlord in accordance with the procedure set forth above and for a new Building Work Cost to be prepared by Landlord. The procedure set forth in this paragraph will be repeated until Tenant has approved the Building Work Cost.

5. REVISION of PLANS & SPECIFICATIONS. Following Landlord's approval of the Tenant Requested Base Building Improvements and Tenant's approval of the Building Work Cost, Landlord shall cause Landlord's Architect to revise the Base Building Plans and Specifications to incorporate the Tenant Requested Base Building Improvements.

6. TENANT'S RESPONSIBILITY FOR COST OF TENANT REQUESTED BASE BUILDING IMPROVEMENTS. ALL costs associated with designing and incorporating the Tenant Requested Base Building Improvements into the Base Building Plans and Specifications and all costs of constructing (including, without limitation, the cost of obtaining all necessary City approvals and permits) the Tenant Requested Base Building Improvements (the "TENANT'S COSTS") shall be the responsibility of Tenant and shall not be credited against Tenant's Allowance, as defined in EXHIBIT C. Tenant shall make progress payments to Landlord from time to time as the Tenant Requested Base Building Improvements are constructed. Tenant shall pay the portion of such progress payments attributable to Tenant's Costs to Landlord within ten (10) days of delivery of statements from Landlord to Tenant therefor. Upon receipt of such payments, Landlord shall make all progress payments directly to Contractor or subcontractors, as appropriate. Landlord shall be entitled to suspend or terminate construction of the Base Building Improvements and to declare Tenant in default in accordance with the terms of the Lease, if payment by Tenant to Landlord of Tenant's Costs has not been received as required hereunder.

C. CONSTRUCTION

The Base Building Improvements shall be constructed, at Landlord's sole cost and expense, by Contractor in accordance with the Base Building Plans and Specifications, as the same may be amended or modified from time to time by Landlord.

D. GENERAL

1. RIGHT OF TERMINATION. Landlord and Tenant acknowledge that construction of the Base Building Improvements and all matters relating thereto are subject to Landlord obtaining all necessary governmental approvals to commence construction of the Base Building Improvements. Landlord shall use commercially reasonable efforts to obtain such approvals; however, if Landlord is unable to obtain the building permits necessary to commence construction by July 1, 1999, either party shall have the right to terminate the Lease by delivering written notice of termination to the other party on or before July 15, 1999. If written notice of termination is given in a timely manner, the Lease shall immediately terminate, except for any obligations which by their terms survive the termination or earlier expiration of the Lease. If no such notice of termination is given, the Lease shall remain in full force and effect. Notwithstanding anything herein to the contrary, Landlord shall not be liable to Tenant for any loss or damage resulting from any delay in constructing or developing the Base Building Improvements, nor shall such failure affect the obligations of Tenant under the Lease, except as otherwise expressly set forth in the Lease.

2. LANDLORD'S COVENANT. Subject to the terms and conditions of the Lease, Landlord covenants that the Base Building Improvements shall be free from material latent defects in design, materials and workmanship. Any claims by Tenant under this Paragraph 2 shall be made in writing not later than one (1) year after the Commencement Date. In the event Tenant fails to deliver a written claim to Landlord on or before the applicable date set forth above, then Landlord shall be conclusively deemed to have satisfied its obligations under this paragraph. The covenants contained in this paragraph are subject to Paragraph 39 of the Lease and are made specifically and exclusively for the benefit of the original Tenant and any assignee or sublessee under a Permitted Transfer pursuant to Paragraph 23.4 of the Lease.

3. CONSTRUCTION WARRANTIES. Landlord shall obtain from Contractor, and shall request Contractor to obtain from all subcontractors and material suppliers, warranties (collectively, "CONSTRUCTION WARRANTIES") for all components of the Base Building Improvements for which warranties are customarily provided in the construction industry and Landlord shall enforce the Construction Warranties as reasonably requested by Tenant.

4. POSTPONEMENT OF COMMENCEMENT DATE.

(a) Notwithstanding anything to the contrary contained in Paragraph 8.3(a) of the Lease, in the event that Landlord fails to perform the Initial Milestone on or before August 1, 1999 (the "Foundation Date") and/or the Secondary Milestone on or before October 15, 1999 (the "Third Floor Slab Date") for reasons other than Tenant Delays and Force Majeure Events, and if as a result thereof Tenant's Contractor is prevented from substantially completing the Tenant Improvements on or before April 1, 2000, then and only then the Commencement Date shall be delayed beyond April 1, 2000 by one (1) day for each day of delay caused by Landlord's failure to complete the applicable Milestone(s) on or before the aforesaid dates (but in no event longer than the actual number of days Tenant's Contractor is prevented from substantially completing the Tenant Improvements).

(b) Notwithstanding the terms of Section D.4(a) above, (1) if Landlord is delayed in completing the Initial Milestone on or before the Foundation Date and/or the Secondary Milestone on or before the Third Floor Slab Date due to Tenant Delays, the Foundation Date or the Third Floor Slab Date, as appropriate, shall be extended for a period equal to the length of the delay caused by such Tenant Delays, but the Commencement Date shall not be extended beyond April 1, 2000, (2) if Landlord is delayed in completing the Initial Milestone on or before the Foundation Date and/or the Secondary Milestone on or before the Third Floor Slab Date due to Force Majeure Events, the Foundation Date or the Third Floor Slab Date, as appropriate, AND the Commencement Date shall each be extended by one (1) day for each day of delay caused by such Force Majeure Events (but in no event shall the Commencement Date be delayed longer than the actual number of days Tenant's Contractor is prevented from substantially completing the Tenant Improvements).

