AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 13, 2000.

REGISTRATION NO. 333-32990

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO
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:

Jay K. Hachigian, Esq.
Eric S. Palace, Esq.
Kevin J. Sullivan, Esq.
Gunderson Dettmer Stough
Villeneuve Franklin & Hachigian, LLP
225 Wyman Street
Waltham, MA 02451
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1550 El Camino Real
Menlo Park, CA 94025-4100
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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. / /

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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EXPLANATORY NOTE

This Amendment No. 1 to Advanced Medicine's Registration Statement on Form S-1 (File No. 333-32990), is being filed solely for the purpose of filing additional exhibits listed in Item 16 to the Registration Statement.

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 of the registrant (currently in effect)
3.2++	Form of Amended and Restated Certificate of Incorporation of the registrant to take effect upon the closing of the offering
3.3++	By-laws of the registrant (currently in effect)
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+	Warrant Agreement issued to Comdisco, dated as of May 7, 1997
10.8+	Warrant Agreement issued to Comdisco, dated as of April 27, 1998
10.9+	Amended and Restated Investor Rights Agreement by and among the registrant and the parties listed therein, dated as of March 21, 2000
10.10++	Form of Indemnification Agreement for directors and officers of the registrant
10.11++	Lease between the registrant and HMS Gateway Office, L.P. dated February 17, 1999
10.12*+	Asset Purchase Agreement between the registrant and Incara Pharmaceuticals, Inc., dated December 17, 1999
21.1+	List of Subsidiaries
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
27.1++	Financial Data Schedule

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

\+ Filed herewith.

++ Previously filed.

+++ 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.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 1 to its Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in South San Francisco, California on April 13, 2000.

Advanced Medicine, Inc.

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

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the 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)	April 13, 2000
* Marty Glick	Chief Financial Officer (principal financial and accounting officer)	April 13, 2000
* Julien C. Baker	Director	April 13, 2000
* Jeffrey M. Drazan	Director	April 13, 2000
* Robert V. Gunderson, Jr.	Director	April 13, 2000
* Arnold J. Levine	Director	April 13, 2000
* Wesley D. Sterman	Director	April 13, 2000
* George M. Whitesides	Director	April 13, 2000
* P. Roy Vagelos	Director	April 13, 2000

*By: /s/ JAMES B. TANANBAUM
James B. Tananbaum
ATTORNEY-IN-FACT

RESTATED CERTIFICATE OF INCORPORATION
OF
ADVANCED MEDICINE, INC.

(PURSUANT TO SECTIONS 242 AND 245 OF THE
GENERAL CORPORATION LAW OF THE STATE OF DELAWARE)

Advanced Medicine, Inc., a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the "General Corporation Law"),

DOES HEREBY CERTIFY:

FIRST: That the name of this corporation is Advanced Medicine, Inc. and that this corporation was originally incorporated pursuant to the General Corporation Law on November 19, 1996 under the name Advanced Medicine, Inc.

SECOND: That the Board of Directors duly adopted resolutions proposing to amend and restate the Certificate of Incorporation of this corporation, declaring said amendment and restatement to be advisable and in the best interests of this corporation and its stockholders, and authorizing the appropriate officers of this corporation to solicit the consent of the stockholders therefor, which resolution setting forth the proposed amendment and restatement is as follows:

RESOLVED, that the Certificate of Incorporation of this corporation be amended and restated in its entirety as follows:

ARTICLE I

The name of this corporation is Advanced Medicine, Inc.

ARTICLE II

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

ARTICLE III

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 Delaware.

ARTICLE IV

A. CLASSES OF STOCK. This corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number

of shares that this corporation is authorized to issue is One Hundred Forty Million (140,000,000) shares. One Hundred Million (100,000,000) shares shall be Common Stock and Forty Million (40,000,000) shares shall be Preferred Stock, each with a par value of $0.01 per share.

B. RIGHTS, PREFERENCES AND RESTRICTIONS OF PREFERRED STOCK. The Preferred Stock authorized by this Restated Certificate of Incorporation may be issued from time to time in one or more series. The rights, preferences, privileges, and restrictions granted to and imposed on the Series A Preferred Stock, which series shall consist of Five Million Twenty Thousand (5,020,000) shares (the "Series A Preferred Stock"), the Series B Preferred Stock, which series shall consist of Five Million One Hundred Thousand (5,100,000) shares (the "Series B Preferred Stock"), the Series C Preferred Stock, which series shall consist of Eighteen Million Eight Hundred Twenty-Three Thousand (18,823,000) shares (the "Series C Preferred Stock") and the Series D Preferred Stock, which Series shall consist of two million (2,000,000) shares (the "Series D Preferred Stock"), are as set forth below in this Article IV(B). The Board of Directors is hereby authorized to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon additional series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or of any of them. Subject to applicable law and compliance with applicable protective voting rights that have been or may be granted to the Preferred Stock or series thereof in Certificates of Designation or this corporation's Certificate of Incorporation ("Protective Provisions"), but notwithstanding any other rights of the Preferred Stock or any series thereof, the rights, privileges, preferences and restrictions of any such additional series may be subordinated to, PARI PASSU with (including, without limitation, inclusion in provisions with respect to liquidation and acquisition preferences, redemption and/or approval of matters by vote or written consent), or senior to any of those of any present or future class or series of Preferred or Common Stock. Subject to compliance with applicable Protective Provisions, the Board of Directors is also authorized to increase or decrease the number of shares of any series (other than the Series A Preferred Stock), prior or subsequent to the issue of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

1. DIVIDEND PROVISIONS.

(a) Subject to the rights of any series of Preferred Stock that may from time to time come into existence, the holders of shares of Series A, Series B, Series C and Series D Preferred Stock shall be entitled to receive dividends, out of any assets legally available therefor, prior and in preference to any declaration or payment of any dividend (payable other than in Common Stock or other securities and rights convertible into or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock of this corporation) on the Common Stock of this corporation, at the rate of $0.10 per share per annum, $0.40 per share per annum, $0.68 per share per annum and $1.20 per share per annum, respectively (each as adjusted for any stock splits, stock dividends, recapitalizations or the like), payable when, as, and if declared by the Board of Directors. Such dividends shall not be cumulative. The holders of the outstanding Preferred Stock can waive any dividend preference that such holders shall be entitled to receive under this Section 1 upon the affirmative vote or written consent of the holders of at least a majority of the Preferred Stock then outstanding.

2. LIQUIDATION PREFERENCE; PARTIAL LIQUIDATION.

(a) In the event of any liquidation, dissolution or winding up of this corporation, either voluntary or involuntary, subject to the rights of series of Preferred Stock that may from time to time come into existence, the holders of Series A, Series B, Series C and Series D Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of this corporation to the holders of Common Stock by reason of their ownership thereof, (A) in the case of the Series A Preferred Stock, an amount per share equal to the sum of (i) $1.25 (as adjusted for any stock splits, stock dividends, recapitalizations or the like) for each outstanding share of Series A Preferred Stock (the "Original Series A Issue Price") and (ii) an amount equal to declared but unpaid dividends on such share (subject to adjustment of such fixed dollar amounts for any stock splits, stock dividends, combinations, recapitalizations or the like); (B) in the case of the Series B Preferred Stock, an amount per share equal to the sum of (i) $5.00 (as adjusted for any stock splits, stock dividends, recapitalizations or the like) for each outstanding share of Series B Preferred Stock (the "Original Series B Issue Price") and (ii) an amount equal to declared but unpaid dividends on such share (subject to adjustment of such fixed dollar amounts for any stock splits, stock dividends, combinations, recapitalizations or the like); (C) in the case of the Series C Preferred Stock, an amount per share equal to the sum of (i) $8.50 (as adjusted for any stock splits, stock dividends, recapitalizations or the like) for each outstanding share of Series C Preferred Stock (the "Original Series C Issue Price") and (ii) an amount equal to declared but unpaid dividends on such share (subject to adjustment of such fixed dollar amounts for any stock splits, stock dividends, combinations, recapitalizations or the like) and (D) in the case of the Series D Preferred Stock, an amount per share equal to the sum of (i) $15.00 (as adjusted for any stock splits, stock dividends, combinations, recapitalization or the like) for each outstanding share of Series D Preferred Stock (the "Original Series D Issue Price" and (ii) an amount equal to declared and unpaid dividends on such share (subject to adjustment of such fixed dollar amounts for any stock splits, stock dividends, combinations, recapitalizations or the like). If upon the occurrence of such event, the assets and funds thus distributed among the holders of the Series A, Series B, Series C and Series D Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then, subject to the rights of series of Preferred Stock that may from time to time come into existence, the entire assets and funds of this corporation legally available for distribution shall be distributed ratably among the holders of the Series A, Series B, Series C and Series D Preferred Stock in proportion to such holder's aggregate liquidation preference.

(b) Upon completion of the distribution required by subsection (a) of this Section 2 and any other distribution that may be required with respect to series of Preferred Stock that may from time to time come into existence, all of the remaining assets of this corporation available for distribution to stockholders shall be distributed among the holders of Common Stock pro rata based on the number of shares of Common Stock held by each.

(c) (i) For purposes of this Section 2, a liquidation, dissolution or winding up of this corporation shall be deemed to be occasioned by, or to include (unless the holders of at least a majority of the Preferred Stock then outstanding shall determine otherwise), (A) the acquisition of this corporation by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation) that

results in the transfer of fifty percent (50%) or more of the outstanding voting power of this corporation; or (B) a sale of all or substantially all of the assets of this corporation.

(ii) In any of such events, if the consideration received by this corporation is other than cash, its value will be deemed its fair market value. Any securities shall be valued as follows:

(A) Securities not subject to investment letter or other similar restrictions on free marketability covered by (B) below:

(1) If traded on a securities exchange or through the Nasdaq National Market, the value shall be deemed to be the average of the closing prices of the securities on such exchange or system over the thirty (30) day period ending three (3) days prior to the closing;

(2) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) over the thirty (30) day period ending three (3) days prior to the closing; and

(3) If there is no active public market, the value shall be the fair market value thereof, as mutually determined by this corporation and the holders of at least a majority of the voting power of all then outstanding shares of Preferred Stock.

(B) The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a stockholder's status as an affiliate or former affiliate) shall be to make an appropriate discount from the market value determined as above in (A) (1), (2) or (3) to reflect the approximate fair market value thereof, as mutually determined by this corporation and the holders of at least a majority of the voting power of all then outstanding shares of such Preferred Stock.

(iii) In the event the requirements of this subsection 2(c) are not complied with, this corporation shall forthwith either:

(A) cause such closing to be postponed until such time as the requirements of this Section 2 have been complied with; or

(B) cancel such transaction, in which event the rights, preferences and privileges of the holders of the Preferred Stock shall revert to and be the same as such rights, preferences and privileges existing immediately prior to the date of the first notice referred to in subsection 2(c)(iv) hereof.

(iv) This corporation shall give each holder of record of Preferred Stock written notice of such impending transaction not later than twenty (20) days prior to the stockholders' meeting called to approve such transaction, or twenty (20) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of this Section 2, and this corporation shall thereafter give such holders prompt notice of any material changes. The transaction shall in

no event take place sooner than twenty (20) days after this corporation has given the first notice provided for herein or sooner than ten (10) days after this corporation has given notice of any material changes provided for herein; provided, however, that such periods may be shortened upon the written consent of the holders of Preferred Stock that are entitled to such notice rights or similar notice rights and that represent at least a majority of the voting power of all then outstanding shares of such Preferred Stock.

(d) Subject to the rights of any series of Preferred Stock that may from time to time come into existence, in the event of a "Partial Liquidation Distribution", as defined below, (i) the amount of such Partial Liquidation Distribution shall be distributed among the holders of the outstanding Preferred Stock and Common Stock as provided in Sections 2(a) and 2(b) above and shall not be distributed as provided in Section 1 or Article IV(C)(1), (ii) to the extent that a holder of a share of Series A, Series B, Series C or Series D Preferred Stock receives an amount pursuant to such Partial Liquidation Distribution that exceeds the declared but unpaid dividends on such share of Preferred Stock, the Original Series A Issue Price (in the case of such an excess distribution to holders of Series A Preferred Stock), the Original Series B Issue Price (in the case of such an excess distribution to holders of Series B Preferred Stock), the Original Series C Issue Price (in the case of such an excess distribution to holders of Series C Preferred Stock or the Original Series D Issue Price (in the case of such an excess distribution to holders of Series D Preferred Stock)), as the case may be, shall be reduced on a dollar-for-dollar basis by the amount of such excess distribution and (iii) in the event that the Original Series A Issue Price, Original Series B Issue Price, Original Series C Issue Price or Original Series D Issue Price has been reduced pursuant to clause (ii) of this Section 2(d), then (A) in the case of a reduction in the Original Series A Issue Price, the $0.10 per share per annum dividend preference referred to in Section 1(a) shall be reduced to equal 8% of the reduced Original Series A Issue Price, (B) in the case of a reduction in the Original Series B Issue Price, the $0.40 per share per annum dividend preference referred to in Section 1(a) shall be reduced to equal 8% of the reduced Original Series B Issue Price, (C) in the case of a reduction in the Original Series C Issue Price, the $0.68 per share per annum dividend preference referred to in Section 1(a) shall be reduced to equal 8% of the reduced Original Series C Issue Price and (D) in the case of a reduction in the Original Series D Issue Price, the $1.20 per share per annum dividend preference referred to in Section 1(a) shall be reduced to equal 8% of the reduced Original Series D Issue Price. A "Partial Liquidation Distribution" is any distribution of cash or other assets (other than stock or securities of this corporation) that meets all of the following conditions: (i) such distribution is approved in writing by (A) the holders of at least a majority of the then outstanding shares of Series A Preferred Stock, (B) the holders of at least a majority of the then outstanding shares of Series B Preferred Stock, (C) the holders of at least a majority of the then outstanding shares of Series C Preferred Stock, (D) the holders of at least a majority of the outstanding shares of Series D Preferred Stock, and (E) the holders of at least a majority of the then outstanding shares of Common Stock, (ii) the amount of cash and fair market value of property (with the fair market value of property being determined as provided in Section 2(a)(c)(ii)) that is distributed equals at least 30% of the aggregate amount of consideration that this corporation has received in exchange for the issuance of all Preferred Stock and Common Stock of this corporation.

3. CONVERSION. The holders of the Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) RIGHT TO CONVERT. Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of this corporation or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Original Issue Price for such series by the Conversion Price applicable to such share, determined as hereafter provided, in effect on the date the certificate is surrendered for conversion. The initial Conversion Price per share for shares of Preferred Stock shall be the Original Issue Price for such series; provided, however, that the Conversion Price for the Preferred Stock shall be subject to adjustment as set forth in subsection 3(d). Notwithstanding the foregoing, no share of Series D Preferred Stock shall be convertible before the earlier of (i) September 30, 2000, (ii) immediately prior to the closing of a Qualified IPO (as defined below) of this corporation and (iii) immediately prior to the closing of a transaction described in Article IV (B)(2)(c)(i) (without regard to any determination or vote by the holders of the Preferred Stock as described therein) (a "Change in Control"). In addition, notwithstanding the foregoing, if this corporation (i) closes a Qualified IPO on or before September 30, 2000, the initial Conversion Price per share for shares of Series D Preferred Stock shall be (x) 90% of the public offering price in such Qualified IPO in the event that the initial public offering price in such Qualified IPO is $22.22 or lower, (y) $20.00 in the event that the initial public offering price in such Qualified IPO is greater than $22.22 and less than or equal to $25.00 and (z) 80% of the public offering price in such Qualified IPO in the event that the initial public offering price in such Qualified IPO is greater than $25.00, (ii) (x) does not close a Qualified IPO on or before September 30, 2000 or (y) is subject to a Change in Control that occurs on or before September 30, 2000, then, in each case, the initial Conversion Price per share for shares of Series D Preferred Stock shall be $12.00 or (iii) consummates a financing transaction or series of financing transactions that, in the aggregate, raise more than $5 million for the Company and involve the issuance and sale of equity securities of any kind after the Purchase Date (as defined below) for the Series D Preferred Stock and before September 30, 2000, the initial Conversion Price per share for shares of Series D Preferred Stock shall be the lower of (a) the per share price at which such equity securities are issued and sold (on an as-converted basis) or (b) $12.00; provided that, in the event two or more of the actions, omissions or events, as the case may be, described in clauses (i), (ii) or (iii) in this sentence occur, the Conversion Price for the Series D Preferred Stock shall, in any and all cases (and regardless of the number of occurrences of any actions, omissions or events described in clauses (i), (ii) or (iii) in this sentence), not exceed the lowest Conversion Price for the Series D Preferred Stock determined in accordance with clauses (i), (ii) or (iii) in this sentence.

(b) AUTOMATIC CONVERSION. Each share of Preferred Stock shall automatically be converted into shares of Common Stock at the Conversion Price at the time in effect for such Preferred Stock immediately upon the earlier of (i) this corporation's sale of its Common Stock in a firm commitment underwritten public offering pursuant to a registration statement on Form S-1 or Form SB-2 under the Securities Act of 1933, as amended, the public offering price of which was not less than $10.00 per share in the event that such public offering closes on or before September 30, 2000 and $17.00 per share at any time thereafter (as adjusted for any stock splits, stock dividends, recapitalizations or the like) and $30,000,000 in the aggregate (a "Qualified IPO") or (ii) the date specified by written consent or agreement of the holders of at least 66 2/3% of the then outstanding shares of Preferred Stock.

(c) MECHANICS OF CONVERSION. Before any holder of Preferred Stock shall be entitled to convert the same into shares of Common Stock, he or she shall surrender the certificate or certificates therefor, duly endorsed, at the office of this corporation or of any transfer agent for the Preferred Stock, and shall give written notice to this corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued. This corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date. If the conversion is in connection with an underwritten offering of securities registered pursuant to the Securities Act of 1933, as amended, the conversion may, at the option of any holder tendering Preferred Stock for conversion, be conditioned upon the closing with the underwriters of the sale of securities pursuant to such offering, in which event the persons entitled to receive the Common Stock upon conversion of the Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately prior to the closing of such sale of securities.

(d) CONVERSION PRICE ADJUSTMENTS OF PREFERRED STOCK FOR SPLITS AND COMBINATIONS. The Conversion Price of the Preferred Stock shall be subject to adjustment from time to time as follows:

(i) In the event this corporation should at any time or from time to time after the date upon which any shares of Preferred Stock were first issued (the "Purchase Date") fix a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock (hereinafter referred to as "Common Stock Equivalents") without payment of any consideration by such holder for the additional shares of Common Stock or the Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion or exercise thereof), then, as of such record date (or the date of such dividend distribution, split or subdivision if no record date is fixed), the Conversion Price of the Preferred Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase of the aggregate of shares of Common Stock outstanding and those issuable with respect to such Common Stock Equivalents;

(ii) If the number of shares of Common Stock outstanding at any time after the Purchase Date is decreased by a combination of the outstanding shares of Common Stock, then, following the record date of such combination, the Conversion Price for the Preferred Stock shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in outstanding shares.

(e) OTHER DISTRIBUTIONS. In the event this corporation shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by this corporation or other persons, assets (excluding cash dividends) or options or rights not referred to in subsection 3(d)(i), then, in each such case for the purpose of this subsection 3(e), the holders of the Preferred Stock shall be entitled to a proportionate share of any such distribution as though they were the holders of the number of shares of Common Stock of this corporation into which their shares of Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock of this corporation entitled to receive such distribution.

