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

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

ACADIA PHARMACEUTICALS INC.
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	2834	06-1376651
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

3911 SORRENTO VALLEY BOULEVARD
SAN DIEGO, CA 92121
(858) 558-2871
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

ULI HACKSELL, PH.D.
CHIEF EXECUTIVE OFFICER
ACADIA PHARMACEUTICALS INC.
3911 SORRENTO VALLEY BOULEVARD
SAN DIEGO, CA 92121
(858) 558-2871
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

COPIES TO:

D. BRADLEY PECK GLENN F. BAITY CHESTON J. LARSON Cooley Godward LLP 4365 Executive Drive, Suite 1100 San Diego, CA 92121 (858) 550-6000	FAYE H. RUSSELL JEFFREY C. THACKER SHERRY E. SCHNELL Brobeck, Phleger & Harrison LLP 12390 El Camino Real San Diego, CA 92130 (858) 720-2500

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

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, 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, please 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, please check the following box. / /

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, $0.0001 par value.....	$75,000,000	$19,800

(1) Estimated solely for the purpose of computing the registration fee pursuant to Rule 457(o) under the Securities Act of 1933. Includes $11,250,000 of shares that the underwriters have the option to purchase to cover

overallotments, if any.

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 THAT SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE 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 registration statement contains two forms of prospectus front cover page: (a) one to be used in connection with an offering in the United States and Canada and (b) one to be used in connection with a concurrent offering outside of the United States and Canada. The U.S./Canadian prospectus and the international prospectus are otherwise identical in all respects. The international version of the front cover page is included immediately before Part II of this registration statement.

SUBJECT TO COMPLETION, DATED , 2001

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL SECURITIES, AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES, IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SHARES
COMMON STOCK

ACADIA Pharmaceuticals Inc. is offering shares of its common stock. This is our initial public offering and no public market currently exists for our shares. We have applied for approval for quotation of our common stock on the Nasdaq National Market under the symbol "ACAD." We anticipate that the initial public offering price will be between $ and $ per share.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS.
SEE "RISK FACTORS" BEGINNING ON PAGE 5.

	PER SHARE	TOTAL
Public Offering Price	$	$
Underwriting Discounts and Commissions	$	$
Proceeds to ACADIA Pharmaceuticals Inc	$	$

THE SECURITIES AND EXCHANGE COMMISSION AND STATE SECURITIES REGULATORS HAVE NOT APPROVED OR DISAPPROVED THESE SECURITIES, OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

ACADIA Pharmaceuticals Inc. has granted the underwriters a 30-day option to purchase up to an additional shares of common stock to cover overallotments.

ROBERTSON STEPHENS U.S. BANCORP PIPER JAFFRAY

THE DATE OF THIS PROSPECTUS IS , 2001

CHART

[Inside front cover: Caption "Linking Genomics and Chemistry" above three over-lapping circles labeled "Genomics," "Chemistry" and "Biology" with side caption on left of "Integrated Technology Platform." Downward arrow, captioned "Drug Discovery," connects the circles to a chart depicting the progress of ACADIA's programs, which are listed from top to bottom as "Programs": "Glaucoma" with the subheading "adrenergic," "Chronic Pain" with the subheading "GPCR," "Schizophrenia" with the subheadings "m1 muscarinic/dopamine D2" and "5-HT2A inverse agonist," "Alzheimer's Disease" with the subheading "muscarinic" and "Glaucoma" with the subheading "muscarinic." To the right of the list of programs is a chart divided into "Preclinical" and "Development" and with an arrow for each subheading listed above. The arrows for Glaucoma-adrenergic and Chronic Pain-GPCR extend through "Preclinical" into "Development" with the Glaucoma arrow extending further. The arrows for each of the other four subheadings extend almost entirely through "Preclinical" but do not reach the threshold for "Development."]

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION DIFFERENT FROM THAT CONTAINED IN THIS PROSPECTUS. WE ARE OFFERING TO SELL, AND SEEKING OFFERS TO BUY, SHARES OF OUR COMMON STOCK ONLY IN JURISDICTIONS WHERE OFFERS AND SALES ARE PERMITTED. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE ONLY AS OF THE DATE OF THIS PROSPECTUS, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS OR OF ANY SALE OF OUR COMMON STOCK. IN THIS PROSPECTUS, "ACADIA," THE "COMPANY," "WE," "US" AND "OUR" REFER TO ACADIA PHARMACEUTICALS INC., A DELAWARE CORPORATION.

UNTIL , 2001, WHICH IS THE 25TH DAY AFTER THE DATE OF THE FINAL PROSPECTUS RELATED TO THIS OFFERING, ALL DEALERS THAT BUY, SELL OR TRADE OUR COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS REQUIREMENT IS IN ADDITION TO THE DEALERS' OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

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SUMMARY

YOU SHOULD READ THE FOLLOWING SUMMARY TOGETHER WITH THE MORE DETAILED INFORMATION IN THIS PROSPECTUS REGARDING OUR COMPANY, ESPECIALLY THE RISK FACTORS REGARDING OUR COMPANY AND THE COMMON STOCK BEING SOLD IN THIS OFFERING, AND OUR FINANCIAL STATEMENTS AND RELATED NOTES, BEFORE DECIDING TO INVEST IN OUR COMMON STOCK.