INITIALS:

TENANT: /s/ [ILLEGIBLE]

LANDLORD: /s/ [ILLEGIBLE]

EXHIBIT B-1

901 Gateway Preliminary Specifications

A "cold shell" standard shell for each building shall be constructed per all governmental codes by Landlord for Tenant, including but not limited to the following:

STRUCTURE/ENVELOPE

- - Concrete foundation to be reinforced grade beams with spread footings or other system as specified by geotechnical and engineering consultants.

- - Ground floor to be concrete slab, minimum thickness 5", level to FF-20, FL-15, on grade or as required by geotechnical and engineering consultants with a minimum of 4" drain rock, 2" sand cushion and a 10 mil vapor barrier, but in no event a mat slab.

- - Second and third floors to have vented metal decking with reinforced concrete topping slab which meets fire inspection code and flat to FF-20.

- - Building structural framing to consist of reinforced steel "braced frame" with beams and columns constructed using rolled shapes. Cross bracing at exterior.

- - Non-bearing exterior curtain wall consisting of EIFS, with exterior containing a minimum average of 40% glass with ribbon windows of high performance glass (minimum shading coefficient of .67).

- - Floor system designed with live load capacity of 120 psf.

- - Roof live load to be 50 psf in all bays.

- - Floor to floor heights to be 17'-0".

- - Roof drains and drain lines with connection to site storm drain system.

- - Paved surface parking adjacent to the Premises as required to provide tenant with the parking designated in the Lease.

- - Roof screens up to 11'-0" in height above the roof as required by City of South San Francisco.

- - Roofing membrane to be a four-ply asphalt built-up over rigid insulation over metal deck roof construction.

- - Fire proofing of building structure, if required, to building code.

- - Fire safing between floors to maintain code required separations.

- - Perimeter and roof base building insulation per Title 24 requirements.

UTILITIES

- - 4,000 amp 277/480 volt, 3-phase electric service and transformer with underground electrical to switchgear and meter.

- - "House power" panels and transformer for site lights and irrigation.

- - One gas service to exterior meter.

- - Four (4), 4" telephone and data conduits. Stubbed to building.

- - Site storm drain system.

- - Domestic water service with meters, backflow preventers and check assembly located per California Water Service requirements.

- - Sanitary sewer to and including main line under ground floor slab.

- - Complete light hazard automatic fire sprinkler system to meet NFPA standards (excluding drops to suspended ceilings).

MISCELLANEOUS

- - Exterior doors prepared with hardware and rough-in to provide for electronic security. Such security to be provided and installed by Tenant.

- - All utility connection(s) and development fees for base building systems.

- - Landscaping, hardscapes and automatic irrigation systems, including control systems.

- - One (1) monument sign at each main entrance along Gateway Boulevard identifying The Gateway North Campus and the building address.

- - Site lighting a minimum of one (1) foot candle per square foot, including control system.

- - Two (2) sets of interior exit stairs per building and two corresponding entrances; one set of exit stairs shall be extended to the roof for roof access.

EXHIBIT B-2

SITE PLAN

[DIAGRAM OF FLOOR PLAN]

EXHIBIT C

PREMISES CONSTRUCTION AGREEMENT

This exhibit, entitled "Premises Construction Agreement", is and shall constitute EXHIBIT C to the Lease Agreement, dated as of February 17, 1999, by and between Landlord and Tenant (the "LEASE"). The terms and conditions of this EXHIBIT C are hereby incorporated into and are made a part of the Lease.

Subject to the terms and conditions set forth herein and in the Lease, Landlord shall allow the construction or installation of the improvements in the interior of the Premises in accordance with the procedures set forth below:

A. DEFINITIONS

1. "APPROVED PLANS" is defined in Section B.5 below.

2. "CONTRACTOR" shall mean the general contractor retained by Landlord pursuant to EXHIBIT B to the Lease.

3. "ESTIMATED WORK COST" is defined in Section B.3 below.

4. "EXCESS TENANT IMPROVEMENTS COSTS" is defined in Section B.6 below.

5. "FINAL COST QUOTATION" is defined in Section B.6 below and shall include all costs associated with the Tenant Improvements, including, without limitation, costs of all tenant improvement work; architectural and engineering fees; governmental agency fees for permits, licenses and inspections; construction fees, including, without limitation, general contractors' overhead and supervision fees; and such other costs as may be incurred by Landlord in connection with such construction.

6. "PRELIMINARY PLANS" is defined in Section B.1 below.

7. "TENANT IMPROVEMENT ALLOWANCE" shall mean an amount equal to Four Million Nine Hundred Fifty Thousand Dollars ($4,950,000.00) (based on $45.00 multiplied by the Premises square footage), which amount shall, except as otherwise provided in this EXHIBIT C, be paid by Landlord toward the cost of completion of the Tenant Improvements and related design, engineering, governmental, overhead, supervision and administration fees and costs (collectively, the "TENANT IMPROVEMENT COST"). The Tenant Improvement Allowance shall be subject to adjustment upon the

final determination of the Premises square footage by Landlord's Architect. Notwithstanding the foregoing, (i) not less than One Million Six Hundred Fifty Thousand Dollars ($1,650,000) (VIZ. $15.00 per square foot) (the "WARM SHELL ALLOWANCE") shall be expended on the improvements generally described on EXHIBIT C-1 hereto, and (ii) no portion of the Tenant Improvement Allowance shall be paid by Landlord toward the cost of the Tenant Requested Base Building Improvements or Tenant Improvements that constitute furniture, equipment or trade fixtures or result in changes to the Base Building Improvements. If the Tenant Improvement Cost exceeds the Tenant Improvement Allowance, the difference shall be paid by Tenant in accordance with this EXHIBIT C. If the total cost of constructing and installing the improvements described on EXHIBIT C-1 is less than the Warm Shell Allowance, then the Tenant Improvement Allowance shall be reduced by the difference and the difference shall not be disbursed to Tenant.