(f) RECAPITALIZATIONS. If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this Section 3 or Section 2) provision shall be made so that the holders of the Preferred Stock shall thereafter be entitled to receive upon conversion of the Preferred Stock the number of shares of stock or other securities or property of the Corporation or otherwise, to which a holder of Common Stock deliverable upon conversion would have been entitled on such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 3 with respect to the rights of the holders of the Preferred Stock after the recapitalization to the end that the provisions of this Section 3 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Preferred Stock) shall be applicable after that event as nearly equivalent as may be practicable.

(g) NO IMPAIRMENT. This corporation will not, by amendment of its Certificate of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by this corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 3 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Preferred Stock against impairment.

(h) NO FRACTIONAL SHARES AND CERTIFICATE AS TO ADJUSTMENTS.

(i) No fractional shares shall be issued upon the conversion of any share or shares of the Preferred Stock, and the number of shares of Common Stock to be issued shall be rounded to the nearest whole share. Whether or not fractional shares are issuable upon such conversion shall be determined on the basis of the total number of shares of Preferred Stock the holder is at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion.

(ii) Upon the occurrence of each adjustment or readjustment of the Conversion Price of Preferred Stock pursuant to this Section 3, this corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. This corporation shall, upon the written request at any time of any holder of Preferred

Stock, furnish or cause to be furnished to such holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Price for such series of Preferred Stock at the time in effect, and (C) the number of shares of Common Stock and the amount, if any, of other property that at the time would be received upon the conversion of a share of Preferred Stock.

(i) NOTICES OF RECORD DATE. In the event of any taking by this corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, this corporation shall mail to each holder of Preferred Stock, at least twenty (20) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.

(j) RESERVATION OF STOCK ISSUABLE UPON CONVERSION. This corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, in addition to such other remedies as shall be available to the holder of such Preferred Stock, this corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to this Restated Certificate of Incorporation.

(k) NOTICES. Any notice required by the provisions of this Section 3 to be given to the holders of shares of Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of this corporation.

4. VOTING RIGHTS. The holder of each share of Preferred Stock shall have the right to one vote for each share of Common Stock into which such Preferred Stock could then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Common Stock, and shall be entitled, notwithstanding any provision hereof, to notice of any stockholders' meeting in accordance with the bylaws of this corporation, and shall be entitled to vote, together with holders of Common Stock, with respect to any question upon which holders of Common Stock have the right to vote. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as-converted basis (after aggregating all shares into which shares of Preferred Stock held by each holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward).

5. PROTECTIVE PROVISIONS.

(a) Subject to the rights of series of Preferred Stock that may from time to time come into existence, so long as 5,000,000 shares of Preferred Stock are outstanding, this corporation shall not without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least a majority of the then outstanding shares of Preferred Stock, voting together as a single class:

(i) sell, convey, or otherwise dispose of all or substantially all of its property or business or merge into or consolidate with any other corporation (other than a wholly owned subsidiary corporation or in a transaction in which the Company is the acquiring corporation) or effect any transaction or series of related transactions in which more than fifty percent (50%) of the voting power of this corporation is disposed of;

(ii) redeem, purchase or otherwise acquire (or pay into or set aside for a sinking fund for such purpose) any share or shares of Preferred Stock or Common Stock; provided, however, that this restriction shall not apply to the repurchase of shares of Common Stock from employees, officers, directors, consultants or other persons performing services for this corporation or any subsidiary pursuant to agreements under which this corporation has the option to repurchase such shares at cost or at cost upon the occurrence of certain events, such as the termination of employment;

(iii) declare or pay any dividends upon the Common Stock; or

(iv) authorize or issue, or obligate itself to issue, any equity security (other than the Series A, Series B, Series C or Series D Preferred Stock), including any security convertible into or exercisable for any other equity security having a preference over, or being on parity with, the Preferred Stock with respect to dividends, liquidation, redemption or voting. Notwithstanding the foregoing, without the approval of the Preferred Stock, this corporation shall be permitted to authorize or issue, or obligate itself to issue, any equity security, including any security convertible into or exercisable for any equity security, that is not senior to the Preferred Stock with respect to dividends, liquidation, redemption or voting, provided that such securities are issued to a person or entity that has a research, development, clinical, regulatory, marketing, sales or other operational or strategic relationship with this corporation.

(b) This corporation shall not without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least a majority of the then outstanding shares of Series A Preferred Stock, amend this corporation's Certificate of Incorporation or bylaws to alter or change the rights, preferences or privileges of the shares of Series A Preferred Stock.

(c) This corporation shall not without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least a majority of the then outstanding shares of Series B Preferred Stock, amend this corporation's Certificate of Incorporation or bylaws to alter or change the rights, preferences or privileges of the shares of Series B Preferred Stock.

(d) This corporation shall not without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least a majority of the then outstanding

shares of Series C Preferred Stock, amend this corporation's Certificate of Incorporation or bylaws to alter or change the rights, preferences or privileges of the shares of Series C Preferred Stock.

(e) This corporation shall not without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least a majority of the then outstanding shares of Series D Preferred Stock, amend this corporation's Certificate of Incorporation or bylaws to alter or change the rights, preferences or privileges of the shares of Series D Preferred Stock.

6. STATUS OF REDEEMED OR CONVERTED STOCK. In the event any shares of Preferred Stock shall be converted pursuant to Section 3 hereof, the shares so converted shall be cancelled and shall not be issuable by this corporation. The Restated Certificate of Incorporation of this corporation shall be appropriately amended to effect the corresponding reduction in this corporation's authorized capital stock.

7. REDEMPTION. The Preferred Stock is not redeemable.

C. COMMON STOCK. The rights, preferences, privileges and restrictions granted to and imposed on the Common Stock are as set forth below in this Article IV(C).

1. DIVIDEND RIGHTS. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any assets of this corporation legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

2. LIQUIDATION RIGHTS. Upon the liquidation, dissolution or winding up of this corporation, the assets of this corporation shall be distributed as provided in Section 2 of Division (B) of Article IV hereof.

3. REDEMPTION. The Common Stock is not redeemable.

4. VOTING RIGHTS. The holder of each share of Common Stock shall have the right to one vote for each such share, and shall be entitled to notice of any stockholders' meeting in accordance with the bylaws of this corporation, and shall be entitled to vote upon such matters and in such manner as may be provided by law.

ARTICLE V

Except as otherwise provided in this Certificate of Incorporation, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of this corporation.

ARTICLE VI

The number of directors of this corporation shall be fixed from time to time as provided in the bylaws or any amendment thereof duly adopted by the Board of Directors or by the stockholders.

ARTICLE VII

Elections of directors need not be by written ballot unless the Bylaws of this corporation shall so provide.

ARTICLE VIII

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of this corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of this corporation.

ARTICLE IX

A director of this corporation shall, to the fullest extent permitted by the General Corporation Law as it now exists or as it may hereafter be amended, not be personally liable to this corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to this corporation or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit. If the General Corporation Law is amended, after approval by the stockholders of this Article, to authorize corporation action further eliminating or limiting the personal liability of directors, then the liability of a director of this corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law, as so amended.

Any amendment, repeal or modification of this Article IX, or the adoption of any provision of this Amended and Restated Certificate of Incorporation inconsistent with this Article IX, by the stockholders of this corporation shall not apply to or adversely affect any right or protection of a director of this corporation existing at the time of such amendment, repeal, modification or adoption.

ARTICLE X

This corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE XI

To the fullest extent permitted by applicable law, this corporation is authorized to provide indemnification of (and advancement of expenses to) agents of this corporation (and any other persons to which General Corporation Law permits this corporation to provide indemnification) through bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the General Corporation Law, subject only to limits created by applicable General Corporation Law (statutory or non-statutory), with respect to actions for breach of duty to this corporation, its stockholders, and others.

Any amendment, repeal or modification of the foregoing provisions of this Article XI shall not adversely affect any right or protection of a director, officer, agent, or other person existing at the time of, or increase the liability of any director of this corporation with respect to any acts or omissions of such director, officer or agent occurring prior to, such amendment, repeal or modification.

* * *

THIRD: The foregoing amendment and restatement was approved by the holders of the requisite number of shares of said corporation in accordance with Section 228 of the General Corporation Law.

FOURTH: That said amendment and restatement was duly adopted in accordance with the provisions of Section 242 and 245 of the General Corporation Law.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation has been executed by the President and the Secretary of this corporation on this 21st day of March, 2000.

/s/ James B. Tananbaum

James B. Tananbaum
President

/s/ Bradford J. Shafer

Bradford J. Shafer
Secretary

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AS AMENDED, OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL (WHICH MAY BE COMPANY COUNSEL) REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS.

WARRANT AGREEMENT

To Purchase Shares of the Series A Preferred Stock of

ADVANCED MEDICINE, INC.

Dated as of May 7, 1997 (the "Effective Date")

WHEREAS, Advanced Medicine, Inc., a Delaware corporation (the "Company") has entered into a Master Lease Agreement dated as of May 7, 1997, Equipment Schedule No. VL-1 dated as of May 7, 1997, and related Summary Equipment Schedules (collectively, the "Leases") with Comdisco, Inc., a Delaware corporation (the "Warrantholder"); and

WHEREAS, the Company desires to grant to Warrantholder, in consideration for such Leases, the right to purchase shares of its Series A Preferred Stock;

NOW, THEREFORE, in consideration of the Warrantholder executing and delivering such Leases and in consideration of mutual covenants and agreements contained herein, the Company and Warrantholder agree as follows:

1. GRANT OF THE RIGHT TO PURCHASE PREFERRED STOCK.

The Company hereby grants to the Warrantholder, and the Warrantholder is entitled, upon the terms and subject to the conditions hereinafter set forth, to subscribe to and purchase, from the Company, 32,000 fully paid and non-assessable shares of the Company's Series A Preferred Stock ("Preferred Stock") at a purchase price of $1.25 per share (the "Exercise Price"). The number, class and purchase price of such shares are subject to adjustment as provided in Section 8 hereof.

2. TERM OF THE WARRANT AGREEMENT.

Except as otherwise provided for herein, the term of this Warrant Agreement and the right to purchase Preferred Stock as granted herein shall commence on the Effective Date and shall be exercisable for a period of (i) seven (7) years or (ii) three (3) years from the effective date of the Company's initial public offering, whichever is longer.

3. EXERCISE OF THE PURCHASE RIGHTS.

The purchase rights set forth in this Warrant Agreement are exercisable by the Warrantholder, in whole or in part, at any time, or from time to time, prior to the expiration of the term set forth in Section 2 above, by tendering to the Company at its principal office a notice of exercise in the form attached hereto as Exhibit I (the "Notice of Exercise"), duly completed and executed. Promptly upon receipt of the Notice of Exercise and the payment of the purchase price in accordance with the terms set forth below, and in no event later than twenty-one (21) days thereafter, the Company shall issue to the Warrantholder a certificate for the number of shares of Preferred Stock purchased and shall execute the acknowledgment of exercise in the form attached hereto as Exhibit II (the "Acknowledgment of Exercise") indicating the number of shares which remain subject to future purchases, if any.

The Exercise Price may be paid at the Warrantholder's election either (i) by cash or check, or (ii) by surrender of Warrants ("Net Issuance") as determined below. If the Warrantholder elects the Net Issuance method, the Company will issue Preferred Stock in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where: X = the number of shares of Preferred Stock to be issued to the Warrantholder.

Y = the number of shares of Preferred Stock requested to be exercised under this Warrant Agreement.

A = the fair market value of one (1) share of Preferred Stock.

B = the Exercise Price.

For purposes of the above calculation, current fair market value of Preferred Stock shall mean with respect to each share of Preferred Stock:

(i) if the exercise is in connection with an initial public offering of the Company's Common Stock, and if the Company's Registration Statement relating to such public offering has been declared effective by the SEC, then the fair market value per share shall be the product of (x) the initial "Price to Public" specified in the final prospectus with respect to the offering and (y) the number of shares of Common Stock into which each share of Preferred Stock is convertible at the time of such exercise;

(ii) if this Warrant is exercised after, and not in connection with the Company's initial public offering, and:

(a) if traded on a securities exchange, the fair market value shall be deemed to be the product of (x) the average of the closing prices over a twenty-one (21) day period ending three days before the day the current fair market value of the securities is being determined and (y) the number of shares of Common Stock into which each share of Preferred Stock is convertible at the time of such exercise; or

(b) if actively traded over-the-counter, the fair market value shall be deemed to be the product of (x) the average of the closing bid and asked prices quoted on the NASDAQ system (or similar system) over the twenty-one (21) day period ending three days before the day the current fair market value of the securities is being determined and (y) the number of shares of Common Stock into which each share of Preferred Stock is convertible at the time of such exercise;

(iii) if at any time the Common Stock is not listed on any securities exchange or quoted in the NASDAQ System or the over-the-counter market, the current fair market value of Preferred Stock shall be the product of (x) the highest price per share which the Company could obtain from a willing buyer (not a current employee or director) for shares of Common Stock sold by the Company, from authorized but unissued shares, as determined in good faith by its Board of Directors and (y) the number of shares of Common Stock into which each share of Preferred Stock is convertible at the time of such exercise, unless the Company shall become subject to a merger, acquisition or other consolidation pursuant to which the Company is not the surviving party, in which case the fair market value of Preferred Stock shall be deemed to be the value received by the holders of the Company's Preferred Stock on a common equivalent basis pursuant to such merger or acquisition.

Upon partial exercise by either cash or Net Issuance, the Company shall promptly issue an amended Warrant Agreement representing the remaining number of shares purchasable hereunder. All other terms and conditions of such amended Warrant Agreement shall be identical to those contained herein, including, but not limited to the Effective Date hereof.

4. RESERVATION OF SHARES.

(a) AUTHORIZATION AND RESERVATION OF SHARES. During the term of this Warrant Agreement, the Company will at all times have authorized and reserved a sufficient number of shares of its Preferred Stock to provide for the exercise of the rights to purchase Preferred Stock as provided for herein.

5. NO FRACTIONAL SHARES OR SCRIP.

No fractional shares or scrip representing fractional shares shall be issued upon the exercise of the Warrant, but in lieu of such fractional shares the Company shall make a cash payment therefor upon the basis of the Exercise Price then in effect.

6. NO RIGHTS AS SHAREHOLDER.

This Warrant Agreement does not entitle the Warrantholder to any voting rights or other rights as a shareholder of the Company prior to the exercise of the Warrant.

7. WARRANTHOLDER REGISTRY.

The Company shall maintain a registry showing the name and address of the registered holder of this Warrant Agreement.

8. ADJUSTMENT RIGHTS.

The purchase price per share and the number of shares of Preferred Stock purchasable hereunder are subject to adjustment, as follows:

(a) MERGER AND SALE OF ASSETS. If at any time there shall be a capital reorganization of the shares of the Company's stock (other than a combination, reclassification, exchange or subdivision of shares otherwise provided for herein), or a merger or consolidation of the Company with or into another corporation whether or not the Company is the surviving corporation, or the sale of all or substantially all of the Company's properties and assets to any other person (hereinafter referred to as a "Merger Event"), then, as a part of such Merger Event, lawful provision shall be made so that the Warrantholder shall thereafter be entitled to receive, upon exercise of the Warrant, the number of shares of preferred stock or other securities of the successor corporation resulting from such Merger Event, equivalent in value to that which would have been issuable if Warrantholder had exercised this Warrant immediately prior to the Merger Event. In any such case, appropriate adjustment (as determined in good faith by the Company's Board of Directors) shall be made in the application of the provisions of this Warrant Agreement with respect to the rights and interest of the Warrantholder after the Merger Event to the end that the provisions of this Warrant Agreement (including adjustments of the Exercise Price and number of shares of Preferred Stock purchasable) shall be applicable to the greatest extent possible.

(b) RECLASSIFICATION OF SHARES. If the Company at any time shall, by combination, reclassification, exchange or subdivision of securities, mandatory conversion pursuant to the Company's Certificate of Incorporation or otherwise, change any of the securities as to which purchase rights under this Warrant Agreement exist into the same or a different number of securities of any other class or classes, this Warrant Agreement shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities which were subject to the purchase rights under this Warrant Agreement immediately prior to such combination, reclassification, exchange, subdivision, mandatory conversion or other change.

(c) SUBDIVISION OR COMBINATION OF SHARES. If the Company at any time shall combine or subdivide its Preferred Stock, the Exercise Price shall be proportionately decreased in the case of a subdivision, or proportionately increased in the case of a combination.

(d) STOCK DIVIDENDS. If the Company at any time shall pay a dividend payable in, or make any other distribution (except any distribution specifically provided for in the foregoing subsections (a) or (b)) of the Company's stock, then the Exercise Price shall be adjusted, from and after the record date of such dividend or distribution, to that price determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction (i) the numerator of which shall be the total number of all shares of the Company's stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of all shares of the Company's stock outstanding immediately after such dividend or distribution. The Warrantholder shall thereafter be entitled to purchase, at the Exercise Price resulting from such adjustment, the number of shares of Preferred Stock (calculated to the nearest whole share) obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of shares of Preferred Stock issuable upon the exercise hereof immediately prior to such adjustment and dividing the product thereof by the Exercise Price resulting from such adjustment. The application of Section 8(d) is not intended to result in a double adjustment and if an adjustment is contemplated bythe Certificate of Incorporation no adjustment will be implemented pursuant to this Section 8(d).

(e) ANTIDILUTION RIGHTS. Additional antidilution rights applicable to the Preferred Stock purchasable hereunder are as set forth in the Company's Certificate of Incorporation, as amended through the Effective Date, a true and complete copy of which is attached hereto as Exhibit ___ (the "Charter"). The Company shall promptly provide the Warrantholder with any restatement, amendment, modification or waiver of the Charter. The Company shall provide Warrantholder with written notice of any issuance of its stock or other equity security to occur after the Effective Date of this Warrant, which notice shall include (a) the price at which such stock or security is to be sold, (b) the number of shares to be issued, and (c) such other information as necessary for Warrantholder to determine if a dilutive event has occurred.

(f) NOTICE OF ADJUSTMENTS. If: (i) the Company shall declare any dividend or distribution upon its stock, whether in cash, property, stock or other securities; (ii) the Company shall offer for subscription prorata to the holders of any class of its Preferred or other convertible stock any additional shares of stock of any class or other rights; (iii) there shall be any Merger Event; (iv) there shall be an initial public offering; or (v) there shall be any voluntary dissolution, liquidation or winding up of the Company; then, in connection with each such event, the Company shall send to the Warrantholder: (A) at least twenty (20) days' prior written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend, distribution, subscription rights (specifying the date on which the holders of Preferred Stock shall be entitled thereto) or for determining rights to vote in respect of such Merger Event, dissolution, liquidation or winding up; (B) in the case of any such Merger Event, dissolution, liquidation or winding up, at least twenty (20) days' prior written notice of the date when the same shall take place (and specifying the date on which the holders of Preferred Stock shall be entitled to exchange their Preferred Stock for securities or other property deliverable upon such Merger Event, dissolution, liquidation or winding up); and (C) in the case of a public offering, the Company shall give the Warrantholder at least twenty (20) days written notice prior to the effective date thereof.

Each such written notice shall set forth, in reasonable detail, (i) the event requiring the adjustment, (ii) the amount of the adjustment, (iii) the method by which such adjustment was calculated, (iv) the Exercise Price, and (v) the number of shares subject to purchase hereunder after giving effect to such adjustment, and shall be given by first class mail, postage prepaid, addressed to the Warrantholder, at the address as shown on the books of the Company.

(g) TIMELY NOTICE. Failure to timely provide such notice required by subsection (f) above shall entitle Warrantholder to retain the benefit of the applicable notice period notwithstanding anything to the contrary contained in any insufficient notice received by Warrantholder. The notice period shall begin on the date Warrantholder actually receives a written notice containing all the information specified above.

9. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY.

