

802.9

[REDACTED]

[REDACTED]

[REDACTED]

September 20, 2000

Mr. Michael Verne
Federal Trade Commission
Premerger Notification Office
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Re: 16 C.F.R. § 802.9

Dear Mr. Verne:

This letter will confirm our telephone conversation of yesterday afternoon in which [REDACTED] and I asked whether the collaboration efforts described in the attached sheet would render the "solely for the purpose of investment" exemption in 16 C.F.R. § 802.9 inapplicable if one of the companies involved in the collaboration effort were to buy voting securities of the other. You advised us that you consulted with Mr. Hancock of your office and that neither he nor you thought the described collaborative efforts were inconsistent with, or would render inapplicable, the exemption afforded by 16 C.F.R. § 802.9.

We thank you for your assistance in this matter.

Sincerely,

[REDACTED]

AGREE. T HANCOCK CO

Michael Verne

9/27/00

[REDACTED]

In May 1999, we signed an agreement for the establishment of a broad collaboration with _____ whereby the two companies will work together on five different five-year research projects to identify drug targets for products that can treat, prevent, or diagnose the effects of human disease. Two of the research projects will be conducted jointly by _____ and us, and the other three research projects will be conducted at _____. The first research project, a joint research project, is focused on identifying small molecule drug targets that regulate T cells. The second research project, also a joint research project, relates to the identification and validation of small molecule drug targets that can mediate specific functions of B cells. The third research project, a project carried out at _____, is focused on identifying small molecule drug targets that regulate pulmonary inflammation. _____ will select the remaining two projects by May 2001.

Once a drug target from any of the five research projects has been identified and validated, _____ shall have the right to conduct compound screening on such drug target on an exclusive basis for two years thereafter. _____ will have the option to extend this exclusive right for up to five additional one-year periods so long as _____ pays us an annual fee for such right and satisfies certain diligence conditions. Upon the expiration or termination of this right, both we and _____ shall have the non-exclusive right to use, and allow others to use, such drug target for compound screening.

Under the collaboration, _____ has the non-exclusive right to utilize our post-genomics combinatorial biology technology and two hybrid protein interaction technology for confirmational and similar uses relating to validated drug targets, including uses necessary for the further development, registration, and commercialization of products whose principal mechanism of action is based upon, derived or discovered from, or discovered with the use of, a drug target. _____ also has the exclusive right to utilize other of our technology and technology developed during the collaboration, to make and commercialize these products. _____' rights are subject to its obligation to provide research funding for the joint research projects, to pay milestone payments and up front payments to us, and to pay third party royalties associated with _____' use of certain of our technology.

Under the collaboration, we will have the non-exclusive right to use any improvements to our post-genomics combinatorial biology technology and two hybrid protein interaction technology developed during a research project on a royalty-free and worldwide basis.

_____ may terminate the joint research projects two years after the applicable commencement date, or three and one half years after the applicable commencement date if _____ gives six months prior notice of its termination. In some circumstances, _____ also may terminate either of the joint research projects after the expiration of 12 months after the applicable commencement date. _____ may terminate the research projects to be conducted at _____ at any time.

_____ purchased two million shares of our Series D preferred stock at a per share purchase price of \$2.00 in connection with our Series D financing. _____ agreed, in certain circumstances, to purchase up to \$10.0 million of our stock at our option. We expect to exercise this right to sell \$10.0 million of our common stock in a private placement transaction concurrent with this public offering at the price per share at which our common stock will be sold in this offering.