8. "TENANT'S ARCHITECT" shall mean Dowler Gruman Architects or a replacement licensed architect selected by Tenant and approved by Landlord.

9. "TENANT'S CONTRACT" shall mean the construction contract entered into by and between Tenant and the Contractor for the construction of the Tenant Improvements.

10. "TENANT IMPROVEMENTS" shall mean all improvements made to the Premises pursuant to the Approved Plans, specifically excluding, however, any Tenant Requested Base Building Improvements (as defined in EXHIBIT B to the Lease). Without limiting the generality of the foregoing, the Tenant Improvements shall include and Tenant shall be responsible for the construction and installation of the improvements described on EXHIBIT C-1.

11. "WARM SHELL ALLOWANCE" is defined within the definition of Tenant Improvement Allowance in Paragraph A.7 above.

Capitalized terms not otherwise defined in this EXHIBIT C shall have the meanings ascribed to them in the Lease.

B. SCHEDULE

1. Tenant shall cause Tenant's Architect to furnish to Landlord on or before March 15, 1999, preliminary space plans and specifications

(the "PRELIMINARY PLANS"). Tenant shall be responsible for all costs associated with the Preliminary Plans (collectively, the "PRELIMINARY DESIGN COSTS"), including any revisions required by Section B.2 hereunder.

2. Landlord shall have ten (10) days from its receipt of the Preliminary Plans to approve or disapprove the same. Landlord's approval of the Preliminary Plans shall not be unreasonably withheld, conditioned or delayed. If Landlord disapproves the Preliminary Plans, then within five (5) business days thereafter, Landlord shall meet with Tenant's Architect and Tenant to discuss, or shall submit to Tenant's Architect and Tenant in writing, the reasons for Landlord's disapproval. Within five (5) business days following such meeting or submission, Tenant shall cause the Tenant's Architect to revise the same and to submit new Preliminary Plans to Landlord. The same procedure set forth in this paragraph will be repeated as set forth above until Landlord has approved the Preliminary Plans.

3. Promptly after approval of the Preliminary Plans, Tenant shall cause Contractor to furnish Landlord with an estimate of the cost of the Tenant Improvements as shown on the Preliminary Plans (the "ESTIMATED WORK COST"). The Estimated Work Cost shall separately itemize all costs to complete the improvements described on EXHIBIT C-1 hereto.

4. Following Contractor's calculation of the Estimated Work Cost, Tenant shall cause Tenant's Architect to prepare detailed construction drawings and specifications (the "WORKING DRAWINGS") for the Tenant Improvements based strictly upon the Preliminary Plans, except as otherwise agreed in writing by Landlord and Tenant. Tenant shall be responsible for all costs associated with the Working Drawings. The Working Drawings shall be completed no later than May 1, 1999.

5. Landlord shall have ten (10) days from its receipt of the Working Drawings to approve or disapprove the same. Landlord's approval of the Working Drawings shall not be unreasonably withheld, conditioned or delayed. If Landlord disapproves the Working Drawings, then within five (5) business days thereafter, Landlord shall meet with Tenant's Architect and Tenant to discuss, or shall submit to the Tenant's Architect and Tenant in writing, the reasons for Landlord's disapproval. Within five (5) business days

following such meeting or submission, Tenant shall cause Tenant's Architect to revise the same and to submit new Working Drawings to Landlord, and the same procedure will be repeated as set forth above until Landlord has approved the Working Drawings (the "APPROVED PLANS"). Upon approval of the Working Drawings, Landlord shall deliver to Tenant a list of Tenant Improvements to be removed by Tenant, at Tenant's cost and expense in accordance with Paragraph 11.2 of the Lease, upon expiration of the Term or earlier termination of the Lease. Notwithstanding the foregoing, during the preparation of the Working Drawings, Landlord shall, upon Tenant's request, advise Tenant of items that will be required to be removed pursuant to the previous sentence.

6. Within ten (10) business days after Landlord's approval of the Approved Plans, Tenant shall cause Contractor to furnish to Landlord a cost estimate for the Tenant Improvements based upon the Approved Plans (the "FINAL COST QUOTATION"). The Final Cost Quotation shall separately itemize all costs to complete the improvements described on EXHIBIT C-1 hereto. If the Final Cost Quotation is greater than the Tenant Improvement Allowance, Tenant shall be responsible for the difference between the Tenant Improvement Allowance and the Final Cost Quotation (the "EXCESS TENANT IMPROVEMENTS COST").

7. Landlord and Tenant shall make progress payments on a pro rata basis (in the proportion that the Tenant Improvement Allowance paid by Landlord and the Excess Tenant Improvements Cost paid by Tenant bear to the Final Cost Quotation) from time to time as the Tenant Improvements are constructed in the Premises. Tenant shall pay its pro rata share of any progress payments directly to Contractor or subcontractors, as appropriate, and Landlord shall pay its pro rata share of any progress payments directly to Tenant, as appropriate, subject to a reasonable retention as determined by Landlord. Landlord shall be entitled to suspend or terminate construction of the Tenant Improvements and to declare Tenant in default in accordance with the terms of the Lease, if payment by Tenant of both Landlord and Tenant's pro rata shares of any progress payment have not been received by Contractor when due, as required hereunder. Moreover, Landlord shall not be required to pay its pro rata share of any progress payment until such time as Landlord receives from Tenant an unconditional lien waiver duly executed by Contractor as to the applicable progress payment and a conditional lien waiver for the progress payment next due. All lien

waivers shall comply with California law regarding materialmen and mechanic's liens.