(a) RESERVATION OF PREFERRED STOCK. The Preferred Stock issuable upon exercise of the Warrantholder's rights has been duly and validly reserved and, when issued in accordance with the provisions of this Warrant Agreement, will be validly issued, fully paid and non-assessable, and will be free of any taxes, liens, charges or encumbrances of any nature whatsoever; provided, however, that the Preferred Stock issuable pursuant to this Warrant Agreement may be subject to restrictions on transfer under state and/or Federal securities laws. The Company has made available to the Warrantholder true, correct and complete copies of its Charter and Bylaws, as amended. The issuance of certificates for shares of Preferred Stock upon exercise of the Warrant Agreement shall be made without charge to the Warrantholder for any issuance tax in respect thereof, or other cost incurred by the Company in connection with such exercise and the related issuance of shares of Preferred Stock. The Company shall not be required to pay any tax which may be payable in respect of any transfer involved and the issuance and delivery of any certificate in a name other than that of the Warrantholder.

(b) DUE AUTHORITY. The execution and delivery by the Company of this Warrant Agreement and the performance of all obligations of the Company hereunder, including the issuance to Warrantholder of the right to acquire the shares of Preferred Stock, have been duly authorized by all necessary corporate action on the part of the Company, and the Leases and this Warrant Agreement are not inconsistent with the Company's Charter or Bylaws, do not contravene any law or governmental rule, regulation or order applicable to it, do not and will not contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument to which it is a party or by which it is bound, and the Leases and this Warrant Agreement constitute legal, valid and binding agreements of the Company, enforceable in accordance with their respective terms.

(c) CONSENTS AND APPROVALS. No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of any state,

Federal or other governmental authority or agency is required with

respect to the execution, delivery and performance by the Company of its obligations under this Warrant Agreement, except for the filing of notices pursuant to Regulation D under the 1933 Act and any filing required by applicable state securities law, which filings will be effective by the time required thereby.

(d) ISSUED SECURITIES. All issued and outstanding shares of Common Stock, Preferred Stock or any other securities of the Company have been duly authorized and validly issued and are fully paid and nonassessable. All outstanding shares of Common Stock, Preferred Stock and any other securities were issued in full compliance with all Federal and state securities laws. In addition:

(i) The authorized capital of the Company consists of (A) 4,285,000 shares of Common Stock, of which 4,285,000 shares are issued and outstanding, and (B) 4,500,000 shares of preferred stock, of which 4,500,000 shares are issued and outstanding and are convertible into 4,500,000 shares of Common Stock at $1.25 per share.

(ii) Except as set forth in the Company's Articles of Incorporation and Series A Convertible Stock Purchase Agreement, no shareholder of the Company has preemptive rights to purchase new issuances of the Company's capital stock.

(e) INSURANCE. The Company has in full force and effect insurance policies, with extended coverage, insuring the Company and its property and business against such losses and risks, and in such amounts, as are customary for corporations engaged in a similar business and similarly situated and as otherwise may be required pursuant to the terms of any other contract or agreement.

(f) OTHER COMMITMENTS TO REGISTER SECURITIES. Except as set forth in the Company's Registration Rights Agreement, the Company is not, pursuant to the terms of any other agreement currently in existence, under any obligation to register under the 1933 Act any of its presently outstanding securities or any of its securities which may hereafter be issued.

(g) EXEMPT TRANSACTION. Subject to the accuracy of the Warrantholder's representations in Section 10 hereof, the issuance of the Preferred Stock upon exercise of this Warrant will constitute a transaction exempt from (i) the registration requirements of Section 5 of the 1933 Act, in reliance upon Section 4(2) thereof, and (ii) the qualification requirements of the applicable state securities laws.

(h) COMPLIANCE WITH RULE 144. At the written request of the Warrantholder, who proposes to sell Preferred Stock issuable upon the exercise of the Warrant in compliance with Rule 144 promulgated by the Securities and Exchange Commission, the Company shall furnish to the Warrantholder, within ten days after receipt of such request, a written statement confirming the Company's compliance with the filing requirements of the Securities and Exchange Commission as set forth in such Rule, as such Rule may be amended from time to time.

10. REPRESENTATIONS AND COVENANTS OF THE WARRANTHOLDER.

This Warrant Agreement has been entered into by the Company in reliance upon the following representations and covenants of the Warrantholder:

(a) INVESTMENT PURPOSE. The right to acquire Preferred Stock or the Preferred Stock issuable upon exercise of the Warrantholder's rights contained herein will be acquired for investment and not with a view to the sale or distribution of any part thereof, and the Warrantholder has no present intention of selling or engaging in any public distribution of the same except pursuant to a registration or exemption.

(b) PRIVATE ISSUE. The Warrantholder understands (i) that the Preferred Stock issuable upon exercise of this Warrant is not registered under the 1933 Act or qualified under applicable state securities laws on the ground that the issuance contemplated by this Warrant Agreement will be exempt from the registration and qualifications requirements thereof, and (ii) that the Company's reliance on such exemption is predicated on the representations set forth in this Section 10.

(c) DISPOSITION OF WARRANTHOLDER'S RIGHTS. In no event will the Warrantholder make a disposition of any of its rights to acquire Preferred Stock or Preferred Stock issuable upon exercise of such rights unless and until (i) it shall have notified the Company of the proposed disposition, and (ii) if requested by the Company, it shall have furnished the Company with an opinion of counsel (which counsel may either be inside or outside counsel to the Warrantholder) satisfactory to the Company and its counsel to the effect that (A) appropriate action necessary for compliance with the 1933 Act has been taken, or (B) an exemption from the registration requirements of the 1933

Act is available. Notwithstanding the foregoing, the restrictions imposed upon the transferability of any of its rights to acquire Preferred Stock or Preferred Stock issuable on the exercise of such rights do not apply to transfers from the beneficial owner of any of the aforementioned securities to its nominee or from such nominee to its beneficial owner, and shall terminate as to any particular share of Preferred Stock when (1) such security shall have been effectively registered under the 1933 Act and sold by the holder thereof in accordance with such registration or (2) such security shall have been sold without registration in compliance with Rule 144 under the 1933 Act, or (3) a letter shall have been issued to the Warrantholder at its request by the staff of the Securities and Exchange Commission or a ruling shall have been issued to the Warrantholder at its request by such Commission stating that no action shall be recommended by such staff or taken by such Commission, as the case may be, if such security is transferred without registration under the 1933 Act in accordance with the conditions set forth in such letter or ruling and such letter or ruling specifies that no subsequent restrictions on transfer are required. Whenever the restrictions imposed hereunder shall terminate, as hereinabove provided, the Warrantholder or holder of a share of Preferred Stock then outstanding as to which such restrictions have terminated shall be entitled to receive from the Company, without expense to such holder, one or more new certificates for the Warrant or for such shares of Preferred Stock not bearing any restrictive legend.

(d) FINANCIAL RISK. The Warrantholder has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment, and has the ability to bear the economic risks of its investment.

(e) RISK OF NO REGISTRATION. The Warrantholder understands that if the Company does not register with the Securities and Exchange Commission pursuant to Section 12 of the 1934 Act (the "1934 Act"), or file reports pursuant to Section 15(d), of the the 1934 Act", or if a registration statement covering the securities under the 1933 Act is not in effect when it desires to sell (i) the rights to purchase Preferred Stock pursuant to this Warrant Agreement, or (ii) the Preferred Stock issuable upon exercise of the right to purchase, it may be required to hold such securities for an indefinite period. The Warrantholder also understands that any sale of its rights of the Warrantholder to purchase Preferred Stock or Preferred Stock which might be made by it in reliance upon Rule 144 under the 1933 Act may be made only in accordance with the terms and conditions of that Rule.

(f) ACCREDITED INVESTOR. Warrantholder is an "accredited investor" within the meaning of the Securities and Exchange Rule 501 of Regulation D, as presently in effect.

11. TRANSFERS.

Subject to the terms and conditions contained in Section 10 hereof, this Warrant Agreement and all rights hereunder are transferable in whole or in part by the Warrantholder and any successor transferee, provided, however, in no event shall the number of transfers of the rights and interests in all of the Warrants exceed three (3) transfers. The transfer shall be recorded on the books of the Company upon receipt by the Company of a notice of transfer in the form attached hereto as Exhibit III (the "Transfer Notice"), at its principal offices and the payment to the Company of all transfer taxes and other governmental charges imposed on such transfer and subject to the transferee agreeing in writing to be subject to the terms hereof.

12. MISCELLANEOUS.

(a) EFFECTIVE DATE. The provisions of this Warrant Agreement shall be construed and shall be given effect in all respects as if it had been executed and delivered by the Company on the date hereof. This Warrant Agreement shall be binding upon any successors or assigns of the Company.

(b) ATTORNEY'S FEES. In any litigation, arbitration or court proceeding between the Company and the Warrantholder relating hereto, the prevailing party shall be entitled to attorneys' fees and expenses and all costs of proceedings incurred in enforcing this Warrant Agreement.

(c) GOVERNING LAW. This Warrant Agreement shall be governed by and construed for all purposes under and in accordance with the laws of the State of Illinois.

(d) COUNTERPARTS. This Warrant Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(e) NOTICES. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, facsimile transmission (provided that the original is sent by personal delivery or mail as hereinafter set forth) or seven (7) days after deposit in the United States mail, by registered or certified mail, addressed (i) to the Warrantholder at 6111 North River Road, Rosemont, Illinois 60018, attention: James Labe, Venture Group, cc: Legal Department, attn: General Counsel, (and/or, if by facsimile, (847) 518-5465 and (847)518-5088) and (ii) to the Company at 270-B Littlefield Avenue, South San Francisco, CA 94080, attention: and/or if by facsimile, (415) 827-8690 such other address as any such party may subsequently designate by written notice to the other party.

(f) REMEDIES. In the event of any default hereunder, the non-defaulting party may proceed to protect and enforce its rights either by suit in equity and/or by action at law, including but not limited to an action for damages as a result of any such default, and/or an action for specific performance for any default where Warrantholder will not have an adequate remedy at law and where damages will not be readily ascertainable. The Company expressly agrees that it shall not oppose an application by the Warrantholder or any other person entitled to the benefit of this Agreement requiring specific performance of any or all provisions hereof or enjoining the Company from continuing to commit any such breach of this Agreement.

(g) NO IMPAIRMENT OF RIGHTS. The Company will not, by amendment of its Charter or through any other means, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate in order to protect the rights of the Warrantholder against impairment.

(h) SURVIVAL. The representations, warranties, covenants and conditions of the respective parties contained herein or made pursuant to this Warrant Agreement shall survive the execution and delivery of this Warrant Agreement.

(i) SEVERABILITY. In the event any one or more of the provisions of this Warrant Agreement shall for any reason be held invalid, illegal or unenforceable, the remaining provisions of this Warrant Agreement shall be unimpaired, and the invalid, illegal or unenforceable provision shall be replaced by a mutually acceptable valid, legal and enforceable provision, which comes closest to the intention of the parties underlying the invalid, illegal or unenforceable provision.

(j) AMENDMENTS. Any provision of this Warrant Agreement may be amended by a written instrument signed by the Company and by the Warrantholder.

(k) ADDITIONAL DOCUMENTS. The Company, upon execution of this Warrant Agreement, shall provide the Warrantholder with certified resolutions with respect to the representations, warranties and covenants set forth in subparagraphs (a) through (d), (f) and (g) of Section 9 above. If the purchase price for the Leases referenced in the preamble of this Warrant Agreement exceeds $1,000,000, the Company will also provide Warrantholder with an opinion from the Company's counsel with respect to those same representations, warranties and covenants. The Company shall also supply such other documents as the Warrantholder may from time to time reasonably request.

IN WITNESS WHEREOF, the parties hereto have caused this Warrant Agreement to be executed by its officers thereunto duly authorized as of the Effective Date.

COMPANY: ADVANCED MEDICINE, INC.

By: /s/ James B. Tananbaum

Title: President & CEO

WARRANTHOLDER: COMDISCO, INC.

By: /s/ James P. Labe

Title: President, Comdisco Ventures Division

EXHIBIT I

NOTICE OF EXERCISE

TO: _____

(1) The undersigned Warrantholder hereby elects to purchase _____ shares of the Series ____ Preferred Stock of _____, pursuant to the terms of the Warrant Agreement dated the _____ day of _____, 19__ (the "Warrant Agreement") between _____ and the Warrantholder, and tenders herewith payment of the purchase price for such shares in full, together with all applicable transfer taxes, if any.

(2) In exercising its rights to purchase the Series ____ Preferred Stock of _____, the undersigned hereby confirms and acknowledges the investment representations and warranties made in Section 10 of the Warrant Agreement.

(3) Please issue a certificate or certificates representing said shares of Series ____ Preferred Stock in the name of the undersigned or in such other name as is specified below.

_____
(Name)

_____
(Address)

WARRANTHOLDER: COMDISCO, INC.

By: _____

Title: _____

Date: _____

EXHIBIT II

ACKNOWLEDGEMENT OF EXERCISE

The undersigned _____, hereby acknowledge receipt of the "Notice of Exercise" from Comdisco, Inc., to purchase _____ shares of the Series _____ Preferred Stock of _____, pursuant to the terms of the Warrant Agreement, and further acknowledges that _____ shares remain subject to purchase under the terms of the Warrant Agreement.

COMPANY:

By: _____

Title: _____

Date: _____

EXHIBIT III

TRANSFER NOTICE

(TO TRANSFER OR ASSIGN THE FOREGOING WARRANT AGREEMENT EXECUTE THIS FORM AND SUPPLY REQUIRED INFORMATION. DO NOT USE THIS FORM TO PURCHASE SHARES.)

FOR VALUE RECEIVED, the foregoing Warrant Agreement and all rights evidenced thereby are hereby transferred and assigned to

_____
(Please Print)

whose address is_____

_____

Dated: _____

Holder's Signature: _____

Holder's Address: _____

_____

Signature Guaranteed: _____

NOTE: The signature to this Transfer Notice must correspond with the name as it appears on the face of the Warrant Agreement, without alteration or enlargement or any change whatever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant Agreement.

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AS AMENDED, OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL (WHICH MAY BE COMPANY COUNSEL) REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS.

WARRANT AGREEMENT

To Purchase Shares of the Series B Preferred Stock of

ADVANCED MEDICINE, INC.

Dated as of April 27, 1998 (the "Effective Date")

WHEREAS, Advanced Medicine, Inc., a Delaware corporation (the "Company") has entered into a Master Lease Agreement dated as of May 7, 1997, Equipment Schedules No. VL-4 and VL-5 dated as of April 27, 1998, and related Summary Equipment Schedules (collectively, the "Leases") with Comdisco, Inc., a Delaware corporation (the "Warrantholder"); and

WHEREAS, the Company desires to grant to Warrantholder, in consideration for such Leases, the right to purchase shares of its Series B Preferred Stock;

NOW, THEREFORE, in consideration of the Warrantholder executing and delivering such Leases and in consideration of mutual covenants and agreements contained herein, the Company and Warrantholder agree as follows:

1. GRANT OF THE RIGHT TO PURCHASE PREFERRED STOCK.

The Company hereby grants to the Warrantholder, and the Warrantholder is entitled, upon the terms and subject to the conditions hereinafter set forth, to subscribe to and purchase, from the Company, 24,000 fully paid and non-assessable shares of the Company's Series B Preferred Stock ("Preferred Stock") at a purchase price of $5.00 per share (the "Exercise Price"). The number, class and purchase price of such shares are subject to adjustment as provided in Section 8 hereof.

2. TERM OF THE WARRANT AGREEMENT.

Except as otherwise provided for herein, the term of this Warrant Agreement and the right to purchase Preferred Stock as granted herein shall commence on the Effective Date and shall be exercisable for a period of seven years.

Notwithstanding the foregoing, this Warrant shall terminate, if not previously exercised immediately upon the consummation of (i) a consolidation or merger of the Company with or into any other corporation or corporations in which the shareholders of the Company immediately prior to such transaction own less than fifty percent (50%) of the shares of capital stock of the surviving corporation (other than a mere reincorporation transaction), or (ii) the sale of all or substantially all of the assets of the Company, or a series of related transactions in which more than fifty percent (50%) of the voting power of the Company is disposed, ("Change of Control"). The Company shall notify Warrantholder twenty (20) business days prior to the closing of such Change of Control, and if the Company fails to provide such notice, then notwithstanding anything to the contrary contained in this Warrant, the right to purchase Preferred Stock shall not expire until the Company complies with such notice provisions. Such notice shall contain details of the transaction as are reasonable under the circumstances. If such closing does not take place the Company shall notify Warrantholder that the proposed Change of Control has terminated and Warrantholder may rescind any exercise of its purchase rights promptly after such notice of termination. In the event of such recession, the Warrant shall continue to be exercisable on the same terms and conditions contained herein.

3. EXERCISE OF THE PURCHASE RIGHTS.

The purchase rights set forth in this Warrant Agreement are exercisable by the Warrantholder, in whole or in part, at any time, or from time to time, prior to the expiration of the term set forth in Section 2 above, by tendering to the Company at its principal office a notice of exercise in the form attached hereto as Exhibit I (the "Notice of Exercise"), duly completed and executed. Promptly upon receipt of the Notice of Exercise and the payment of the purchase price in accordance with the terms set forth below, and in no event later than twenty-one (21) days thereafter, the Company shall issue to the Warrantholder a certificate for the number of shares of Preferred Stock purchased and shall execute the acknowledgment of exercise in the form attached hereto as Exhibit II (the "Acknowledgment of Exercise") indicating the number of shares which remain subject to future purchases, if any.

The Exercise Price may be paid at the Warrantholder's election either (i) by cash or check, or (ii) by surrender of Warrants ("Net Issuance") as determined below. If the Warrantholder elects the Net Issuance method, the Company will issue Preferred Stock in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where: X = the number of shares of Preferred Stock to be issued to the Warrantholder.

Y = the number of shares of Preferred Stock requested to be exercised under this Warrant Agreement.

A = the fair market value of one (1) share of Preferred Stock.

B = the Exercise Price.

For purposes of the above calculation, current fair market value of Preferred Stock shall mean with respect to each share of Preferred Stock:

(i) if the exercise is in connection with an initial public offering of the Company's Common Stock, and if the Company's Registration Statement relating to such public offering has been declared effective by the SEC, then the fair market value per share shall be the product of (x) the initial "Price to Public" specified in the final prospectus with respect to the offering and (y) the number of shares of Common Stock into which each share of Preferred Stock is convertible at the time of such exercise;

(ii) if this Warrant is exercised after, and not in connection with the Company's initial public offering, and:

(a) if traded on a securities exchange, the fair market value shall be deemed to be the product of (x) the average of the closing prices over a twenty-one (21) day period ending three days before the day the current fair market value of the securities is being determined and (y) the number of shares of Common Stock into which each share of Preferred Stock is convertible at the time of such exercise; or

(b) if actively traded over-the-counter, the fair market value shall be deemed to be the product of (x) the average of the closing bid and asked prices quoted on the NASDAQ system (or similar system) over the twenty-one (21) day period ending three days before the day the current fair market value of the securities is being determined and (y) the number of shares of Common Stock into which each share of Preferred Stock is convertible at the time of such exercise;

(iii) if at any time the Common Stock is not listed on any securities exchange or quoted in the NASDAQ System or the over-the-counter market, the current fair market value of Preferred Stock shall be the product of (x) the highest price per share which the Company could obtain from a willing buyer (not a current employee or director) for shares of Common Stock sold by the Company, from authorized but unissued shares, as determined in good faith by its Board of Directors and (y) the number of shares of Common Stock into which each share of Preferred Stock is convertible at the time of such exercise, unless the Company shall become subject to a merger, acquisition or other consolidation pursuant to which the Company is not the surviving party, in which case the fair market value of Preferred Stock shall be deemed

to be the value received by the holders of the Company's Preferred Stock on a common equivalent basis pursuant to such merger or acquisition.