C. TENANT IMPROVEMENT CONSTRUCTION

1. All Tenant Improvements to be constructed or installed in the Premises shall be performed by Contractor in accordance with the Approved Plans, subject to any changes agreed to by Landlord and Tenant in writing. Landlord shall have no obligation to Tenant for defects in design, workmanship or materials in connection with the Tenant Improvements. Any changes to the Approved Plans shall require the written approval of Landlord and Tenant, which approval shall not be unreasonably withheld, conditioned or delayed. All such changes must be evidenced by a written change order executed by Landlord and Tenant or their respective representatives describing the change required in the Approved Plans, and the cost of such changes shall be paid in accordance with the terms of this EXHIBIT C.

2. Tenant shall cause Contractor to construct the Tenant Improvements in a manner designed to avoid interference with the construction of the Base Building Improvements. Landlord and Tenant shall each use good faith efforts to reasonably resolve any issues or conflicts that may arise during the course of constructing the Tenant Improvements and the Base Building Improvements. Entry by Contractor in accordance with this EXHIBIT C shall not constitute Tenant's occupancy of the Premises under Paragraph of the Lease; however, Tenant shall comply with all terms and conditions of the Lease (excluding only, prior to the Commencement Date, the obligation to pay Rent) during Contractor's occupancy of and work within the Premises. Tenant shall be responsible for maintaining harmonious labor relations with all contractors and service providers servicing the Premises.

3. In addition to and without limitation on the requirements set forth in the Lease, Tenant shall ensure that Contractor and all subcontractor(s) procure and maintain in full force and effect during the course of construction a "broad form" commercial general liability and property damage policy of insurance naming, Landlord, Tenant and Landlord's lenders as additional insureds. The minimum limit of coverage of the aforesaid policy shall be in the amount of not less than Three Million Dollars ($3,000,000) for injury or death of one person in any one accident or occurrence and

in the amount of not less than Three Million Dollars ($3,000,000) for injury or death of more than one person in any one accident or occurrence, and shall contain a severability of interest clause or a cross liability endorsement. Such insurance shall further insure Landlord and Tenant against liability for property damage of at least One Million Dollars ($1,000,000).

D. TENANT IMPROVEMENT LOAN

In addition to the Tenant Improvement Allowance, Landlord agrees to lend Tenant up to Two Million Seven Hundred Fifty Thousand Dollars ($2,750,000) (VIZ. $25.00 per square foot) to be applied toward completion of the Tenant Improvements (the "TENANT IMPROVEMENT LOAN") after the Tenant Improvement Allowance has been disbursed. The Tenant Improvement Loan shall be subject to adjustment upon the final determination of the Premises square footage by Landlord's Architect. The Tenant Improvement Loan shall be disbursed by Landlord upon the submission of draw requests in a form approved by Landlord and in accordance with customary construction lending disbursement procedures (including, without limitation, the establishment of a retention.) The Tenant Improvement Loan shall be repayable by Tenant to Landlord in substantially equal self-amortizing monthly installments over the initial Term of the Lease, together with interest on the balance outstanding from time to time from the date of disbursement at the rate of twelve percent (12%) per annum; provided, however, that Tenant shall have the right to prepay the then outstanding balance (principal and accrued but unpaid interest) of the Tenant Improvement Loan in whole (but not in part) on the first (1st), second (2nd) or third (3rd) anniversary of the Commencement Date, provided only that Tenant shall give Landlord not less than thirty (30) days' notice of its election to so prepay. By way of example, if the original principal balance of the Tenant Improvement Loan is Two Million Seven Hundred Fifty Thousand Dollars ($2,750,000), and assuming for purposes of this example that such loan is disbursed as shown on EXHIBIT C-2 hereto and that Tenant does not elect to prepay the Tenant Improvement Loan as provided in the immediately preceding sentence, then the Tenant Improvement Loan shall be repayable in installments in the amount shown on said EXHIBIT C-2. Such installments shall be payable on the first day of each month concurrently with the payment of Monthly Base Rent, and shall be deemed a part of the "Rent" hereunder for all purposes of this Lease. Notwithstanding anything herein to the contrary, in the event the Lease shall terminate for any reason prior to the scheduled expiration thereof, the Tenant Improvement Loan and all accrued and unpaid interest thereon shall immediately become due and payable in full.

E. GENERAL

1. All drawings, space plans, plans and specifications for any improvements or installations in the Premises are expressly subject to Landlord's prior written approval, which approval shall not be

unreasonably withheld, conditioned or delayed. Any approval by Landlord of any drawings, plans or specifications prepared on behalf of Tenant including, without limitation, any Preliminary Plans, Working Drawings or Approved Plans, or any revisions thereto, shall not in any way bind Landlord, create any responsibility or liability on the part of the Landlord for the completeness of the same, their design sufficiency or compliance with applicable statutes, ordinances or regulations or constitute a representation or warranty by Landlord as to the adequacy or sufficiency of such drawings, plans or specifications, or the improvements to which they relate, but such approval shall merely evidence the consent of Landlord to such drawings, plans or specifications.

2. The Tenant Improvement Allowance (including, without limitation, the Warm Shell Allowance) and the Tenant Improvement Loan, if borrowed by Tenant, shall be used by Tenant to construct Tenant Improvements in the entire Premises and may not be used to improve only a portion or portions of the Premises.

3. Any failure by Tenant to pay any amounts due hereunder shall have the same effect under the Lease as a failure to pay Rent and any failure by Tenant to perform any of its other obligations hereunder shall be subject to Paragraph 24 of the Lease.

4. Tenant shall provide Landlord with as-built plans and specifications of the Tenant Improvements within forty-five (45) days after the Commencement Date.

INITIALS:

TENANT: [ILLEGIBLE]

LANDLORD: [ILLEGIBLE]

EXHIBIT C-1

DESCRIPTION OF "WARM SHELL" IMPROVEMENTS

- - Elevator(s) per code

- - Stairs in excess of two (2) exit stairs provided as part of the 901 Gateway Preliminary Specifications

- - Restrooms per code

- - HAVC for standard office use (laboratory upgrades will not be funded out of the Warm Shell Allowance)

- - Standard office lobby

- - Electrical for standard office use (laboratory upgrades will not be funded out of the Warm Shell Allowance)

- - Trash Enclosure

- - Rooftop mechanical platform

- - Roof Screens

EXHIBIT C-2

EXAMPLE OF TENANT IMPROVEMENT LOAN AMORTIZATION
(Assumes April 1, 2000 Lease Commencement)

TI Loan Amount $ 2,750,000.00

DATE	AMOUNT OF TI LOAN DRAW REQUEST	CALCULATION OF MONTHLY INTEREST	END OF MONTH LOAN BALANCE
Dec-99	625,000.00	3,125.00	$ 628,125.00
Jan-00	675,000.00	9,656.25	$ 1,312,781.25
Feb-00	700,000.00	16,627.81	$ 2,029,409.06
Mar-00	750,000.00	24,044.09	2,803,453.15

Loan Balance as of Lease Commencement Date (assuming Lease Commences April 1, 2000)
$ 2,803,453

Monthly Installment $36,821

Interest Rate 12%
Monthly Rate 1%

Lease Term* 144 months

*Lease term to be adjusted depending on lease commencement date.

Exhibit D

COMMENCEMENT AND EXPIRATION DATE MEMORANDUM

LANDLORD: HMS GATEWAY OFFICE L.P.

TENANT: ADVANCED MEDICINE, INC.

LEASE DATE: February 17, 1999

BUILDING: Located at 901 Gateway Boulevard, South San Francisco, California

Tenant hereby accepts the Premises as being in the condition required under the Lease, with all Base Building Improvements completed (except for minor punchlist items which Landlord agrees to complete).

The Commencement Date of the Lease with respect to the above-referenced Building is hereby established as _____, 199_.

TENANT: ADVANCED MEDICINE, INC.,
a Delaware corporation

By:

Print Name:

Its:

Approved and Agreed:

LANDLORD: HMS GATEWAY OFFICE, L.P.,
a Delaware limited partnership

By: Hines Gateway Office, L.P.,
Administrative Partner

By: Hines Interests Limited Partnership,
General Partner

By: Hines Holdings, Inc.,
General Partner

By:

Name:

Its:

INITIALS:

TENANT: [ILLEGIBLE]
LANDLORD: [ILLEGIBLE]

Exhibit E

ADDITIONAL OPERATIONAL GUIDELINES

As a component of the Tenant Improvements and any Alterations made by Tenant to the Premises, Tenant shall install fume hoods, as well as a rooftop venting and exhaust system designed to increase the velocity of exhaust such that any odors shall be discharged high into the atmosphere in order to minimize the risk of odors detectable at ground level. In addition, Tenant shall install and utilize such additional venting, exhaust and quenching systems, including, without limitation, base quenching, distillation units, acid quenching, and mechanical exhaust/filtration systems, as appropriate to reduce the risk of emanation of such odors.

Exhibit F

RULES AND REGULATIONS

This exhibit, entitled "Rules and Regulations," is and shall constitute EXHIBIT F to the Lease Agreement, dated as of the Lease Date, by and between Landlord and Tenant for the Premises. The terms and conditions of this EXHIBIT F are hereby incorporated into and are made a part of the Lease. Capitalized terms used, but not otherwise defined, in this EXHIBIT F have the meanings ascribed to such terms in the Lease.

1. Tenant shall not use any method of heating or air conditioning other than that approved by Landlord in writing without the prior written consent of Landlord, which consent shall not to be unreasonably withheld, conditioned or delayed.

2. All window coverings installed by Tenant and visible from the outside of the Building require the prior written approval of Landlord.

3. Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance or any flammable or combustible materials on or around the Project or the Adjacent Properties, except to the extent that Tenant is permitted to use the same in the Premises under the terms of Paragraph 32 of the Lease.

4. Tenant shall not alter any lock or install any new locks or bolts on any door at the Premises without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed.

5. Tenant shall not make any duplicate keys without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed.

6. Tenant shall park motor vehicles in parking areas designated by Landlord, including areas for loading and unloading. During those periods of loading and unloading, Tenant shall not unreasonably interfere with traffic flow around the Building or the Project and loading and unloading areas of other tenants.

7. Tenant shall not disturb, solicit or canvas any tenant or other occupant of the Building or Project and shall cooperate to prevent same.

8. No person shall go on the roof without Landlord's permission except as required to repair and maintain the same as required under the Lease.

9. Business machines and mechanical equipment belonging to Tenant which cause noise or vibration that may be transmitted to the structure of the Building, to such a degree as to be objectionable to Landlord or other tenants, shall be placed and maintained by Tenant, at Tenant's expense, on vibration isolators or in noise-dampening housing or other devices sufficient to eliminate noise or vibration.