Upon partial exercise by either cash or Net Issuance, the Company shall promptly issue an amended Warrant Agreement representing the remaining number of shares purchasable hereunder. All other terms and conditions of such amended Warrant Agreement shall be identical to those contained herein, including, but not limited to the Effective Date hereof.

4. RESERVATION OF SHARES.

(a) AUTHORIZATION AND RESERVATION OF SHARES. During the term of this Warrant Agreement, the Company will at all times have authorized and reserved a sufficient number of shares of its Preferred Stock to provide for the exercise of the rights to purchase Preferred Stock as provided for herein.

5. NO FRACTIONAL SHARES OR SCRIP.

No fractional shares or scrip representing fractional shares shall be issued upon the exercise of the Warrant, but in lieu of such fractional shares the Company shall make a cash payment therefor upon the basis of the Exercise Price then in effect.

6. NO RIGHTS AS SHAREHOLDER.

This Warrant Agreement does not entitle the Warrantholder to any voting rights or other rights as a shareholder of the Company prior to the exercise of the Warrant.

7. WARRANTHOLDER REGISTRY.

The Company shall maintain a registry showing the name and address of the registered holder of this Warrant Agreement.

8. ADJUSTMENT RIGHTS.

The purchase price per share and the number of shares of Preferred Stock purchasable hereunder are subject to adjustment, as follows:

(a) MERGER AND SALE OF ASSETS. Subject to Section 2 hereof, if at any time there shall be a capital reorganization of the shares of the Company's stock (other than a combination, reclassification, exchange or subdivision of shares otherwise provided for herein), or a merger or consolidation of the Company with or into another corporation whether or not the Company is the surviving corporation, or the sale of all or substantially all of the Company's properties and assets to any other person (hereinafter referred to as a "Merger Event"), then, as a part of such Merger Event, lawful provision shall be made so that the Warrantholder shall thereafter be entitled to receive, upon exercise of the Warrant, the number of shares of preferred stock or other securities of the successor corporation resulting from such Merger Event, equivalent in value to that which would have been issuable if Warrantholder had exercised this Warrant immediately prior to the Merger Event. In any such case, appropriate adjustment (as determined in good faith by the Company's Board of Directors) shall be made in the application of the provisions of this Warrant Agreement with respect to the rights and interest of the Warrantholder after the Merger Event to the end that the provisions of this Warrant Agreement (including adjustments of the Exercise Price and number of shares of Preferred Stock purchasable) shall be applicable to the greatest extent possible.

(b) RECLASSIFICATION OF SHARES. If the Company at any time shall, by combination, reclassification, exchange or subdivision of securities, mandatory conversion pursuant to the Company's Certificate of Incorporation or otherwise, change any of the securities as to which purchase rights under this Warrant Agreement exist into the same or a different number of securities of any other class or classes, this Warrant Agreement shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities which were subject to the purchase rights under this Warrant Agreement immediately prior to such combination, reclassification, exchange, subdivision, mandatory conversion or other change.

(c) SUBDIVISION OR COMBINATION OF SHARES. If the Company at any time shall combine or subdivide its Preferred Stock, the Exercise Price shall be proportionately decreased in the case of a subdivision, or proportionately increased in the case of a combination.

(d) STOCK DIVIDENDS. If the Company at any time shall pay a dividend payable in, or make any other distribution (except any distribution specifically provided for in the foregoing subsections (a) or (b)) of the Company's stock, then the Exercise Price shall be adjusted, from and after the record date of such dividend or distribution, to that price determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction (i) the numerator of which shall be the total number of all shares of the Company's stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of all shares of the Company's stock outstanding immediately after such dividend or distribution. The Warrantholder shall thereafter be entitled to purchase, at the Exercise Price resulting from such adjustment, the number of shares of Preferred Stock (calculated to the nearest whole share) obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of shares of Preferred Stock issuable upon the exercise hereof immediately prior to such adjustment and dividing the product thereof by the Exercise Price resulting from such adjustment. The application of Section 8(d) is not intended to result in a double adjustment and if an adjustment is contemplated bythe Certificate of Incorporation no adjustment will be implemented pursuant to this Section 8(d).

(e) ANTIDILUTION RIGHTS. Additional antidilution rights applicable to the Preferred Stock purchasable hereunder are as set forth in the Company's Certificate of Incorporation, as amended through the Effective Date, a true and complete copy of which is attached hereto as Exhibit IV (the "Charter"). The Company shall promptly provide the Warrantholder with any restatement, amendment, modification or waiver of the Charter. The Company shall provide Warrantholder with written notice of any issuance of its stock or other equity security to occur after the Effective Date of this Warrant, which notice shall include (a) the price at which such stock or security is to be sold, (b) the number of shares to be issued, and (c) such other information as necessary for Warrantholder to determine if a dilutive event has occurred.

(f) NOTICE OF ADJUSTMENTS. If: (i) the Company shall declare any dividend or distribution upon its stock, whether in cash, property, stock or other securities; (ii) the Company shall offer for subscription prorata to the holders of any class of its Preferred or other convertible stock any additional shares of stock of any class or other rights; (iii) there shall be any Merger Event; (iv) there shall be an initial public offering; or (v) there shall be any voluntary dissolution, liquidation or winding up of the Company; then, in connection with each such event, the Company shall send to the Warrantholder: (A) at least twenty (20) days' prior written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend, distribution, subscription rights (specifying the date on which the holders of Preferred Stock shall be entitled thereto) or for determining rights to vote in respect of such Merger Event, dissolution, liquidation or winding up; (B) in the case of any such Merger Event, dissolution, liquidation or winding up, at least twenty (20) days' prior written notice of the date when the same shall take place (and specifying the date on which the holders of Preferred Stock shall be entitled to exchange their Preferred Stock for securities or other property deliverable upon such Merger Event, dissolution, liquidation or winding up); and (C) in the case of a public offering, the Company shall give the Warrantholder at least twenty (20) days written notice prior to the effective date thereof.

Each such written notice shall set forth, in reasonable detail, (i) the event requiring the adjustment, (ii) the amount of the adjustment, (iii) the method by which such adjustment was calculated, (iv) the Exercise Price, and (v) the number of shares subject to purchase hereunder after giving effect to such adjustment, and shall be given by first class mail, postage prepaid, addressed to the Warrantholder, at the address as shown on the books of the Company.

(g) TIMELY NOTICE. Failure to timely provide such notice required by subsection (f) above shall entitle Warrantholder to retain the benefit of the applicable notice period notwithstanding anything to the contrary contained in any insufficient notice received by Warrantholder. The notice period shall begin on the date Warrantholder actually receives a written notice containing all the information specified above.

9. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY.

(a) RESERVATION OF PREFERRED STOCK. The Preferred Stock issuable upon exercise of the Warrantholder's rights has been duly and validly reserved and, when issued in accordance with the provisions of this Warrant Agreement, will be validly issued, fully paid and non-assessable, and will be free of any taxes, liens, charges or encumbrances of any nature whatsoever; provided, however, that the Preferred Stock issuable pursuant to this Warrant Agreement may be subject to restrictions on transfer under state and/or Federal securities laws. The Company has made available to the Warrantholder true, correct and complete copies of its Charter and Bylaws, as amended. The issuance of certificates for shares of Preferred Stock upon exercise of the

Warrant Agreement shall be made without charge to the Warrantholder for any issuance tax in respect thereof, or other cost

incurred by the Company in connection with such exercise and the related issuance of shares of Preferred Stock. The Company shall not be required to pay any tax which may be payable in respect of any transfer involved and the issuance and delivery of any certificate in a name other than that of the Warrantholder.

(b) DUE AUTHORITY. The execution and delivery by the Company of this Warrant Agreement and the performance of all obligations of the Company hereunder, including the issuance to Warrantholder of the right to acquire the shares of Preferred Stock, have been duly authorized by all necessary corporate action on the part of the Company, and the Leases and this Warrant Agreement are not inconsistent with the Company's Charter or Bylaws, do not contravene any law or governmental rule, regulation or order applicable to it, do not and will not contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument to which it is a party or by which it is bound, and the Leases and this Warrant Agreement constitute legal, valid and binding agreements of the Company, enforceable in accordance with their respective terms.

(c) CONSENTS AND APPROVALS. No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of any state, Federal or other governmental authority or agency is required with respect to the execution, delivery and performance by the Company of its obligations under this Warrant Agreement, except for the filing of notices pursuant to Regulation D under the 1933 Act and any filing required by applicable state securities law, which filings will be effective by the time required thereby.

(d) ISSUED SECURITIES. All issued and outstanding shares of Common Stock, Preferred Stock or any other securities of the Company have been duly authorized and validly issued and are fully paid and nonassessable. All outstanding shares of Common Stock, Preferred Stock and any other securities were issued in full compliance with all Federal and state securities laws. In addition:

(i) The authorized capital of the Company consists of (A) 20,000,000 shares of Common Stock, of which 4,285,000 shares are issued and outstanding, and (B) 11,000,000 shares of preferred stock, of which 10,012,000 shares are issued and outstanding and are convertible into 10,012,000 shares of Common Stock.

(ii) Except as set forth in the Company's Certificate of Incorporation and Investors' Rights Agreement, no shareholder of the Company has preemptive rights to purchase new issuances of the Company's capital stock.

(e) OTHER COMMITMENTS TO REGISTER SECURITIES. Except as set forth in the Company's Investors' Rights Agreement, dated as of March 4, 1998, the Company is not, pursuant to the terms of any other agreement currently in existence, under any obligation to register under the 1933 Act any of its presently outstanding securities or any of its securities which may hereafter be issued.

(f) EXEMPT TRANSACTION. Subject to the accuracy of the Warrantholder's representations in Section 10 hereof, the issuance of the Preferred Stock upon exercise of this Warrant will constitute a transaction exempt from (i) the registration requirements of Section 5 of the 1933 Act, in reliance upon Section 4(2) thereof, and (ii) the qualification requirements of the applicable state securities laws.

(g) COMPLIANCE WITH RULE 144. At the written request of the Warrantholder, who proposes to sell Preferred Stock issuable upon the exercise of the Warrant in compliance with Rule 144 promulgated by the Securities and Exchange Commission, the Company shall furnish to the Warrantholder, promptly after receipt of such request, a written statement confirming the Company's compliance with the filing requirements of the Securities and Exchange Commission as set forth in such Rule, as such Rule may be amended from time to time.

10. REPRESENTATIONS AND COVENANTS OF THE WARRANTHOLDER.

This Warrant Agreement has been entered into by the Company in reliance upon the following representations and covenants of the Warrantholder:

(a) INVESTMENT PURPOSE. The right to acquire Preferred Stock or the Preferred Stock issuable upon exercise of the Warrantholder's rights contained herein will be acquired for investment and not with a view to the sale or distribution of any part thereof, and the Warrantholder has no present intention of selling or engaging in any public distribution of the same except pursuant to a registration or exemption.

(b) PRIVATE ISSUE. The Warrantholder understands (i) that the Preferred Stock issuable upon exercise of this Warrant is not registered under the 1933 Act or qualified under applicable state securities laws on the ground that the issuance contemplated by this Warrant Agreement will be exempt from the registration and qualifications requirements thereof, and (ii) that the Company's reliance on such exemption is predicated on the representations set forth in this Section 10.

(c) DISPOSITION OF WARRANTHOLDER'S RIGHTS. In no event will the Warrantholder make a disposition of any of its rights to acquire Preferred Stock or Preferred Stock issuable upon exercise of such rights unless and until (i) it shall have notified the Company of the proposed disposition, and (ii) if requested by the Company, it shall have furnished the Company with an opinion of counsel (which counsel may either be inside or outside counsel to the Warrantholder) satisfactory to the Company and its counsel to the effect that (A) appropriate action necessary for compliance with the 1933 Act has been taken, or (B) an exemption from the registration requirements of the 1933 Act is available. Notwithstanding the foregoing, the restrictions imposed upon the transferability of any of its rights to acquire Preferred Stock or Preferred Stock issuable on the exercise of such rights do not apply to transfers from the beneficial owner of any of the aforementioned securities to its nominee or from such nominee to its beneficial owner, and shall terminate as to any particular share of Preferred Stock when (1) such security shall have been effectively registered under the 1933 Act and sold by the holder thereof in accordance with such registration or (2) such security shall have been sold without registration in compliance with Rule 144 under the 1933 Act, or (3) a letter shall have been issued to the Warrantholder at its request by the staff of the Securities and Exchange Commission or a ruling shall have been issued to the Warrantholder at its request by such Commission stating that no action shall be recommended by such staff or taken by such Commission, as the case may be, if such security is transferred without registration under the 1933 Act in accordance with the conditions set forth in such letter or ruling and such letter or ruling specifies that no subsequent restrictions on transfer are required. Whenever the restrictions imposed hereunder shall terminate, as hereinabove provided, the Warrantholder or holder of a share of Preferred Stock then outstanding as to which such restrictions have terminated shall be entitled to receive from the Company, without expense to such holder, one or more new certificates for the Warrant or for such shares of Preferred Stock not bearing any restrictive legend.

(d) FINANCIAL RISK. The Warrantholder has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment, and has the ability to bear the economic risks of its investment.

(e) RISK OF NO REGISTRATION. The Warrantholder understands that if the Company does not register with the Securities and Exchange Commission pursuant to Section 12 of the 1934 Act (the "1934 Act"), or file reports pursuant to Section 15(d), of the the 1934 Act", or if a registration statement covering the securities under the 1933 Act is not in effect when it desires to sell (i) the rights to purchase Preferred Stock pursuant to this Warrant Agreement, or (ii) the Preferred Stock issuable upon exercise of the right to purchase, it may be required to hold such securities for an indefinite period. The Warrantholder also understands that any sale of its rights of the Warrantholder to purchase Preferred Stock or Preferred Stock which might be made by it in reliance upon Rule 144 under the 1933 Act may be made only in accordance with the terms and conditions of that Rule.

(f) ACCREDITED INVESTOR. Warrantholder is an "accredited investor" within the meaning of the Securities and Exchange Rule 501 of Regulation D, as presently in effect.

11. TRANSFERS.

Subject to the terms and conditions contained in Section 10 hereof, this Warrant Agreement and all rights hereunder are transferable in whole or in part by the Warrantholder and any successor transferee, provided, however, in no event shall the number of transfers of the rights and interests in all of the Warrants exceed three (3) transfers. The transfer shall be recorded on the books of the Company upon receipt by the Company of a notice of transfer in the form attached hereto as Exhibit III (the "Transfer Notice"), at its principal offices and the payment to the Company of all transfer taxes and other governmental charges imposed on such transfer and subject to the transferee agreeing in writing to be subject to the terms hereof.

12. MISCELLANEOUS.

(a) EFFECTIVE DATE. The provisions of this Warrant Agreement shall be construed and shall be given effect in all respects as if it had been executed and delivered by the Company on the date hereof. This Warrant Agreement shall be binding upon any successors or assigns of the Company.

(b) ATTORNEY'S FEES. In any litigation, arbitration or court proceeding between the Company and the Warrantholder relating hereto, the prevailing party shall be entitled to attorneys' fees and expenses and all costs of proceedings incurred in enforcing this Warrant Agreement.

(c) GOVERNING LAW. This Warrant Agreement shall be governed by and construed for all purposes under and in accordance with the laws of the State of Illinois.

(d) COUNTERPARTS. This Warrant Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(e) NOTICES. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, facsimile transmission (provided that the original is sent by personal delivery or mail as hereinafter set forth) or seven (7) days after deposit in the United States mail, by registered or certified mail, addressed (i) to the Warrantholder at 6111 North River Road, Rosemont, Illinois 60018, attention: James Labe, Venture Group, cc: Legal Department, attn: General Counsel, (and/or, if by facsimile, (847) 518-5465 and (847)518-5088) and (ii) to the Company at 270-B Littlefield Avenue, South San Francisco, CA 94080, attention: and/or if by facsimile, (415) 827-8690 such other address as any such party may subsequently designate by written notice to the other party.

(f) REMEDIES. In the event of any default hereunder, the non-defaulting party may proceed to protect and enforce its rights either by suit in equity and/or by action at law, including but not limited to an action for damages as a result of any such default, and/or an action for specific performance for any default where Warrantholder will not have an adequate remedy at law and where damages will not be readily ascertainable. The Company expressly agrees that it shall not oppose an application by the Warrantholder or any other person entitled to the benefit of this Agreement requiring specific performance of any or all provisions hereof or enjoining the Company from continuing to commit any such breach of this Agreement.

(g) NO IMPAIRMENT OF RIGHTS. The Company will not, by amendment of its Charter or through any other means, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate in order to protect the rights of the Warrantholder against impairment.

(h) SURVIVAL. The representations, warranties, covenants and conditions of the respective parties contained herein or made pursuant to this Warrant Agreement shall survive the execution and delivery of this Warrant Agreement.

(i) SEVERABILITY. In the event any one or more of the provisions of this Warrant Agreement shall for any reason be held invalid, illegal or unenforceable, the remaining provisions of this Warrant Agreement shall be unimpaired, and the invalid, illegal or unenforceable provision shall be replaced by a mutually acceptable valid, legal and enforceable provision, which comes closest to the intention of the parties underlying the invalid, illegal or unenforceable provision.

(j) AMENDMENTS. Any provision of this Warrant Agreement may be amended by a written instrument signed by the Company and by the Warrantholder.

(k) ADDITIONAL DOCUMENTS. The Company, upon execution of this Warrant Agreement, shall provide the Warrantholder with certified resolutions with respect to the representations, warranties and covenants set forth in subparagraphs (a) through (d), (f) and (g) of Section 9 above. If the purchase price for the Leases referenced in the preamble of this Warrant Agreement exceeds $1,000,000, the Company will also provide Warrantholder with an opinion from the Company's counsel with respect to those same representations, warranties and covenants. The Company shall also supply such other documents as the Warrantholder may from time to time reasonably request.

IN WITNESS WHEREOF, the parties hereto have caused this Warrant Agreement to be executed by its officers thereunto duly authorized as of the Effective Date.

COMPANY: ADVANCED MEDICINE, INC.

By: /s/ James B. Tananbaum

Title: President & CEO

WARRANTHOLDER: COMDISCO, INC.

By: James P. Labe

Title: President, Comdisco Ventures Division

EXHIBIT I

NOTICE OF EXERCISE

TO: _____

(1) The undersigned Warrantholder hereby elects to purchase _____ shares of the Series B Preferred Stock of _____, pursuant to the terms of the Warrant Agreement dated the _____ day of _____, 19__ (the "Warrant Agreement") between _____ and the Warrantholder, and tenders herewith payment of the purchase price for such shares in full, together with all applicable transfer taxes, if any.

(2) In exercising its rights to purchase the Series B Preferred Stock of _____, the undersigned hereby confirms and acknowledges the investment representations and warranties made in Section 10 of the Warrant Agreement.

(3) Please issue a certificate or certificates representing said shares of Series B Preferred Stock in the name of the undersigned or in such other name as is specified below.

_____
(Name)

_____
(Address)

WARRANTHOLDER: COMDISCO, INC.

By: _____

Title: _____

Date: _____

EXHIBIT II

ACKNOWLEDGEMENT OF EXERCISE

The undersigned _____, hereby acknowledge receipt of the "Notice of Exercise" from Comdisco, Inc., to purchase _____ shares of the Series B Preferred Stock of _____, pursuant to the terms of the Warrant Agreement, and further acknowledges that _____ shares remain subject to purchase under the terms of the Warrant Agreement.

COMPANY:

By: _____

Title: _____

Date: _____

EXHIBIT III

TRANSFER NOTICE

(TO TRANSFER OR ASSIGN THE FOREGOING WARRANT AGREEMENT EXECUTE THIS FORM AND SUPPLY REQUIRED INFORMATION. DO NOT USE THIS FORM TO PURCHASE SHARES.)

FOR VALUE RECEIVED, the foregoing Warrant Agreement and all rights evidenced thereby are hereby transferred and assigned to

_____
(Please Print)

whose address is_____

_____

Dated: _____

Holder's Signature: _____

Holder's Address: _____

_____

Signature Guaranteed: _____

NOTE: The signature to this Transfer Notice must correspond with the name as it appears on the face of the Warrant Agreement, without alteration or enlargement or any change whatever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant Agreement.

ADVANCED MEDICINE, INC.

AMENDED AND RESTATED

INVESTORS' RIGHTS AGREEMENT

MARCH 21, 2000

TABLE OF CONTENTS

Exhibit 10.8

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

THIS AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT is made as of the 21st day of March, 2000, by and among Advanced Medicine, Inc., a Delaware corporation (the "Company"), and the investors listed on the signature pages hereto, each of which is herein referred to as an "Investor" and the holders of Common Stock listed on SCHEDULE A, each of which is herein referred to as a "Common Holder."

RECITALS

WHEREAS, certain of the Investors (the "Existing Investors") hold shares of the Company's Series A Preferred Stock, Series B Preferred Stock and/or Series C Preferred Stock and possess registration rights, information rights, rights of first refusal and other rights pursuant to an Amended and Restated Investors' Rights Agreement dated as of January 25, 1999, among the Company, certain holders of Common Stock and such Existing Investors (the "Prior Agreement"); and

WHEREAS, the Existing Investors are holders of at least a majority of the "Registrable Securities" of the Company (as defined in the Prior Agreement), and desire to amend, supersede and replace the Prior Agreement and to accept the rights created pursuant hereto in lieu of the rights granted to them under the Prior Agreement; and

WHEREAS, certain Investors are parties to the Series D Preferred Stock Purchase Agreement of even date herewith among the Company and certain of the Investors (the "Series D Agreement"), which provides that as a condition to the closing of the sale of the Series D Preferred Stock, this Agreement must be executed and delivered by such Investors, Existing Investors holding at least a majority of the "Registrable Securities" of the Company (as defined in the Prior Agreement) and the Company.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the Company and the Existing Investors hereby agree that the Prior Agreement shall be amended, superseded and replaced in its entirety by this Agreement, and the parties hereto further agree as follows:

1. REGISTRATION RIGHTS. The Company covenants and agrees as follows:

1.1 DEFINITIONS. For purposes of this Section 1:

(a) The term "Act" means the Securities Act of 1933, as amended.

(b) The term "Form S-3" means such form under the Act as in effect on the date hereof or any registration form under the Act subsequently adopted by the SEC

that permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

(c) The term "Holder" means any person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 1.11 hereof; provided, however, that the Common Holders shall not be deemed to be Holders for purposes of Section 1.2, 1.4 and 3.7.

(d) The term "Initial Offering" means the Company's first firm commitment underwritten public offering of its Common Stock under the Act.

(e) The term "Major Investor" means any Investor that holds on the date hereof at least (i) 1,000,000 shares of Series A, Series B or Series C Preferred Stock (or the Common Stock issued upon conversion thereof, as adjusted for stock splits, stock dividends, combinations and other recapitalizations) or (ii) 800,000 shares of Series D Preferred Stock (or the Common Stock issued upon conversion thereof, as adjusted for stock splits, stock dividends, combinations and other recapitalizations).

(f) The term "1934 Act" means the Securities Exchange Act of 1934, as amended.

(g) The term "Preferred Stock" means the Company's Series A, Series B, Series C and Series D Preferred Stock, each $.01 par value.

(h) The term "register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Act, and the declaration or ordering of effectiveness of such registration statement or document.

(i) The term "Registrable Securities" means (i) the Common Stock issuable or issued upon conversion of the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock (ii) the shares of Common Stock held by the Common Holders; provided, however, that such shares of Common Stock shall not be deemed Registrable Securities for the purposes of Section 1.2, 1.4 and 3.7 and (iii) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security that is issued as) a dividend or other distribution with respect to, or in exchange for, or in replacement of, the shares referenced in (i) and (ii) above, excluding in all cases, however, any Registrable Securities sold by a person in a transaction in which his rights under this Section 1 are not assigned.

(j) The number of shares of "Registrable Securities" outstanding shall be determined by the number of shares of Common Stock outstanding that are, and the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities that are, Registrable Securities.

(k) The term "SEC" shall mean the Securities and Exchange Commission.

1.2 REQUEST FOR REGISTRATION.

(a) Subject to the conditions of this Section 1.2, if the Company shall receive at any time six (6) months after the effective date of the Initial Offering, a written request from the Holders of fifty percent (50%) or more of the Registrable Securities then outstanding (the "Initiating Holders") that the Company file a registration statement under the Act covering the registration of Registrable Securities, then the Company shall, within twenty (20) days of the receipt thereof, give written notice of such request to all Holders, and subject to the limitations of this Section 1.2, use all reasonable efforts to effect, as soon as practicable, the registration under the Act of all Registrable Securities that the Holders request to be registered in a written request received by the Company within twenty (20) days of the mailing of the Company's notice pursuant to this Section 1.2(a).

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 1.2 and the Company shall include such information in the written notice referred to in Section 1.2(a). In such event the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority of the Holders (which underwriter or underwriters shall be reasonably acceptable to the Company). Notwithstanding any other provision of this Section 1.2, if the underwriter advises the Company that marketing factors require a limitation of the number of securities underwritten (including Registrable Securities), then the Company shall so advise all Holders of Registrable Securities that would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities on a pro rata basis based on the number of Registrable Securities held by all such Holders (including the Initiating Holders). Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(c) The Company shall not be required to effect a registration pursuant to this Section 1.2:

(i) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, unless the Company is already subject to service in such jurisdiction and except as may be required under the Act; or

(ii) after the Company has effected one (1) registration pursuant to this Section 1.2, and such registration has been declared or ordered effective;

provided, however, beginning twelve (12) months following the effective date of the Initial Offering, for so long as the Company does not satisfy the eligibility requirements for utilization of a registration statement on Form S-3, if the Company has, within the twelve (12) month period preceding the date of such request, already effected two registrations for the Holders pursuant to this Section 1.2; or

(iii) during the period starting with the date of the filing of, and ending on a date one hundred eighty (180) days following the effective date of, a Company-initiated registration subject to Section 1.3 below, provided that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective; or

(iv) if the Initiating Holders propose to dispose of Registrable Securities that may be registered on Form S-3 pursuant to Section 1.4 hereof; or

(v) if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 1.2, a certificate signed by the Company's Chief Executive Officer or Chairman of the Board stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such registration statement to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders, provided that such right to delay a request shall be exercised by the Company not more than once in any twelve (12)-month period.

1.3 COMPANY REGISTRATION.

(a) If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for stockholders other than the Holders) any of its stock or other securities under the Act in connection with the public offering of such securities (other than a registration relating solely to the sale of securities to participants in a Company stock plan, a registration relating to a corporate reorganization or other transaction under Rule 145 of the Act, or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given within twenty (20) days after mailing of such notice by the Company in accordance with Section 3.5, the Company shall, subject to the provisions of Section 1.3(c), use all reasonable efforts to cause to be registered under the Act all of the Registrable Securities that each such Holder has requested to be registered.

(b) RIGHT TO TERMINATE REGISTRATION. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 1.3 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The expenses of such withdrawn registration shall be borne by the Company in accordance with Section 1.7 hereof.

(c) UNDERWRITING REQUIREMENTS. In connection with any offering involving an underwriting of shares of the Company's capital stock, the Company shall not be required under this Section 1.3 to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it (or by other persons entitled to select the underwriters) and enter into an underwriting agreement in customary form with an underwriter or underwriters selected by the Company, and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by the Company. If the total amount of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the amount of securities sold other than by the Company that the underwriters determine in their sole discretion is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, that the underwriters determine in their sole discretion will not jeopardize the success of the offering (the securities so included to be apportioned pro rata among the selling Holders according to the total amount of securities entitled to be included therein owned by each selling Holder or in such other proportions as shall mutually be agreed to by such selling Holders). For purposes of the preceding parenthetical concerning apportionment, for any selling stockholder that is a Holder of Registrable Securities and that is a partnership or corporation, the partners, retired partners and stockholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate amount of Registrable Securities owned by all such related entities and individuals.

1.4 FORM S-3 REGISTRATION. In case the Company shall receive from the Holders of at least ten percent (10%) of the Registrable Securities a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company shall:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) use all reasonable efforts to effect, as soon as practicable, such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company, provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 1.4:

(i) if Form S-3 is not available for such offering by the Holders;

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than $1,000,000;

(iii) if the Company shall furnish to the Holders a certificate signed by the Chief Executive Officer or Chairman of the Board of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under this Section 1.4; provided, however, that the Company shall not utilize this right more than once in any twelve month period;

(iv) if the Company has, within the twelve (12) month period preceding the date of such request, already effected two registrations on Form S-3 for the Holders pursuant to this Section 1.4; or

(v) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(c) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. Registrations effected pursuant to this Section 1.4 shall not be counted as requests for registration effected pursuant to Sections 1.2.

1.5 OBLIGATIONS OF THE COMPANY. Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the Registration Statement has been completed;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement;

(c) furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Act,

and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

(d) use all reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement (including, but not limited to, reasonable due diligence), in usual and customary form, with the managing underwriter of such offering;

(f) notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Act or the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(g) cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed; and

(h) provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

1.6 INFORMATION FROM HOLDER. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities.

1.7 EXPENSES OF REGISTRATION. All expenses other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications pursuant to Sections 1.2, 1.3 and 1.4, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company reasonable fees of one special counsel for the selling Holders not to exceed $35,000 shall be borne by the Company. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 1.2 or Section 1.4 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be

requested in the withdrawn registration), provided, however, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business, or prospects of the Company from that known to the Holders at the time of their request and have withdrawn the request with reasonable promptness following disclosure by the Company of such material adverse change, then the Holders shall not be required to pay any of such expenses.

1.8 DELAY OF REGISTRATION. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.9 INDEMNIFICATION. In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners or officers, directors and stockholders of each Holder, legal counsel and accountants for each Holder, any underwriter (as defined in the Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Act or the 1934 Act, against any losses, claims, damages or liabilities (joint or several) to which they may become subject under the Act, the 1934 Act or any state securities laws, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Act, the 1934 Act, any state securities laws or any rule or regulation promulgated under the Act, the 1934 Act or any state securities laws; and the Company will reimburse each such Holder, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection l.9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation that occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter or controlling person; provided further, however, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Holder or underwriter, or any person controlling such Holder or underwriter, from whom the person asserting any such losses, claims, damages or liabilities purchased shares in the offering, if a copy of the prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) is provided to the Holder but was not sent or given by or on behalf of such Holder or underwriter to such person, if required by law so to have been delivered, at or prior to the written

confirmation of the sale of the shares to such person, and if the prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage or liability.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Act, legal counsel and accountants for the Company, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Act, the 1934 Act or any state securities laws, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any person intended to be indemnified pursuant to this subsection l.9(b), for any legal or other expenses reasonably incurred by such person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection l.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder (which consent shall not be unreasonably withheld), provided that in no event shall any indemnity under this subsection l.9(b) exceed the net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.9 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.9, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 1.9, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.9.

(d) If the indemnification provided for in this Section 1.9 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to herein, then the indemnifying party, in

lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations; provided, however, that such contribution shall not exceed the net proceeds from the offering received by such Holder. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, with the consent of the holders of a majority of the Registrable Securities, the provisions in the underwriting agreement shall control.

(f) The obligations of the Company and Holders under this Section 1.9 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise.

1.10 REPORTS UNDER SECURITIES EXCHANGE ACT OF 1934. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after ninety (90) days after the effective date of the Initial Offering;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Act and the 1934 Act; and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the first registration statement filed by the Company), the Act and the 1934 Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration or pursuant to such form.

1.11 ASSIGNMENT OF REGISTRATION RIGHTS. The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned (but only with all related obligations) by a Holder to a transferee or assignee of such securities that (i) is a subsidiary, parent, partner, limited partner, retired partner or stockholder of a Holder, (ii) is a Holder's family member or trust for the benefit of an individual Holder, or (iii) after such assignment or transfer, holds at least 50,000 shares of Registrable Securities (subject to appropriate adjustment for stock splits, stock dividends, combinations and other recapitalizations), provided: (a) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; and (b) such transferee or assignee agrees in writing to be bound by and subject to the terms and conditions of this Agreement, including without limitation the provisions of Section 1.12 below.

1.12 "MARKET STAND-OFF" AGREEMENT. Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the Company's initial public offering and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (l80) days) (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (whether such shares or any such securities are then owned by the Holder or are thereafter acquired), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing provisions of this Section 1.12 shall only be applicable to the Holders if all non-selling officers and directors and greater than two (2%) shareholders of the Company enter into similar agreements. The underwriters in connection with the Company's initial public offering are intended third party beneficiaries of this Section 1.12 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

1.13 TERMINATION OF REGISTRATION RIGHTS. No Holder shall be entitled to exercise any right provided for in this Section 1 after five (5) years following the consummation of the Initial Offering or, as to any Holder holding two percent (2%) or less of the outstanding capital stock of the Company, such earlier time at which all Registrable Securities held by such Holder (and any affiliate of the Holder with whom such Holder must aggregate its sales under Rule 144) can be sold in a single transaction without registration in compliance with Rule 144 of the Act.

2. COVENANTS OF THE COMPANY.

2.1 DELIVERY OF ANNUAL FINANCIAL STATEMENTS. The Company shall deliver to each Investor as soon as practicable, but in any event within ninety (90) days after the end of each fiscal year of the Company, an income statement for such fiscal year, a balance sheet of the Company and statement of stockholder's equity as of the end of such year, and a statement of cash flows for such year, such year-end financial reports to be in reasonable detail, prepared in accordance with generally accepted accounting principles ("GAAP"), and audited and certified by independent public accountants of nationally recognized standing selected by the Company.

2.2 DELIVERY OF OTHER FINANCIAL INFORMATION. The Company shall deliver to each Major Investor:

(a) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, an unaudited income statement, statement of cash flows for such fiscal quarter and an unaudited balance sheet as of the end of such fiscal quarter.

(b) within thirty (30) days of the end of each month, an unaudited income statement and statement of cash flows and balance sheet for and as of the end of such month, in reasonable detail including comparison figures;

(c) as soon as practicable, but in any event at least thirty (30) days prior to the end of each fiscal year, a budget and business plan for the next fiscal year, prepared on a monthly basis, including balance sheets, income statements and statements of cash flows for such months and, as soon as prepared, any other budgets or revised budgets prepared by the Company;

(d) with respect to the financial statements called for in subsections (a) and (b) of this Section 2.2, an instrument executed by the Chief Financial Officer or President of the Company certifying that such financials were prepared in accordance with GAAP consistently applied with prior practice for earlier periods (with the exception of footnotes that may be required by GAAP) and fairly present the financial condition of the Company and its results of operation for the period specified, subject to year-end audit adjustment; and

(e) such other information relating to the financial condition, business, prospects or corporate affairs of the Company as the Investor or any assignee of the Investor may from time to time request, provided, however, that the Company shall not be obligated under this subsection (e) or any other subsection of Sections 2.1 and 2.2 to provide information that it deems in good faith to be a trade secret or similar confidential information.

2.3 INSPECTION. The Company shall permit each Major Investor, at such Major Investor's expense, to visit and inspect the Company's properties, to examine its books of account and records and Board minutes and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Major Investor; provided, however, that the Company shall not be obligated pursuant to this Section 2.3

to provide access to any information that the Board determines in good faith to be a trade secret or similar confidential information.

2.4 TERMINATION OF INFORMATION AND INSPECTION COVENANTS. The covenants set forth in Sections 2.1, 2.2 and 2.3 shall terminate as to each Investor and Major Investor and be of no further force or effect when the sale of securities pursuant to a registration statement filed by the Company under the Act in connection with the firm commitment underwritten offering of its securities to the general public is consummated or when the Company first becomes subject to the periodic reporting requirements of Sections 12(g) or 15(d) of the 1934 Act, whichever event shall first occur.

2.5 RIGHT OF FIRST OFFER. Subject to the terms and conditions specified in this Section 2.5, the Company hereby grants to each Investor that holds on the date hereof at least 25,000 shares of Preferred Stock (or Common Stock issued upon conversion thereof, as adjusted for stock splits, stock dividends, combinations and other capitalizations) ("Minimum Investor") a right of first offer with respect to future sales by the Company of its Shares (as hereinafter defined). For purposes of this Section 2.5, a Minimum Investor includes any general partners and affiliates of a Minimum Investor. A Minimum Investor shall be entitled to apportion the right of first offer hereby granted it among itself and its partners and affiliates in such proportions as it deems appropriate.

Each time the Company proposes to offer any shares of, or securities convertible into or exchangeable or exercisable for any shares of, any class of its capital stock ("Shares"), the Company shall first make an offering of such Shares to each Investor in accordance with the following provisions.

(a) The Company shall deliver a notice in accordance with Section 3.5 ("Notice") to the Investors stating (i) its bona fide intention to offer such Shares, (ii) the number of such Shares to be offered, and (iii) the price and terms upon which it proposes to offer such Shares.

(b) By written notification received by the Company, within twenty (20) calendar days after receipt of the Notice, the Investor may elect to purchase or obtain, at the price and on the terms specified in the Notice, up to that portion of such Shares that equals the proportion that the number of shares of Common Stock issued and held, or issuable upon conversion of the Preferred Stock then held, by such Investor bears to the total number of shares of Preferred Stock of the Company then outstanding (assuming full conversion and exercise of all securities convertible or exercisable for shares of Preferred Stock).

(c) If all Shares that Investors are entitled to obtain pursuant to subsection 2.5(b) are not elected to be obtained as provided in subsection 2.5(b) hereof, the Company may, during the ninety (90) day period following the expiration of the period provided in subsection 2.5(b) hereof, offer the remaining unsubscribed portion of such Shares to any person or persons at a price not less than, and upon terms no more favorable to the offeree than those specified in the Notice. If the Company does not enter into an agreement for the sale of the Shares within such period, or if such agreement is not consummated within ninety (90) days of

the execution thereof, the right provided hereunder shall be deemed to be revived and such Shares shall not be offered unless first reoffered to the Investors in accordance herewith.

(d) The right of first offer in this Section 2.5 shall not be applicable to (i) the issuance or sale of shares of Common Stock (or options therefor) to employees, directors and consultants for the primary purpose of soliciting or retaining their services pursuant to a plan approved by the Board; (ii) the issuance of up to 333,333 shares of Series D Preferred Stock (appropriately adjusted for any stock split, dividend, combination or other recapitalization), (iii) the issuance of securities pursuant to a bona fide, firmly underwritten public offering of shares of Common Stock, registered under the Act, at an offering price of at least $10.00 per share (appropriately adjusted for any stock split, dividend, combination or other recapitalization) and resulting in proceeds to the Company of at least $30,000,000 in the aggregate, (iv) the issuance of securities pursuant to the conversion or exercise of convertible or exercisable securities, (v) the issuance of securities in connection with a bona fide business acquisition of or by the Company, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise or (vi) the issuance of stock, warrants or other securities or rights to persons or entities with which the Company has business relationships provided such issuances are for other than primarily equity financing purposes and have been approved by the Board or (vii) the issuance of any equity security, including any security convertible into or exercisable for any equity security, that is not senior to the Company's Preferred Stock with respect to dividends, liquidation, redemption or voting, provided that such securities are issued to a person or entity that has a research, development, clinical, regulatory, marketing, sales or other operational or strategic relationship with this corporation.