10. All goods, including material used to store goods, delivered to the Premises of Tenant shall be immediately moved into the Premises and shall not be left in parking or receiving areas overnight. During the period of construction of the Tenant Improvements and any Alterations, all construction materials shall be stored in a manner and a location mutually acceptable to Landlord and Tenant.

11. Tenant is responsible for the storage and removal of all trash and refuse. All such trash and refuse shall be contained in suitable receptacles stored behind screened enclosures at locations approved by Landlord.

12. Tenant shall not store or permit the storage or placement of goods or merchandise in or around the Common Areas surrounding the Premises. No displays or sales or merchandise shall be allowed in the Parking Areas or other Common Areas.

13. Tenant shall not permit any animals, including but not limited to, any household pets, to be brought or kept in or about the Premises, the Building, the Project or any of the Common Areas which would violate applicable Laws or constitute a nuisance to the Premises, the Building or the Project. Tenant shall prior to the Commencement Date and thereafter from time to time upon the request of Landlord provide to Landlord a written plan for the handling and disposal of all animals used by Tenant in the conduct of its business, which plan shall be subject to the written approval of Landlord.

INITIALS:

TENANT: [Illegible]

LANDLORD: [Illegible]

EXHIBIT G

HAZARDOUS MATERIALS DISCLOSURE CERTIFICATE

Your cooperation in this matter is appreciated. Initially, the information provided by you in this Hazardous Materials Disclosure Certificate is necessary for the Landlord to evaluate your proposed uses of the premises (the "PREMISES") and to determine whether to enter into a lease agreement with you as tenant. If a lease agreement is signed by you and the Landlord (the "LEASE AGREEMENT"), on an annual basis in accordance with the provisions of Paragraph 32 of the Lease Agreement, you are to provide an update to the information initially provided by you in this certificate. Any questions regarding this certificate should be directed to, and when completed, the certificate should be delivered to:

Landlord: HMS Gateway Office L.P.
c/o Hines
651 Gateway Boulevard, Suite 1140
South San Francisco, California 94080
Phone: (650) 794-1111

Name of (Prospective) Tenant: Advanced Medicine, Inc.

Mailing Address:_____
_____

Contact Person, Title and Telephone Number(s):_____

Contact Person for Hazardous Waste Materials Management and Manifests and Telephone Number(s):_____
_____

Address of (Prospective) Premises:_____

Length of (Prospective) initial Term:_____
_____

1. GENERAL INFORMATION:

Describe the proposed operations to take place in, on, or about the Premises, including, without limitation, principal products processed, manufactured or assembled, and services and activities to be provided or otherwise conducted. Existing tenants should describe any proposed changes to on-going operations.

_____
_____

2. USE, STORAGE AND DISPOSAL OF HAZARDOUS MATERIALS

2.1 Will any Hazardous Materials (as hereinafter defined) be used, generated, treated, stored or disposed of in, on or about the Premises? Existing tenants should describe any Hazardous Materials which continue to be used, generated, treated, stored or disposed of in, on or about the Premises.

Wastes	Yes / /	No / /
Chemical Products	Yes / /	No / /
Other	Yes / /	No / /

If Yes is marked, please explain:_____
_____
_____

2.2 If Yes is marked in Exhibit 2.1, attach a list of any Hazardous Materials to be used, generated, treated, stored or disposed of in, on or about the Premises, including the applicable hazard class and an estimate of the quantities of such Hazardous Materials to be present on or about the Premises at any given time; estimated annual throughput; the proposed location(s) and method of storage (excluding nominal amounts of ordinary household cleaners and janitorial supplies which are not regulated by any Environmental Laws as hereinafter defined); and the proposed location(s) and method(s) of treatment or disposal for each Hazardous Material, including, the estimated frequency, and the proposed contractors or subcontractors. Existing tenants should attach a list setting forth the information requested above and such list should include actual data from on-going operations and the identification of any variations in such information from the prior year's certificate.

3. STORAGE TANKS AND SUMPS

3.1 Is any above or below ground storage or treatment of gasoline, diesel, petroleum, or other Hazardous Materials in tanks or sumps proposed in, on or about the Premises? Existing tenants should describe any such actual or proposed activities.

Yes / / No / /

If yes, please explain:_____

_____

_____

4. WASTE MANAGEMENT

4.1 Has your company been issued an EPA Hazardous Waste Generator I.D. Number? Existing tenants should describe any additional identification numbers issued since the previous certificate.

Yes / / No / /

4.2 Has your company filed a biennial or quarterly reports as a hazardous waste generator? Existing tenants should describe any new reports filed.

Yes / / No / /

If yes, attach a copy of the most recent report filed.

5. WASTEWATER TREATMENT AND DISCHARGE

5.1 Will your company discharge wastewater or other wastes to:

_____ storm drain? _____ sewer?

_____ surface water? _____ no wastewater or other wastes discharged.

Existing tenants should indicate any actual discharges. If so, describe the nature of any proposed or actual discharge(s).

_____

_____

5.2 Will any such wastewater or waste be treated before discharge?

Yes / / No / /

If yes, describe the type of treatment proposed to be conducted. Existing tenants should describe the actual treatment conducted.

_____

_____

6. AIR DISCHARGES

6.1 Do you plan for any air filtration systems or stacks to be used in your company's operations in, on or about the Premises that will discharge into the air; and will such air emissions be monitored? Existing tenants should indicate whether or not there are any such air filtration systems or stacks in use in, on or about the Premises which discharge into the air and whether such air emissions are being monitored.

Yes / / No / /

If yes, please describe:_____

_____

_____

6.2 Do you propose to operate any of the following types of equipment, or any other equipment requiring an air emissions permit? Existing tenants should specify any such equipment being operated in, on or about the Premises.

_____ Spray booth(s) _____ Incinerator(s)

_____ Dip tank(s) _____ Other (Please describe)

_____ Drying oven(s) _____ No Equipment Requiring Air Permits

If yes, please describe:_____

_____

_____

6.3 Please describe (and submit copies of with this Hazardous Materials Disclosure Certificate) any reports you have filed in the past [thirty-six] months with any governmental or quasi-governmental agencies or authorities related to air discharges or clean air requirements and any such reports which have been issued during such period by any such agencies or authorities with respect to you or your business operations.

7. HAZARDOUS MATERIALS DISCLOSURES

7.1 Has your company prepared or will it be required to prepare a Hazardous Materials management plan ("MANAGEMENT PLAN") or Hazardous Materials Business Plan and Inventory ("BUSINESS PLAN") pursuant to Fire Department or other governmental or regulatory agencies' requirements? Existing tenants should indicate whether or not a Management Plan is required and has been prepared.

Yes / / No / /

If yes, attach a copy of the Management Plan or Business Plan. Existing tenants should attach a copy of any required updates to the Management Plan or Business Plan.

7.2 Are any of the Hazardous Materials, and in particular chemicals, proposed to be used in your operations in, on or about the Premises listed or regulated under Proposition 65? Existing tenants should indicate whether or not there are any new Hazardous Materials being so used which are listed or regulated under Proposition 65.

Yes / / No / /

If yes, please explain:_____

_____

_____

8. ENFORCEMENT ACTIONS AND COMPLAINTS

8.1 With respect to Hazardous Materials or Environmental Laws, has your company ever been subject to any agency enforcement actions, administrative orders, or consent decrees or has your company received requests for information, notice or demand letters, or any other inquiries regarding its operations? Existing tenants should indicate whether or not any such actions, orders or decrees have been, or are in the process of being, undertaken or if any such requests have been received.

Yes / / No / /

If yes, describe the actions, orders or decrees and any continuing compliance obligations imposed as a result of these actions, orders or decrees and also describe any requests, notices or demands, and attach a copy of all such documents. Existing tenants should describe and attach a copy of any new actions, orders, decrees, requests, notices or demands not already delivered to Landlord pursuant to the provisions of Paragraph 32 of the Lease Agreement.

_____

_____

_____

8.2 Have there ever been, or are there now pending, any lawsuits against your company regarding any environmental or health and safety concerns?

Yes / / No / /

If yes, describe any such lawsuits and attach copies of the complaint(s), cross-complaint(s), pleadings and other documents related thereto as requested by Landlord. Existing tenants should describe and attach a copy of any new complaint(s), cross-complaint(s), pleadings and other related documents not already delivered to Landlord pursuant to the provisions of Paragraph 32 of the Lease Agreement.

_____

_____

_____

8.3 Have there been any problems or complaints from adjacent tenants, owners or other neighbors at your company's current facility with regard to environmental or health and safety concerns? Existing tenants should indicate whether or not there have been any such problems or complaints from adjacent tenants, owners or other neighbors at, about or near the Premises and the current status of any such problems or complaints.

Yes / / No / /

If yes, please describe. Existing tenants should describe any such problems or complaints not already disclosed to Landlord under the provisions of the signed Lease Agreement and the current status of any such problems or complaints.

_____

_____

_____

9. PERMITS AND LICENSES

9.1 Attach copies of all permits and licenses issued to your company with respect to its proposed operations in, on or about the Premises, including, without limitation, any Hazardous Materials permits, wastewater discharge permits, air emissions permits, and use permits or approvals. Existing tenants should attach copies of any new permits and licenses as well as any renewals of permits or licenses previously issued.

As used herein, "HAZARDOUS MATERIALS" shall mean and include any substance that is or contains (a) any "HAZARDOUS SUBSTANCE" as now or hereafter defined in Section 101(14) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA") (42 U.S.C. Section 9601 ET SEQ.) or any regulations promulgated under CERCLA; (b) any "HAZARDOUS WASTE" as now or hereafter defined in the Resource Conservation and Recovery Act, as amended ("RCRA") (42 U.S.C. Section 6901 ET SEQ.) or any regulations promulgated under RCRA; (c) any substance now or hereafter regulated by the Toxic Substances Control Act, as amended ("TSCA") (15 U.S.C. Section 2601 ET SEQ.) or any regulations promulgated under TSCA; (d) petroleum, petroleum by-products, gasoline, diesel fuel, or other petroleum hydrocarbons; (e) asbestos and asbestos-containing material, in any form, whether friable or non-friable; (f) polychlorinated biphenyls; (g) lead and lead-containing materials; or (h) any additional substance, material or waste (A) the presence of which on or about the Premises (i) requires reporting, investigation or remediation under any Environmental Laws (as hereinafter defined), (ii) causes or threatens to cause a nuisance on the Premises or any adjacent property or poses or threatens to pose a hazard to the health or safety of persons on the Premises or any adjacent property, or (iii) which, if it emanated or migrated from the Premises, could constitute a trespass, or (B) which is now or is hereafter classified or

considered to be hazardous or toxic under any Environmental Laws; and "ENVIRONMENTAL LAWS" shall mean and include (a) CERCLA, RCRA and TSCA; and (b) any other federal, state or local laws, ordinances, statutes, codes, rules, regulations, orders or decrees now or hereinafter in effect relating to (i) pollution, (ii) the protection or regulation of human health, natural resources or the environment, (iii) the treatment, storage or disposal of Hazardous Materials, or (iv) the emission, discharge, release or threatened release of Hazardous Materials into the environment.