2.6 TERMINATION OF CERTAIN COVENANTS. The covenants set forth in Section 2.5 shall terminate and be of no further force or effect upon the consummation of the sale of securities pursuant to a bona fide, firmly underwritten public offering of shares of common stock, registered under the Act.

2.7 PROPRIETARY INFORMATION AGREEMENTS. The Company covenants that it will cause each employee and consultant of the Company to execute a Proprietary Information and Inventions Agreement in the form previously provided to the Investors.

3. MISCELLANEOUS.

3.1 SUCCESSORS AND ASSIGNS. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties (including transferees of any shares of Registrable Securities). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

3.2 GOVERNING LAW. This Agreement shall be governed by and construed under the laws of the State of California as applied to agreements among California residents entered into and to be performed entirely within California.

3.3 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

3.4 TITLES AND SUBTITLES. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

3.5 NOTICES. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified or upon delivery by confirmed facsimile transmission, one (1) day after given to a nationally recognized overnight courier service, or five (5) days after deposit with the United States Post Office, by registered or certified mail, postage prepaid and addressed to the party to be notified at the address indicated for such party on the signature page hereof, or at such other address as such party may designate by ten (10) days' advance written notice to the other parties.

3.6 EXPENSES. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

3.7 ENTIRE AGREEMENT: AMENDMENTS AND WAIVERS. This Agreement (including the Exhibits hereto, if any) constitutes the full and entire understanding and agreement among the parties with regard to the subjects hereof and thereof. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the holders of a majority of the Registrable Securities; provided, however, that in the event that such amendment or waiver adversely affects the obligations and/or rights of the Common Holders in a different manner than the other Holders, such amendment or waiver shall also require the written consent of the holders of a majority in interest of the Common Holders. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Registrable Securities, each future holder of all such Registrable Securities, each Common Holder, each future Common Holder and the Company.

3.8 SEVERABILITY. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

3.9 AGGREGATION OF STOCK. All shares of Registrable Securities held or acquired by affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement, including, but not limited to, for purposes of Sections 1.1(e), 1.3(c) and 1.11.

3.10 WAIVER OF RIGHT OF FIRST OFFER. Each Existing Investor hereby waives its right of first offer as set forth in the Prior Agreement with respect to the sale of shares of Series D Preferred Shares pursuant to the terms of the Series D Agreement. Such waiver shall be binding upon all parties to the Prior Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ADVANCED MEDICINE, INC.

By: /s/ James B. Tananbaum

James B. Tananbaum
President

COMMON HOLDERS:
By:

Title:

By:

Title:

INVESTOR:

ABS VENTURES AM L.L.C.
By: Calvert Capital III L.L.C., its
Managing Member

By: /s/ Richard Spalding

Name: Richard Spalding
Title: Managing Member

Address:

ABS INVESTORS L.L.C.

By: /s/ Richard Spalding

Name: Richard Spalding
Title: Managing Member

Address:

ABS INVESTORS AM L.L.C.

By: Calvert Capital III L.L.C., its
Managing Member

By: /s/ Richard Spalding

Name: Richard Spalding
Title: Managing Member

Address:

PHARMA VISION 2000 AG

By: /s/ Peter Sjostand

Name: Peter Sjostand
Title: Member of the Board

Address:

THE GOLDMAN SACHS GROUP

By: /s/ Richard Friedman

Name: Richard Friedman
Title: Vice President

Address:

SCHEDULE A

COMMON HOLDERS

James Tananbaum
George Whitesides
John Griffin
Mathai Mammen
The Marianthi Foundation, Inc.
Andrew S. Vagelos
Randall H. Vagelos
Ellen T. Vagelos
Cynthia M. Vagelos Roberts
Cara Diana Roberts Trust Dated 9/2/94
Olivia Sophia Vagelos Trust Dated 9/2/94
Lydia Joan Roberts Trust Dated 10/26/95

EXHIBIT 10.12

ASSET PURCHASE AGREEMENT

BY AND AMONG

ADVANCED MEDICINE, INC.,

IRL, INC.

AND

INCARA PHARMACEUTICALS CORPORATION

DATED: DECEMBER 17, 1999

EXECUTION COPY

TABLE OF CONTENTS

THIS AGREEMENT is dated as of December 17, 1999 by and among Incara Pharmaceuticals Corporation , a Delaware corporation ("Seller"), and Advanced Medicine, Inc., a Delaware corporation ("Parent"), and IRL, Inc., a Delaware corporation and wholly owned subsidiary of PARENT ("Buyer").

ARTICLE I

PURCHASE AND SALE

1.1 DESCRIPTION OF ASSETS TO BE ACQUIRED. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing (as defined in Section 6.1), Seller agrees to convey, sell, transfer, assign and deliver to Buyer, and Buyer shall purchase from Seller, all right, title and interest of Seller in and to the assets, properties, rights of the business of Incara Research Laboratories, Seller's anti-infective division (the "Business"), of every kind, nature and description, personal, tangible and intangible, known or unknown, wherever located, including, without limiting the generality of the foregoing:

(a) All interests in real property and improvements owned or leased by Seller and used in connection with the Business, a list of all known such ownership interests in real property and improvements being set forth on SCHEDULE A, and a list of all known such leases in real property and improvements being set forth on SCHEDULE B, along with all appurtenant rights, easements and privileges appertaining or relating thereto, and all buildings, fixtures and improvements located thereon and therein (the "Real Property");

(b) All machinery, equipment, instruments, parts, supplies, furniture, computer hardware and software and related materials, automobiles and other vehicles, and other tangible personal property used in connection with the Business which are owned or leased by Seller, and all purchase or lease contracts therefor which provide for future delivery (the "Personal Property"), a list of all known ownership interests in Personal Property with a value equal to or in excess of Three Thousand Dollars ($3,000) being set forth on SCHEDULE C and a list of all known leases in Personal Property with an annual rental of Three Thousand Dollars ($3,000) or more being set forth and described on SCHEDULE D;

(c) All inventory of Seller, including laboratory and business supplies, raw materials, work-in-process, chemical entities or compounds and biological materials held or made in connection with the Business (the "Inventory"), a general description of all such Inventory being set forth on SCHEDULE E;

(d) All agreements, contracts, licenses, permits, consents and certificates of any regulatory, administrative or other governmental agency or body issued to or held by Seller necessary or incidental to the Business immediately prior to the Closing (to the extent the same are transferable), whether oral or written, relating to the operation of Seller's Business (the "Contracts"), a list of such items (excluding Contracts with a value of less than Three Thousand Dollars ($3,000)) being set forth and described on SCHEDULE F;

(e) All cash, cash equivalents, accounts receivable, notes receivable,

advances, prepaid expenses, taxes and deposits of the Business and all assets of a similar nature, as set forth and described on SCHEDULE G;

(f) All technology, proprietary programs, trade secrets, proprietary rights, marks, patents, trademarks, names, tradenames, symbols, service marks, logos and copyrights (including all registrations, applications, reissues, renewals, continuations and extensions pertaining to any of the foregoing), designs and drawings and licenses in respect thereof, used relating to the Business (the "Proprietary Rights"), a list and description of all such items being set forth on SCHEDULE H;

(g) Originals or duplicate copies thereof of all books of account, general ledgers, sales invoices, accounts payable and payroll records, customer accounts and lists, drawings, files, papers and records relating to the Business located in Cranbury, New Jersey and copies of the confidentiality agreements relating to the Business located at Seller's facility in North Carolina (the "Records");

(h) All goodwill of the Business; and

(i) Any and all other rights, titles, interests, privileges and appurtenances of Seller of any nature in any way related to, or used in connection with, the ownership or operation of the foregoing items, or otherwise necessary for the conduct of the Business; provided, however, nothing contained in this Article I is intended to include assets of Seller located at Seller's headquarters in North Carolina used primarily to manage Seller's ownership and operation of the Assets and Business (such as computer programs for financial, payroll and administrative functions) and to monitor the administrative operations of Seller in Cranbury, New Jersey.

All of the assets, properties, rights and business to be conveyed, sold, transferred, assigned and delivered to Buyer pursuant to this Section 1.1 are hereinafter collectively referred to as the "Assets."

1.2 INSTRUMENTS OF TRANSFER. The sale, assignment, transfer, conveyance and delivery of the Assets shall be made by such bills of sale, patent assignments and other recordable instruments of assignment, transfer and conveyance as Buyer shall reasonably request.

ARTICLE II

ASSUMPTION OF OBLIGATIONS

2.1 ASSUMPTION OF CERTAIN OBLIGATIONS. Buyer shall, pursuant to this Agreement, assume only those obligations and liabilities associated with the Assets that are specifically identified on SCHEDULE I hereto. Buyer shall have no responsibility, liability or obligation arising out of this Agreement, matured, unmatured, liquidated or unliquidated, fixed or contingent, or known or unknown, unless it is identified on SCHEDULE I. Subject to Article VII hereof, to the extent expressly assumed by Buyer hereby, Seller shall have no responsibility, liability or

obligation after the Closing for the matters set forth on or related to matters identified on SCHEDULE I.

ARTICLE III

PURCHASE PRICE

3.1 CONSIDERATION. Upon the terms and subject to the conditions contained in this Agreement, in consideration for the Assets and in full payment therefor, Buyer will pay or PARENT will cause to pay the purchase price set forth in Section 3.2.

3.2 AMOUNT. The purchase price for the Assets shall be $11,000,000 (the "Purchase Price") payable by wire transfer to the Seller at the Closing.

3.3 ADDITIONAL CONSIDERATION. As additional consideration, Buyer shall pay or cause to be paid to Seller promptly upon, but in no event longer than ten (10) days of, receipt of the full corresponding payments from Merck & Co., Inc. ("Merck") under the Research Collaboration and License Agreement dated as of June 30, 1997 between Seller and Merck (the "Merck Agreement") the following:

(a) $[*] in cash upon receipt of the full payment from Merck due upon [*] under Section [*] of the Merck Agreement; and

(b) $[*] in cash upon receipt of the full payment from Merck under Section [*] of the Merck Agreement due upon [*] (as defined in the Merck Agreement).

3.4 ALLOCATION. The parties shall allocate the Purchase Price among each of the Assets transferred hereunder for federal, state and local tax purposes in accordance with SCHEDULE J hereto, which allocation shall be in compliance with Section 1060 of the Internal Revenue Code and Regulations. The parties agree that SCHEDULE J may be subject to post-closing adjustments in accordance with appraisals conducted by independent third parties. Buyer will confer with Seller regarding the results of these appraisals, and the parties will mutually agree as to these adjustments (such approval to not be unreasonably withheld). The parties will cooperate with each other in preparing and filing or causing to be filed all federal, state and local tax returns in accordance with such allocation.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

4.1 REPRESENTATIONS OF PARENT AND BUYER. Except as otherwise set forth in SCHEDULE 4.1 hereto, PARENT and Buyer, jointly and severally, hereby represent to Seller that:

(a) ORGANIZATION. Each of PARENT and Buyer is a corporation duly

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[*] Indicates material that has been omitted and for which confidential treatment has been requested. All such omitted material has been filed separately with the Securities and Exchange Commission pursuant to Rule 406 promulgated under the Securities Act of 1933, as amended.

organized, validly existing and in good standing under the laws of Delaware. All of the outstanding capital stock of Buyer is owned by PARENT.

(b) AUTHORIZATION. Each of PARENT and Buyer has full corporate power and authority to enter into this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. Each of PARENT and Buyer has taken all necessary and appropriate corporate action with respect to the execution and delivery of this Agreement and this Agreement constitutes its valid and binding obligation enforceable in accordance with its terms except as limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights and remedies generally.

(c) COMPLIANCE WITH OTHER INSTRUMENTS. Its execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the compliance with the terms hereof and thereof by it do not, or as of the Closing will not, conflict with or result in a breach of any terms of, or constitute a default under, its Certificate of Incorporation or Bylaws, or any material agreement, obligation or instrument to which it is a party or by which it is bound.

(d) LITIGATION. There is no claim, litigation, investigation, inquiry, action, suit or proceeding, administrative or judicial, pending or, to its best knowledge, threatened against either PARENT or Buyer, at law or in equity, before any federal, state or local court or regulatory agency, or other governmental authority, which might have a material adverse effect on PARENT's or Buyer's ability to perform any of their respective obligations under this Agreement.

(e) CONSENTS. To the best of the knowledge of PARENT and Buyer, no consent, approval, order or authorization of registration, qualification, designation, declaration or filing with any federal, state, local or provincial governmental authority or any third party is required by either of them in connection with the consummation of the transactions contemplated hereunder.

(f) BROKER FEES. Neither PARENT nor Buyer is obligated to pay any fees or expenses of any broker or finder in connection with the origin, negotiation or execution of this Agreement or in connection with any of the transactions contemplated hereby.

4.2 REPRESENTATIONS OF SELLER. The representations and warranties of Seller are modified to the extent of disclosures set forth in SCHEDULE 4.2 solely to the extent such disclosures specifically identify the relevant section hereof. Subject to SCHEDULE 4.2, Seller hereby represents and warrants to PARENT and Buyer that:

(a) CORPORATE ORGANIZATION OF SELLER. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite power and authority to conduct its business in the places where such business is now conducted.

(b) AUTHORIZATION OF SELLER. Seller has full corporate power and authority to enter into this Agreement, to perform its obligations hereunder and thereunder and to

consummate the transactions contemplated hereby and thereby, including, without limitation, the execution and delivery of this Agreement, general conveyances, bills of sale, assignments, and other documents and instruments evidencing the conveyance of the Assets or delivered in accordance with Section 6.1 hereunder (the "Closing Documents"). Seller has taken all necessary and appropriate corporate and stockholder action with respect to the execution and delivery of this Agreement and the Closing Documents. This Agreement constitutes a valid and binding obligation of Seller, enforceable in accordance with its terms except as limited by applicable bankruptcy, insolvency, moratorium, reorganization and other laws affecting creditors' rights and remedies generally.

(c) ABSENCE OF CERTAIN CHANGES AND EVENTS. Except as set forth in SCHEDULE 4.2(c), since September 30, 1999 there has not been:

(i) Any material adverse change in the financial condition, results of operations or liabilities of the Business or the Assets, or any occurrence, circumstance, or combination thereof which reasonably could be expected to result in any such adverse change;

(ii) Any material event, including, without limitation, shortage of materials or supplies, fire, explosion, accident, requisition or taking of property by any governmental agency, flood, drought, earthquake or other natural event, riot, act of God or the public enemy, or damage, destruction or other casualty, whether covered by insurance or not, which has had an adverse affect on the Business or any of the Assets or any such event which reasonably could be expected to have such an affect on the Business or any of the Assets;

(iii) Any transaction relating to or involving Seller in connection with the Assets or the Business (other than the transactions contemplated herein) which was entered into or carried out by Seller other than in the ordinary and usual course of business;

(iv) Any change made by Seller in its method of operating the Business or its accounting practices relating thereto;

(v) Any mortgage, pledge, lien, security interest, hypothecation, charge or other encumbrance imposed or agreed to be imposed on or with respect to any of the Assets other than liens arising with respect to taxes not yet due and payable and such minor liens and encumbrances, if any, which arise in the ordinary course of business and are not material in nature or amount and do not detract from the value of any of the Assets or impair the operations conducted thereon or any discharge or satisfaction thereof;

(vi) Any sale, lease or disposition of, or any agreement to sell, lease or dispose of any of the Assets, other than sales, leases or dispositions in the usual and ordinary course of business and consistent with prior practice;

(vii) Any modification, waiver, change, amendment, release, rescission, accord and satisfaction or termination of, or with respect to, any material term, condition or provision of any contract, agreement, license or other instrument to which Seller is a party and relating to or affecting the Business, any of the Assets, other than any satisfaction by

performance in accordance with the terms thereof in the usual and ordinary course of business and consistent with prior practice;

(viii) Any disposition, license or disclosure, or any discussions related thereto, of any of Seller's proprietary information, trade secrets, formula, processes, engineering data or technical know-how necessary or incidental to the conduct of the Business; or

(ix) Any other event or condition of any character which materially adversely affects, or may reasonably be expected to so affect, any of the Assets or the results of operations or financial condition of the Business.

(d) UNDISCLOSED LIABILITIES. There are no debts, liabilities or obligations with respect to the Business or to which any of the Assets are subject, liquidated, unliquidated, accrued, absolute, contingent or otherwise except for debts, liabilities or obligations set forth on the September 30, 1999 balance sheet of Seller (a copy of which is attached hereto as SCHEDULE 4.2(d)) or liabilities incurred in the ordinary course of business since September 30, 1999 in a manner consistent with past practice which would not, individually or in the aggregate, materially adverse affect, or reasonably be expected to so affect, any of the Assets or the results of operations or financial condition of the Business.

(e) TAXES. All taxes, including without limitation, income, property, sales, use, franchise, added value, withholding, and social security taxes, imposed by the United States, any state, municipality, other local government or other subdivision or instrumentality of the United States, or any foreign country or any state or other government thereof, or any other taxing authority, that are due or payable by Seller with respect to the Business, and all interest and penalties thereon, whether disputed or not, and that would result in the imposition of a lien, claim or encumbrance on any of the Assets or against Buyer or PARENT, other than taxes that are not yet due and payable, have been paid in full, all tax returns required to be filed in connection therewith have been accurately prepared and duly and timely filed and all deposits required by law to be made by Seller with respect to employees' withholding taxes have been duly made. Seller is not delinquent in the payment of any foreign or domestic tax, assessment or governmental charge or deposits that would result in the imposition of a lien, claim or encumbrance on any of the Assets or against Buyer or PARENT, and Seller does not have a tax deficiency or claim outstanding, proposed or assessed against it, and there is to the knowledge of Seller no basis for any such deficiency or claim, that would result in the imposition of any lien, claim or encumbrances on any of the Assets or against Buyer or PARENT.

(f) COMPLIANCE WITH LAW. Seller has complied and is in compliance with all applicable federal, state and local laws, statutes, licensing requirements, rules and regulations, and judicial or administrative decisions applicable to the Business including without limitation all environmental and export control laws, except where such failure to do so would not materially adverse affect, or reasonably be expected to so affect, any of the Assets or the results of operations or financial condition of the Business. Seller has been granted any and all licenses, permits (temporary and otherwise), authorization and approvals from federal, state, local and foreign government regulatory bodies necessary to carry on the Business as currently conducted,

all of which are currently valid and in full force and effect, except where the failure to possess such license, permit, authorization or approval would not materially adverse affect, or reasonably be expected to so affect, any of the Assets or the results of operations or financial condition of the Business. To Seller's knowledge (without conducting a search of any court or administrative docket), there is no order issued, investigation or proceeding pending or threatened, or notice served with respect to any violation of any law, ordinance, order, writ, decree, rule or regulation issued by any federal, state, local or foreign court or governmental agency or instrumentality applicable to the Business.

(g) PROPRIETARY RIGHTS.

(i) To the knowledge of Seller (but without having conducted any patent or trademark search), Seller owns or is licensed or otherwise has the full right to use the Proprietary Rights.

(ii) SCHEDULE H contains, or explicitly incorporates by reference to other schedules attached hereto, a true, correct and complete list and brief description of (a) all patents and patent applications, trademark registrations, service mark registrations and applications therefor, trademarks and service marks, trade names, copyright registrations and applications therefor, which are owned by Seller and which relate to the Business and (b) all material agreements under which Seller is licensed or authorized to use Proprietary Rights by others, or under which others are licensed or authorized to use Proprietary Rights by Seller, except for standard, commercially available computer software programs.

(iii) All maintenance fees and any other fees for patents or patent applications for patents referred to in SCHEDULE H have been timely paid; all registrations of trademarks and copyrights referred to in SCHEDULE H and grants of patents referred to in SCHEDULE H remain in full force and effect; to the knowledge of Seller, Seller has the right to use all Proprietary Rights and has the right to use all Proprietary Rights in accordance with the respective agreements under which such rights are granted; to the knowledge of Seller, no person or entity is infringing upon the Proprietary Rights; Seller has received no notice that any claims or litigation are asserted, pending or to the knowledge of Seller threatened by any person or entity contesting the right of Seller to use, or the validity of effectiveness of or title to, the Proprietary Rights or challenging or questioning the validity or effectiveness of any license or agreement pertaining thereto or asserting the misuse thereof, and, to the knowledge of Seller, no valid basis exists for any such claim; to the knowledge of Seller, neither use of the Proprietary Rights by Seller nor the conduct of the Business as now conducted or as presently proposed to be conducted infringes on the proprietary rights of any person or entity or violates any license or other agreement applicable thereto to which Seller is a party; all of the licenses and other agreements referred to in subsection 4.2(g)(ii)(b) above are in full force and effect and constitute legal, valid and binding obligations of the respective parties thereto; there currently are not any defaults thereunder by Seller or, to the knowledge of Seller, by any other party, and no event has occurred which (whether with or without notice, lapse of time, or the happening or occurrence of any other event) would constitute a default thereunder by Seller or, to the knowledge of Seller, by any other party; and the validity and effectiveness of all such licenses and other agreements

and the current terms thereof will not be adversely affected by the transactions contemplated by this Agreement.

(h) Seller has taken reasonable measures to protect the Proprietary Rights from use by any other person or entity in the countries in which Seller has filed for patent protection, including without limitation, reasonable measures to ensure the secrecy of trade secrets and written agreements with all employees with respect to confidentiality and rights to inventions.

(i) TITLE. Seller has good and marketable title, or a valid leasehold, to the Assets, free and clear of all mortgages, pledges, liens, encumbrances, security interests, charges, equities, clouds and restrictions of any nature. By virtue of the deliveries made at the Closing, Buyer will obtain good and marketable title to all of the Assets owned by Seller, free and clear of all easements, mortgages, pledges, liens, encumbrances, security interests, charges, equities, clouds and restrictions of any nature whatsoever.

(j) RESTRICTIVE DOCUMENTS OR ORDERS. Seller is not a party to or bound under any agreement, contract, order, judgment or decree, or any similar restriction not of general application which materially adversely affects, or reasonably could be expected to materially adversely affect the consummation of the transactions contemplated by this Agreement.

(k) CONTRACTS AND COMMITMENTS. SCHEDULE F contains a complete list of all of the Contracts required to be listed pursuant to Section 1.1(d). Seller is not in default nor has there occurred an event or condition which, with the passage of time or giving of notice (or both), would constitute a default with respect to the payment or performance of any obligation thereunder; and no claim of such a default has been asserted and to Seller's knowledge there is no basis or alleged basis upon which such a claim could be made.

(l) LITIGATION. There is no claim, litigation, action, suit or proceeding, administrative or judicial, pending or, to Seller's knowledge (without having conducted any search of any local, state or federal docket), threatened against Seller involving any of the Assets, at law or in equity, before any federal, state, local or foreign court or regulatory agency, or other governmental or arbitral authority, including, without limitation, any unfair labor practice or grievance proceedings or otherwise, which could have a material adverse effect on (i) the consummation of the transactions contemplated by this Agreement or (ii) any of the Assets. To Seller's knowledge (without having conducted any search of any local, state or federal docket), there is no basis or alleged basis upon which such claim, litigation, action, suit or proceeding could be brought or initiated.

(m) NO CONFLICT OR DEFAULT. Neither the execution and delivery of this Agreement, nor compliance with the terms and provisions hereof, including without limitation, the consummation of the transactions contemplated hereby, will violate any statute, regulation or ordinance of any governmental authority, or conflict with or result in the breach of any term, condition or provision of the Certificate of Incorporation or Bylaws of Seller or of any agreement, deed, contract, mortgage, indenture, writ, order, decree, legal obligation or instrument to which Seller is a party or by which it or any of the Assets are or may be bound, or constitute a

default (or an event which, with the lapse of time or the giving of notice, or both, would constitute a default) thereunder, or result in the creation or imposition of any lien, charge or encumbrance, or restriction of any nature whatsoever with respect to any of the Assets, or give to others any interest or rights, including rights of termination, acceleration or cancellation in or with respect to any of the Assets.

(n) THIRD PARTY CONSENTS. No consent, approval, or authorization of any third party on the part of Seller is required in connection with the consummation of the transactions contemplated hereunder other than as set forth in SCHEDULE K.

(o) PROPRIETARY INFORMATION AGREEMENT. Except as set forth on SCHEDULE 4.2, each employee and consultant to Seller has executed either an Employee Agreement or a Confidential Information Agreement in substantially the form previously provided to PARENT and Buyer.

(p) EMPLOYEE PLANS; LABOR ISSUES; EMPLOYEE COMPENSATION. With respect to any pension, retirement, profit sharing, savings, bonus, incentive, deferred compensation, group health insurance or group life insurance plan or obligation, employee welfare benefit plan, or to any collective bargaining agreement or other agreement, written or oral, with any trade or labor union, employees' association or similar organization to which Seller is a party and, if any, which is subject to ERISA, Seller has in all material respects prepared in good faith and timely filed all governmental reports and has properly and timely posted or distributed all notices and reports to employees required to be filed, posted or distributed with respect to such plan. There are no labor or EEO complaints pending or to the knowledge of Seller threatened between Seller and any of its employees that could materially adversely affect the Assets or condition, financial or otherwise, operation or prospects of the Business; no employees of Seller are represented, or to the knowledge of Seller have ever been represented, by any labor union or other collective bargaining unit, and Seller is not aware of any attempts to be so represented. Except as set forth on SCHEDULE L, Seller is not a party to or bound by any currently effective employment contract, deferred compensation agreement, bonus plan, incentive plan, profit sharing plan, retirement agreement or other employee compensation agreement with the employees of Seller identified on SCHEDULE L.

(q) ENVIRONMENTAL MATTERS. Except in compliance with any Environmental Law (as defined below) or pursuant to a valid permit, no Hazardous Material (as defined below) has been released into the environment or deposited, discharged, released, placed or disposed of at, on or near any premises now or, to the knowledge of Seller, previously owned or occupied by Seller in connection with its ownership or operation of the Business (the "Premises"), nor have any of the Premises been used at any time by any person as a landfill, garbage or trash dump or toxic waste dump, or a waste disposal site, or for the handling, treatment, storage or disposal of any solid waste or Hazardous Material as defined under applicable federal, state or local laws, including without limitation, any Environmental Laws. For the purposes of this Agreement, "Hazardous Material" means and includes petroleum, petroleum by-products, natural or synthetic gas products and/or any hazardous substance or material, waste, pollutant or contParentnant, defined as such in (or for the purposes of) any of the Environmental Laws. "Environmental

Laws" means the Comprehensive Environmental Response, Compensation and Liability Act, as amended, the Resource Conservation and Recovery Act, as amended, the Toxic Substances Control Act, the Clean Air Act, the Clean Water Act, any "Superfund" or "Superlien" law, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree, regulating, relating to or imposing liability or standards of conduct concerning, any petroleum, petroleum by-products, natural or synthetic gas products and/or any hazardous substances or materials, toxic or dangerous waste, substances or materials, pollutant or contParentnant, as may now or at any time hereafter be in effect.

(r) BROKERS' AND FINDERS' FEES. Seller is not obligated to pay any fees or expenses of any broker or finder in connection with the origin, negotiation or execution of this Agreement or in connection with any transactions contemplated hereby.

(s) FINANCIAL STATEMENTS. Seller has previously furnished PARENT and Buyer with a complete copy of Seller's unaudited balance sheet as of September 30, 1999 and Seller's unaudited statements of operations, changes in stockholders' equity and cash flows for the fiscal year then ended. The balance sheet fairly represents the Seller's financial position as of its date and the other statements fairly present the results of operations, changes in stockholders' equity and cash flows, as the case may be, of Seller for the period indicated, in each case in accordance with generally accepted accounting principles except for the absence of descriptive footnotes. The projections of Seller provided to Buyer (a copy of which is attached hereto as SCHEDULE 4.2(s)) were prepared in good faith and Seller believes that there is a reasonable basis for such projections based on the conduct of the Business by Seller prior to the Closing.

(t) SOLVENCY; FAIRNESS. Immediately prior to the Closing Date and after giving effect to the transactions contemplated hereby: (i) the aggregate value of all of the tangible and intangible assets and properties of Seller, at a fair valuation, will be greater than the total amount of its liabilities or claims, including contingent claims, and the aggregate present fair saleable value of its tangible and intangible assets will be greater than the amount that will be required to pay its probable liability on its debts, including contingent liabilities, as they become absolute and matured; and (ii) the Seller will have (and will have no reason to believe that it will not have thereafter) sufficient capital for the conduct of its businesses and, after diligent inquiry and review, sufficient assets to pay its debts as they become due. Seller has obtained, or prior to the Closing will obtain, a fairness opinion issued by U.S. Bancorp Piper Jaffray in form and substance customary in transactions of this nature.

(u) ASSETS. The Assets include all assets, properties and rights of Seller used in connection with the ownership and operation of the Business or otherwise necessary for the conduct of the Business as presently conducted.

(v) YEAR 2000 COMPLIANCE. To Seller's knowledge, all of Seller's computer systems, including without limitation, its accounting systems, relating to its operation and ownership of the Assets and the Business will record, store, process and calculate and present dates falling on and after January 1, 2000, and will calculate any information dependent on or relating to such dates in the same manner and with the same functionality, data integrity and

performance as such systems record, store, process, calculate and present calendar dates on or before December 31, 1999, or calculate any information on or relating to such dates.

(w) COMPLETE COPIES OF MATERIALS. Seller has delivered or made available to PARENT and Buyer true and complete copies of each document which has been requested by PARENT or Buyer, including, without limitation, the Contracts set forth on SCHEDULE F.

(x) COMPLETE DISCLOSURE. No representation or warranty by Seller in this Agreement, and no exhibit, schedule, statement, certificate or other writing furnished to Buyer or PARENT pursuant to this Agreement, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein and therein not misleading.

ARTICLE V

CONDUCT OF BUSINESS AND TRANSACTIONS PRIOR TO THE CLOSING; ADDITIONAL AGREEMENTS

5.1 CONDUCT OF BUSINESS OF SELLER. During the period from the date hereof and continuing until the earlier of the termination of this Agreement or the Closing, Seller shall carry on the Business in the usual, regular and ordinary course in substantially the same manner as conducted prior to the date of this Agreement and, to the extent consistent with such Business, use its best efforts to the end that none of the Assets shall be impaired at the Closing. Seller shall promptly notify Buyer and PARENT of any material event or occurrence not in the ordinary course of business of Seller, and any event that could reasonably be expected to have a material and adverse effect on any of the Assets.

5.2 ACCESS TO INFORMATION. Seller shall afford Buyer, PARENT and their respective accountants, counsel and other representatives, reasonable access during normal business hours during the period from the date of this Agreement until the earlier of the Closing or the termination of this Agreement to (i) all properties, books, contracts, commitments and records, and (ii) all other information concerning the business, properties and personnel as may reasonably be requested, provided that any information provided pursuant hereto or any investigation by each party hereto shall not affect such party's right to rely on the representations, warranties, agreements and covenants made by the other party herein.

5.3 BREACH OF REPRESENTATIONS, WARRANTIES, AGREEMENTS AND COVENANTS. Each of Buyer, PARENT and Seller shall use its respective best efforts to not take, or fail to take, any action that from the date hereof through the Closing would cause or constitute a breach of any of its respective representations, warranties, agreements and covenants set forth in this Agreement. In the event of, and promptly after becoming aware of, the actual, pending or threatened occurrence of any event that would cause or constitute such a breach or inaccuracy, each party shall give detailed notice thereof to the other parties and shall use its best efforts to prevent or promptly remedy such breach or inaccuracy.

5.4 CONSENTS. Each of Buyer, PARENT and Seller shall promptly apply for or

otherwise seek and use its best efforts to obtain, all consents and approvals required to be obtained by it for the consummation of the transactions contemplated hereby.

5.5 BEST EFFORTS. If applicable, each of Buyer, PARENT and Seller shall use best efforts to effectuate the transactions contemplated hereby and to fulfill and cause to be fulfilled the conditions to closing under this Agreement. Each party to this Agreement shall execute and deliver to any other party upon reasonable request any legal instrument, document of title, or any other document which may be necessary to carry out the provisions of this agreement or any judgment, order or decree which may be entered by the probate court in accordance herewith. After the Closing, Seller and Buyer shall execute and deliver such other certificates, agreements, conveyances, records, and other documents, and take such other action, as may be reasonably requested by the other party in order to consummate the agreements and obligations contemplated hereby.

5.6 EXPENSES. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby, including fees of any finders or brokers or investment bankers, attorneys and accountants retained by such party, shall be paid by the party incurring such expense.

5.7 BULK SALE. The parties specifically waive compliance under all laws relating to the sale of property and/or assets in bulk, including Article 6 of the Uniform Commercial Code. In lieu thereof, Seller shall indemnify and hold Buyer and PARENT harmless as hereinafter provided in Article VII.

5.8 SALES AND TRANSFER TAXES. Seller will pay all sales and transfer taxes associated with this Agreement and the transactions contemplated hereby.

5.9 COVENANTS AGAINST DISCLOSURE. Seller shall not (a) disclose to any person, association, firm, corporation or other entity (other than Buyer or PARENT or those designated in writing by Buyer or PARENT) in any manner, directly or indirectly, any confidential information or data relevant to: (i) the operation of the Business, whether of a technical or commercial nature or (ii) the Assets or (b) use, or permit or assist, by acquiescence or otherwise, any person, association, firm, corporation or other entity (other than Buyer or PARENT) to use, directly or indirectly, any such information or data in any manner which reasonably would be deemed to be competitive with the operation of the Business or the business of Buyer or PARENT as it relates to the Business, excepting only use of such information or data as is at the time generally known to the public and which did not become generally known through any breach of any provision of this Section by Seller. Seller shall take reasonable precautions to keep such information confidential. Seller shall consult with PARENT before issuing any press release or otherwise making any public statement or making any other public disclosure (whether or not in response to an inquiry) regarding the terms of this Agreement, the transactions contemplated hereby or the identity of PARENT or Buyer, and shall not issue any such press release or make any such statement or disclosure without the prior written approval of PARENT, except solely to the extent Seller is advised by counsel that such press release, statement or disclosure is required to comply with applicable law.

5.10 EMPLOYMENT BY PARENT. Seller shall use its best efforts to assist PARENT in employing those employees of Seller identified on SCHEDULE L, and PARENT agrees to offer employment to such employees (upon terms and conditions substantially similar to that offered to similarly situated employees of PARENT) upon their termination with Seller at the Closing Date. Seller and PARENT shall cooperate with respect to the transition of employees in order to minimize any severance obligation of Seller which would otherwise be due and payable in connection with a termination of employment. Seller shall be responsible for, and indemnify Buyer and PARENT against, any severance liability or similar obligation to such employees arising out of the severance provisions contained in such employees' present employment arrangements with Seller.

5.11 Merck Agreement. Buyer agrees that it will not [*] without the prior written consent of Seller, which consent may be withheld for any reason or no reason.

5.12 Merck Chemical Entities. Seller shall use its best efforts [*].

5.13 NO SHOP. From the date hereof until the earlier to occur of the Closing Date or December 31, 1999, neither Seller nor any representative or affiliate of Seller will (A) enter into any agreement regarding the acquisition, use or license of the Assets, or (B) solicit or encourage (including by way of furnishing information) any inquiries or the making of any proposal that may reasonably be expected to lead to any agreement to acquire, license or use the Assets (each, an "Acquisition Proposal"); PROVIDED, HOWEVER, that nothing contained in this Agreement shall prevent Seller or its Board of Directors, to the extent such Board of Directors determines, in good faith, based upon and consistent with advice received in consultation with outside legal counsel, that such Board of Directors' fiduciary duties under applicable law, if any, require it to do so, from furnishing non-public information to, or entering into discussions or negotiations with, any person or entity in connection with an unsolicited bona fide written Acquisition Proposal by such person or entity or recommending an unsolicited bona fide written Acquisition Proposal by such person or entity to the stockholders of the Company if and only to the extent that the Board of Directors believes in its good faith reasonable judgment (based upon and consistent with advice received in consultation with independent financial and legal advisors) that such Acquisition Proposal is reasonably capable of being completed on the terms proposed and, after taking into account the strategic benefits anticipated to be derived from the transactions contemplated hereby and the long-term prospects of the Company following the transactions contemplated hereby, would, if consummated, result in a transaction more favorable over the long term from a financial point of view than the transactions contemplated hereby (a "Superior Proposal") and the Board of Directors determines in good faith, after consultation with, and based upon and consistent with advice received from, outside legal counsel, that such action is necessary for such Board of Directors to comply with its fiduciary duties to stockholders under applicable law, if any. Seller will immediately notify PARENT of any Acquisition Proposal.

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[*] Indicates material that has been omitted and for which confidential treatment has been requested. All such omitted material has been filed separately with the Securities and Exchange Commission pursuant to Rule 406 promulgated under the Securities Act of 1933, as amended.

5.14 OPERATION OF BUSINESS SUBSEQUENT TO CLOSING. Seller shall, subsequent to Closing, operate and manage the Business on behalf of PARENT and Buyer through January 31, 2000 in a manner consistent with past practice and in the ordinary course pursuant to the form of Management Agreement attached hereto as EXHIBIT A (the "Management Agreement"). Subject to the limitations of this Section 5.14 and the Management Agreement, Seller shall advance normal and customary expenses related to the operation of the Business on behalf of PARENT and Buyer during such period. Seller, PARENT and Buyer have prepared a budget of anticipated Business expenses for such period, a copy of which is attached hereto as SCHEDULE M. PARENT and Buyer shall, within five (5) business days of receipt of the actual amounts expensed by Seller, reimburse Seller for any and all such amounts expended by Seller. Seller shall promptly in advance of any expenditure notify PARENT and Buyer in writing to the extent that expenses expected for the post-closing management period specified in this Section 5.14 are not generally consistent with SCHEDULE M. All expenses and liabilities of any kind related to the Business which are for the period on or after the Closing will be the responsibility of PARENT and Buyer. This reconciliation will be completed in accordance with the accrual basis of accounting in accordance with generally accepted accounting principles ("GAAP"). Any invoices for expenses incurred both prior to and after the Closing will be prorated, with Seller responsible for expenses relating to the period prior to the Closing and Buyer and PARENT responsible for expenses relating to the period on and after the Closing.

ARTICLE VI

CLOSING AND CONDITIONS PRECEDENT

6.1 CLOSING. The transactions contemplated by this Agreement shall close and all deliveries shall be made (the "Closing") no later than 1:00 p.m. Eastern Standard Time on December 27, 1999 at the offices of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, 1000 Winter Street, Suite 1100, Waltham, MA 02451, or at such other place or date as may be agreed upon by the parties (the "Closing Date").