The undersigned hereby acknowledges and agrees that this Hazardous Materials Disclosure Certificate is being delivered to Landlord in connection with the evaluation of a Lease Agreement and, if such Lease Agreement is executed, will be attached thereto as an exhibit. The undersigned further acknowledges and agrees that if such Lease Agreement is executed, this Hazardous Materials Disclosure Certificate will be updated from time to time in accordance with Paragraph 32 of the Lease Agreement. The undersigned further acknowledges and agrees that the Landlord and its partners, lenders and representatives may, and will, rely upon the statements, representations, warranties, and certifications made herein and the truthfulness thereof in entering into the Lease Agreement and the continuance thereof throughout the term, and any renewals thereof, of the Lease Agreement. I [print name], _____ acting with full authority to bind the (proposed) Tenant and on behalf of the (proposed) Tenant, certify, represent and warrant that the information contained in this certificate is true and correct.

(PROSPECTIVE) TENANT:

ADVANCED MEDICINE, INC.,
a Delaware corporation

By:

Title:

Date:

EXHIBIT H

TENANT'S PROPERTY

Laboratory related furniture and equipment including:

- benches and tables
- casework
- biosafety, laminar flow, and fume hoods
- cages/fencing
- DI water system
- vacuum pumps
- compressed air
- nitrogen manifold

Office related furniture and equipment including:

- open office partitions
- telephone and network equipment
- reception desk
- lobby furniture
- lobby display cases
- appliances
- interior signage

EXHIBIT I

RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO:

- ----------

- ----------

- ----------

Attention:

- ----------

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE is executed as of February 17, 1999, by and between HMS GATEWAY OFFICE, L.P., a Delaware limited partnership ("Landlord"), and ADVANCED MEDICINE, INC., a Delaware corporation ("Tenant"). Landlord has previously leased to Tenant a portion of that certain real property described on EXHIBIT A attached hereto and incorporated herein by reference, consisting of the building commonly known as 901 Gateway Boulevard located in South San Francisco, California, commencing on _____, _____ and terminating on _____, _____ on the terms and conditions set forth in that certain Lease between Landlord and Tenant dated as of February ___, 1999 (the "Off Record Lease"). Landlord has also granted to Tenant (i) options to renew the term of the Lease for two (2) additional periods of five (5) years each, and (ii) a right to expand the premises being leased by Tenant, all terms and conditions of the Off Record Lease.

IN WITNESS WHEREOF, the undersigned have executed this Memorandum of Lease so that third parties might have notice of the lease by Landlord and Tenant herein.

LANDLORD: HMS GATEWAY OFFICE, L.P.,
a Delaware limited partnership

By: Hines Gateway Office, L.P.,
Administrative Partner

By: Hines Interests Limited Partnership,
General Partner

By: Hines Holdings, Inc.,
General Partner

By: ----------
Name: ----------
Its: ----------

TENANT: ADVANCED MEDICINE, INC.,
a Delaware corporation

By: ----------
Name: ----------
Its: ----------

EXHIBIT J

TENANT'S IMPROVEMENT LOAN AMORTIZATION MEMORANDUM

LANDLORD: HMS GATEWAY OFFICE L.P.

TENANT: Advanced Medicine, Inc.

LEASE DATE: February 17, 1999

PREMISES: Located at 901 Gateway Boulevard, South San Francisco, California

Tenant hereby acknowledges that Landlord has provided a Tenant Improvement Loan to Tenant in the amount of _____ Dollars ($ _____) pursuant to Section D of EXHIBIT C to the Lease. Subject to the terms of the Lease and said EXHIBIT B, the Tenant Improvement Loan shall be repayable by Tenant, together with interest on the principal balance outstanding from time to time at the rate of twelve percent (12%) per annum, in monthly installments of _____ Dollars ($ _____) each. Said installments shall be payable on the first day of each month during the initial Term of the Lease concurrently with the payment of Monthly Base Rent.

TENANT: ADVANCED MEDICINE, INC.,
a Delaware corporation

By: ----------

Print Name: ----------

Its: ----------

Approved and Agreed:

LANDLORD:

HMS GATEWAY OFFICE, L.P.,
a Delaware limited partnership

By: Hines Gateway Office, L.P.,
Administrative Partner

By: Hines Interests Limited Partnership,
General Partner

By: Hines Holdings, Inc.,
General Partner

By:

Name:

Its:

EXHIBIT 23.2

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We hereby consent to the reference to our firm under the captions "Selected Financial Data" and "Experts" and to the use of our report dated February 4, 2000, except as to Notes 1, 8 and 10, for which the date is February 26, 2000, in the Registration Statement (Form S-1) and related Prospectus of Advanced Medicine, Inc. for the registration of shares of its common stock.

/s/ ERNST & YOUNG LLP

Palo Alto, California
March 17, 2000

Exhibit 23.3

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We hereby consent to the reference to our firm under the caption "Experts" and to the use of our report dated February 9, 2000, in the Registration Statement (Form S-1) and related Prospectus of Advanced Medicine, Inc., for the registration of shares of its common stock.

/s/ ERNST & YOUNG LLP

Raleigh, North Carolina
March 17, 2000

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DEC-31-1999
JAN-01-1999
DEC-31-1999
111,428
3,000
1,448
0
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671
28,974
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