6.2 CONDITIONS OF OBLIGATIONS OF BUYER AND PARENT. The obligations of Buyer and PARENT to effect the transactions contemplated hereby are also subject to the satisfaction of the following conditions, unless waived by Buyer and PARENT:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties of Seller set forth in this Agreement and the Side Letter (as defined below) shall be true and correct as of the Closing, and Buyer and PARENT shall have received a certificate signed by the chief executive officer and the chief financial officer of Seller to such effect.

(b) PERFORMANCE OF OBLIGATIONS OF SELLER. Seller shall have performed all conditions, obligations and covenants required to be performed by it under this Agreement prior to the Closing, and Buyer and PARENT shall have received a certificate signed by the chief executive officer and the chief financial officer of Seller to such effect.

(c) CONSENTS; APPROVALS AND ASSIGNMENTS. Buyer and PARENT shall have received duly executed copies of all third-party consents, approvals and assignments

contemplated by this Agreement and necessary to transfer all of Seller's interest in the Assets, in form and substance reasonably satisfactory to Buyer and PARENT, except where the failure to obtain such consents, approvals or assignments would not have a material adverse effect on the Assets or the Business.

(d) BILL OF SALE. Seller shall have executed and delivered a Bill of Sale in substantially the form attached hereto as EXHIBIT B transferring to Buyer title to the Assets.

(e) PATENT ASSIGNMENTS. Seller shall have executed and delivered a Patent Assignment in substantially the form attached hereto as EXHIBIT C transferring to Buyer all patents identified on SCHEDULE H as owned by Seller.

(f) CONSULTING AGREEMENTS. PARENT shall have entered into a Consulting Agreement with each of Dr. Daniel Kahne and Dr. Suzanne Walker.

(g) MANAGEMENT AGREEMENT. Seller shall have executed and delivered the Management Agreement in substantially the form attached hereto as EXHIBIT A.

(h) OPINION OF COUNSEL. Seller shall have delivered to Buyer an opinion of Wyrick Robbins Yates & Ponton LLP, counsel for Seller, addressed to Buyer and dated the Closing Date, in form and substance as set forth in SCHEDULE N hereto.

(i) NO MATERIAL ADVERSE CHANGE. There shall have been no material adverse change in the Assets, financial information or financial projections from that represented to PARENT by Seller as of December 3, 1999.

(j) SIDE LETTER. Seller shall have delivered to Buyer a letter (the "Side Letter") setting forth as of the Closing a complete [*], to the best of Seller's knowledge, of all [*].

6.3 CONDITIONS OF OBLIGATIONS OF SELLER. The obligations of Seller to effect the transactions contemplated hereby are also subject to the satisfaction of the following conditions, unless waived by Seller:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties of Buyer and PARENT set forth in this Agreement shall be true and correct as of the Closing Date, and Seller shall have received a certificate signed by the chief executive officer and chief financial officer of Buyer and PARENT to such effect.

(b) PERFORMANCE OF OBLIGATIONS OF BUYER AND PARENT. Buyer and PARENT shall have performed all conditions, obligations and covenants required to be performed by them under this Agreement prior to the Closing, and Seller shall have received a certificate signed by the chief executive officer and the chief financial officer of Buyer and PARENT to such effect.

(c) OPINION OF COUNSEL. Seller shall have received an opinion of Wyrick

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[*] Indicates material that has been omitted and for which confidential treatment has been requested. All such omitted material has been filed separately with the Securities and Exchange Commission pursuant to Rule 406 promulgated under the Securities Act of 1933, as amended.

Robbins Yates & Ponton LLP, counsel for Seller, addressed to Seller's Board of Directors and dated the Closing Date, confirming that the consent of Seller's shareholders is not required for the consummation of the transactions contemplated hereby.

ARTICLE VII

INDEMNIFICATION

7.1 SURVIVAL OF REPRESENTATIONS, WARRANTIES AND AGREEMENTS. Notwithstanding any investigation conducted at any time with regard thereto by or on behalf of either party, all representations, warranties, covenants and agreements of each party in this Agreement and the Side Letter shall survive the execution, delivery and performance of this Agreement. All representations and warranties of each party set forth in this Agreement and the Side Letter shall be deemed to have been made by such party at and as of the Closing. The obligation of indemnity provided herein with respect to all of Buyer and PARENTs' representations and warranties set forth in Section 4.1 and such representations and warranties shall terminate two years after the Closing. The obligations of indemnity provided herein with respect to the representations and warranties of Seller set forth in Section 4.2 and the Side Letter and such representations and warranties shall terminate two years after the Closing. Notwithstanding the foregoing, the obligations of the parties pursuant to Section 5.9 shall survive the Closing or termination of this Agreement pursuant to Article VIII indefinitely.

7.2 INDEMNIFICATION.

(a) Buyer and PARENT hereby agree, jointly and severally, to indemnify and hold harmless Seller from and against any and all losses, liabilities, damages, demands, claims, suits, actions, judgments or causes of action, assessments, costs and expenses, including, without limitation, interest, penalties, attorneys' fees, any and all expenses incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation (collectively, "Damages"), asserted against, resulting to, imposed upon, or incurred or suffered by Seller, directly or indirectly, as a result of or arising from any inaccuracy in or breach or nonfulfillment of any of the representations, warranties, covenants or agreements made by Buyer or PARENT in this Agreement or any facts or circumstances constituting such an inaccuracy, breach or non-fulfillment ("Buyer Indemnifiable Claims"). Notwithstanding anything to the contrary contained herein, Buyer and PARENT shall have no obligation to indemnify Seller for one or more breaches of representations, warranties, covenants or agreements pursuant to this Article 7 until the aggregate amount of Buyer Indemnifiable Claims exceeds $100,000.00 (the "Buyer Threshold"), and thereafter, only to the extent such claims exceed the Buyer Threshold.

(b) Seller hereby agrees to indemnify and hold harmless Buyer and PARENT against any and all Damages asserted against, resulting to, imposed upon, or incurred or suffered by Buyer or PARENT , directly or indirectly, as a result of or arising from any of the following ("Seller Indemnifiable Claims" and together with Buyer Indemnifiable Claims, the "Indemnifiable Claims"):

(i) Any inaccuracy in or breach or nonfulfillment of any of the representations, warranties, covenants or agreements made by Seller in this Agreement and the Side Letter or any facts or circumstances constituting such an inaccuracy, breach or nonfulfillment; or

(ii) Any liability of Seller imposed or attempted to be imposed upon PARENT, or upon Buyer as transferee of the Assets or the Business, or otherwise, except to the extent such liability is expressly assumed by Buyer pursuant to Section 2.1; or

(iii) Any claim by creditors of Seller against Buyer or PARENT arising out of or based upon the failure of a party hereto to notify creditors or take other actions to comply with applicable state bulk sales or bulk transfer laws except to the extent such claim relates to a liability or obligation expressly assumed by Buyer pursuant to Section 2.1.

(iv) Notwithstanding anything to the contrary contained herein, Seller shall have no obligation to indemnify Buyer or PARENT for one or more breaches of representations, warranties, covenants or agreements pursuant to this Article 7 until the aggregate amount of Seller Indemnifiable Claims exceeds $100,000.00 (the "Seller Threshold"), and thereafter, only to the extent such claims exceed the Seller Threshold.

(v) Notwithstanding anything to the contrary contained herein, Seller's indemnification obligations under this Article VII shall not exceed the Purchase Price.

7.3 PROCEDURE FOR INDEMNIFICATION WITH RESPECT TO THIRD-PARTY CLAIMS.

(a) If Buyer, PARENT or Seller determines to seek indemnification under this Article VII with respect to Indemnifiable Claims (the party seeking such indemnification hereinafter referred to as the "Indemnified Party" and the party against whom such indemnification is sought hereinafter referred to as the "Indemnifying Party") resulting from the assertion of liability by third parties, the Indemnified Party shall give notice to the Indemnifying Party within 30 days of the Indemnified Party becoming aware of any such Indemnifiable Claim or of facts upon which any such Indemnifiable Claim will be based; the notice shall set forth such material information with respect thereto as is then reasonably available to the Indemnified Party. In case any such liability is asserted against the Indemnified Party, and the Indemnified Party notifies the Indemnifying Party thereof, the Indemnifying Party will be entitled, if it so elects by written notice delivered to the Indemnified Party within 20 days after receiving the Indemnified Party's notice, to assume the defense thereof with counsel reasonably satisfactory to the Indemnified Party. Notwithstanding the foregoing, (i) the Indemnified Party shall also have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party unless the Indemnified Party shall reasonably determine that there is a conflict of interest between the Indemnified Party and the Indemnifying Party with respect to such Indemnifiable Claim, in which case the fees and expenses of such counsel will be borne by the Indemnifying Party and (ii) the rights of the Indemnified Party to be indemnified hereunder in respect of Indemnifiable Claims resulting from the assertion of liability by third parties shall not be adversely affected by its failure to give notice pursuant to the foregoing unless, and, if so, only to the extent that, the Indemnifying Party is materially

prejudiced thereby. With respect to any assertion of liability by a third party that results in an Indemnifiable Claim, the parties hereto shall make available to each other all relevant information in their possession material to any such assertion.

(b) In the event that the Indemnifying Party, within 20 days after receipt of the aforesaid notice of an Indemnifiable Claim, fails to assume the defense of the Indemnified Party against such Indemnifiable Claim, the Indemnified Party shall have the right to undertake the defense, compromise or settlement of such action on behalf of and for the account and risk of the Indemnifying Party.

(c) Notwithstanding anything in this Section to the contrary, (i) if there is a reasonable probability that an Indemnifiable Claim may materially and adversely affect the Indemnified Party, other than as a result of money damages or other money payments, the Indemnified Party shall have the right to participate in such defense, compromise or settlement and the Indemnifying Party shall not, without the Indemnified Party's written consent (which consent shall not be unreasonably withheld), settle or compromise any Indemnifiable Claim or consent to entry of any judgment in respect thereof unless such settlement, compromise or consent includes as an unconditional term thereof the giving by the claimant or the plaintiff to the Indemnified Party a release from all liability in respect of such Indemnifiable Claim.

7.4 PROCEDURE FOR INDEMNIFICATION WITH RESPECT TO NON-THIRD PARTY CLAIMS. In the event that the Indemnified Party asserts the existence of a claim giving rise to Damages (but excluding claims resulting from the assertion of liability by third parties), it shall give written notice to the Indemnifying Party. Such written notice shall state that it is being given pursuant to this Section 7.4, specify the nature and amount of the claim asserted and indicate the date on which such assertion shall be deemed accepted and the amount of the claim deemed a valid claim (such date to be established in accordance with the next sentence). If the Indemnifying Party, within 60 days after the mailing of notice by the Indemnified Party, shall not give written notice to the Indemnified Party announcing its intent to contest such assertion of the Indemnified Party, such assertion shall be deemed accepted and the amount of claim shall be deemed a valid claim. In the event, however, that the Indemnifying Party contests the assertion of a claim by giving such written notice to the Indemnified Party within said period, then the parties shall act in good faith to reach agreement regarding such claim. In the event that litigation shall arise with respect to any such claim, the prevailing party shall be entitled to reimbursement of costs and expenses incurred in connection with such litigation including attorney fees.

ARTICLE VIII

TERMINATION

8.1 TERMINATION. This Agreement may be terminated prior to the Closing:

(a) upon the mutual agreement of the parties hereto;

(b) by either (i) Buyer or PARENT or (ii) Seller, in either case if the Closing shall not have occurred on or before December 31, 1999; PROVIDED, HOWEVER, that the right to

terminate this Agreement under this clause (b) shall not be available to any party whose breach of this Agreement, or whose action or failure to act, has been the cause of, or resulted in, the failure of the Closing to occur on or before such date;

(c) by either (i) Buyer or PARENT or (ii) Seller, in either case if there shall been any material breach of any representation, warranty, covenant or agreement, on the part of, respectively, (x) Seller or (y) Buyer or PARENT (provided that the right to terminate this Agreement pursuant to this Section 8.1(c) shall not be available to a party where such party is at that time in breach in any material respect of this Agreement);

(d) by either Buyer or PARENT, upon the discovery by either Buyer or PARENT that the Assets, financial information of Seller or financial projections of Seller are different in any material respect from that which was represented to PARENT by Seller as of December 3, 1999;

(e) by Seller, if Buyer or PARENT proposes in writing a material change in the terms and conditions set forth herein that has not been made as a result of a corresponding material change in the Assets, financial information of Seller or financial projections of Seller as represented to PARENT by Seller as of December 3, 1999; or

(f) by Seller, if the Board of Directors of Seller, following receipt of an Superior Proposal, changes or modifies its approval of this Agreement or the transactions contemplated hereby in the event such Board of Directors determines, in good faith, based upon and consistent with advice received in consultation with outside legal counsel, that such Board of Directors' fiduciary duties to stockholders under applicable law, if any, require it to do so; PROVIDED that in the event Seller desires to terminate this Agreement pursuant to this Section 8.1(f), Seller shall (i) provide Buyer with three (3) days' prior written notice of its intent to so terminate, which notice shall contain all of the terms and conditions of the Superior Proposal, and (ii) pay Buyer the fee required under Section 8.2(b).

8.2 EFFECT OF TERMINATION. Upon termination of this Agreement:

(a) If the termination is by Seller pursuant to Section 8.1(e), PARENT shall (i) pay Seller $1,000,000.00 in cash within five (5) business days of notice by Seller and (ii) provide to Seller an unsecured line of credit in the amount of $1,000,000.00 on terms and conditions customarily offered by commercial lending institutions. Such line to terminate and be repaid in full on the earlier of (A) consummation by Seller of a corporate or financial transaction with another entity; or (B) June 30, 2000.

(b) If the termination is by Seller pursuant to Section 8.1(f), Seller shall pay Buyer $3,000,000.00 in cash within five (5) business days of the date of termination or the closing of the transactions pursuant to the Superior Proposal, whichever is earlier.

(c) Each party hereto agrees and acknowledges that upon a breach of this Agreement, the non-breaching party shall be entitled to all remedies conferred by law or equity upon such party, and the exercise by a party of any one remedy will not preclude the exercise of

any other remedy. Buyer and PARENT agree and acknowledge that the payments set forth in Section 8.2(a) will be deemed cumulative with and not exclusive of any other remedy set forth in this Agreement.

ARTICLE IX

MISCELLANEOUS PROVISIONS

9.1 NOTICE. All notices and other communications hereunder shall be in writing and shall be deemed given (a) on the same day if delivered personally, (b) three (3) business days after being mailed by registered or certified mail (return receipt requested), or (c) on the same day if sent by facsimile, confirmation received, to the parties at the following addresses and facsimile numbers (or at such other address or number for a party as shall be specified by like notice):

If to Buyer or PARENT, to:

IRL, Inc.
280 Utah Avenue
South San Francisco, CA 94080
Attention: President
Telephone No.: 650-808-6000
Facsimile No.: 650-808-6095

and

Advanced Medicine, Inc.
280 Utah Avenue
South San Francisco, CA 94080
Attention: Senior Vice President and General Counsel
Telephone No.: 650-808-6000
Facsimile No.: 650-808-6095

and after February 1, 2000 to each of the above parties at:

901 Gateway Boulevard
South San Francisco, CA 94080
Attention: President
Telephone No.: 650-808-6000
Facsimile No.: 650-808-6095

with copy to:

Gunderson Dettmer Stough Villeneuve
Franklin & Hachigian, LLP
1000 Winter Street

Suite 1100
Waltham, MA 02451
Attention: Jay Hachigian
Telephone No.: 781-890-8800
Facsimile No.: 781-622-1622

If to Seller:

Incara Pharmaceuticals Corporation
P.O. Box 14287
3200 East Highway 54
Cape Fear Building
Suite 300
Research Triangle Park, NC 27709
Attention: President and Chief Executive Officer
Telephone No.: 919-558-8688
Facsimile No.: 919-554-1245

with copy to:

Wyrick Robbins Yates & Ponton LLP
4101 Lake Boone Trail
Suite 300
Raleigh, N.C. 27607
Attention: Larry E. Robbins
Telephone: 919-781-4000
Facsimile: 919-781-4865

9.2 ENTIRE AGREEMENT. This Agreement, the exhibits and schedules hereto, and the documents referred to herein embody the entire agreement and understanding of the parties hereto with respect to the subject matter hereof, and shall supersede all prior and contemporaneous agreements and understandings, oral or written, relative to said subject matter.

9.3 BINDING EFFECT; ASSIGNMENT. This Agreement and the various rights and obligations arising hereunder shall inure to the benefit of and be binding upon Seller, its successors and assigns, and Buyer and PARENT and their respective successors and assigns.

9.4 CAPTIONS. The Article and Section headings of this Agreement are inserted for convenience only and shall not constitute a part of this Agreement in construing or interpreting any provision hereof.

9.5 WAIVER; CONSENT. This Agreement may not be changed, amended, terminated, augmented, rescinded or discharged (other than by performance), in whole or in part, except by a writing executed by the parties hereto, and no waiver of any of the provisions or conditions of this Agreement or any of the rights of a party hereto shall be effective or binding unless such waiver shall be in writing and signed by the party claimed to have given or consented thereto.

Except to the extent that a party hereto may have otherwise agreed in writing, no waiver by that party of any condition of this Agreement or breach by the other party of any of its obligations or representations hereunder or thereunder shall be deemed to be a waiver of any other condition or subsequent or prior breach of the same or any other obligation or representation by the other party, nor shall any forbearance by the first party to seek a remedy for any noncompliance or breach by the other party be deemed to be a waiver by the first party of its rights and remedies with respect to such noncompliance or breach.

9.6 NO THIRD-PARTY BENEFICIARIES. Except as otherwise expressly provided for in this Agreement, nothing herein, expressed or implied, is intended or shall be construed to confer upon or give to any person, firm, corporation or legal entity, other than the parties hereto, any rights, remedies or other benefits under or by reason of this Agreement.

9.7 ACKNOWLEDGEMENTS. Each party executing this Agreement acknowledges that such party has read this Agreement thoroughly, and understands the legal effect of each provision hereof, and that such party has executed this Agreement freely and voluntarily, without duress or undue influence. Each party acknowledges such party's right to make an independent determination of all matters set forth herein, and such party's right to consult with an independent attorney prior to executing this Agreement.

9.8 COUNTERPARTS. This Agreement may be executed simultaneously in multiple counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

9.9 SEVERABILITY. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be modified or excluded from this Agreement to the minimum extent necessary so that the balance of the Agreement shall remain in full force and effect and enforceable. The parties also agree to use best efforts to amend the Agreement so that its effect remains as close as possible to the original intent of the parties.

9.10 REMEDIES OF BUYER AND PARENT. Seller agrees that the Assets are unique and not otherwise readily available to Buyer. Accordingly, Seller acknowledges that, in addition to all other remedies to which Buyer and PARENT are entitled, Buyer and PARENT shall have the right to enforce the terms of this Agreement by a decree of specific performance.

9.11 GOVERNING LAW. This Agreement shall in all respects be construed in accordance with and governed by the laws of the State of Delaware, as applied to contracts entered into and to be performed solely within the state, solely between residents of the state.

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

BUYER:

IRL, INC.

By: /s/ James B. Tananbaum
Name: James B. Tananbaum
Title: President

PARENT:

ADVANCED MEDICINE, INC.

By: /s/ James B. Tananbaum
Name: James B. Tananbaum
Title: President and Chief Executive Officer

SELLER:

INCARA PHARMACEUTICALS CORPORATION

By: /s/ Clayton I. Duncan
Name: Clayton I. Duncan
Title: President and Chief Executive Officer

EXHIBIT 21.1

List of Subsidiaries

SUBSIDIARY	JURISDICTION OF ORGANIZATION
Advanced Medicine East, Inc. (d/b/a IRL)	Delaware