ACADIA PHARMACEUTICALS

We are a genomics-based drug discovery and development company that efficiently identifies target-specific small molecule drug candidates using our integrated technology platform. Our proprietary approach integrates genomics, chemistry and biology to rapidly identify and validate drug targets and discover chemistries specific to those targets. We have successfully applied our approach to generate a drug discovery pipeline that currently includes six advanced programs as well as a number of earlier stage research projects. We have rapidly advanced two of these programs to development with a collaborator. The first drug candidate, for glaucoma treatment, is undergoing human testing designed to provide information on safety and preliminary efficacy in patients, known as a Phase I/IIa clinical trial. The second drug candidate has been nominated for development as a novel treatment for chronic pain. We also have four additional drug candidates in late-stage preclinical testing. We focus on major diseases that represent some of the largest pharmaceutical markets in the world, including schizophrenia, Alzheimer's disease, chronic pain and glaucoma.

OUR TECHNOLOGY PLATFORM AND DRUG DISCOVERY APPROACH

Our integrated technology platform efficiently and productively links diverse genomic and chemical information. We use our platform to identify and validate individual gene products, known as genomic targets, for use as drug targets. This platform, incorporating our proprietary R-SAT-TM- technology, allows us to address many classes of potential drug targets, including G-protein coupled receptors, or GPCRs, cytokine receptors, growth factor receptors, nuclear receptors, enzymes and neurotransmitter transporters. We also use our technology platform to discover novel small molecule drug candidates that are selective for these individual genomic targets. Our discovery expertise combined with our integrated technology platform has allowed us to discover superior drug candidates more efficiently than traditional approaches. Since 1997, we have:

- applied our technology to the functional analysis of a wide range of genomic targets, incorporating over 250 targets into our platform;
- assembled a large and diverse screening library of more than 700,000 distinct compounds together with a collaborator;
- developed an ultra high throughput capacity capable of functionally screening over 1 million compound/target interactions per week;
- discovered novel specific chemistries in over 200 structural classes for 35 genomic targets;
- developed a proprietary combinatorial chemistry technique for GPCRs;
- developed a method for screening genomic targets of individual patients for variability in their response to drugs;
- validated drug targets for all of our discovery programs and research projects together with our collaborators; and
- generated six advanced drug discovery programs, two of which are now in development with a collaborator.

OUR PROGRAMS

Our programs address major diseases that are not well served by currently available therapies and that represent significant commercial markets. Our most advanced program is based on a target-specific drug candidate for the treatment of glaucoma. In collaboration with Allergan, Inc., we have identified and validated a specific genomic target that controls pressure within the eye and have discovered a drug candidate, AGN 195795, that demonstrates a superior therapeutic profile in animals compared to currently used drugs. AGN 195795 is currently in a Phase I/IIa clinical trial. We anticipate that the data analysis from this trial will be completed in the second half of 2001.

Our second most advanced program is based on a novel small molecule drug candidate, AGN 197075, for the treatment of chronic pain. In collaboration with Allergan, we identified and validated a specific genomic target and discovered a novel drug candidate that has been shown to be highly efficacious when administered orally in animal models. This drug candidate does not exhibit common side effects of pain drugs including sedation and cardiovascular, respiratory and gastrointestinal effects. Allergan has nominated this drug candidate for development and is conducting manufacturing, toxicology and other studies in preparation for clinical studies.

We have two internal programs in late-stage preclinical development that address separate genomic targets for treating different groups of schizophrenic patients. In the first program, we discovered drug candidates that simultaneously act on two complementary drug targets. These compounds demonstrate activity when administered orally in animal models of psychosis. In the second of these programs, we have identified and validated a previously unknown therapeutic mechanism that is shared by most of the marketed antipsychotic drugs. We have discovered drug candidates that uniquely target this mechanism and have shown a superior therapeutic profile in animal models of psychosis.

We also have an advanced internal preclinical program that focuses on treating the behavioral disorders associated with Alzheimer's disease. We have discovered compounds that uniquely target a mechanism that has been implicated in this disease. These compounds demonstrate activity in animal models of psychosis believed to be predictive of symptoms observed in Alzheimer's patients.

Our sixth program is based on a target-specific drug candidate for glaucoma that addresses a different but complementary drug target than our first glaucoma program. We have identified and validated with Allergan a genomic target that controls pressure within the eye. We have discovered compounds that are selective for this target and show a favorable therapeutic profile in primate models of glaucoma.

In addition to our six advanced programs, we have several research projects in which we have identified novel targets and have discovered chemistries specific for these targets. These projects will serve as starting points for potential future programs in several areas, including depression, feeding and obesity, and chronic pain.

OUR STRATEGY

The principle elements of our business and scientific strategy include:

- Focus on diseases with large unmet medical needs that are well suited to small molecule genomic approaches.

- Build a large and sustainable pipeline of drug candidates to reduce the risks inherent in drug discovery and increase the likelihood of commercial success.

- Advance selected discovery programs internally through the early clinical development stage, which we believe optimizes our position while balancing our financial and technical risks.

- Commercialize drug candidates through licensing and development collaborations with pharmaceutical and biotechnology companies.

- Commercialize our technology platform through functional genomics collaborations to capitalize on our strengths in the areas of target validation, lead discovery and pharmacogenomics, which is the study of individual genetic variation in the response of patients to drugs.

- Maintain and expand our technology platform leadership through continuous internal and external development.

CORPORATE INFORMATION

We were incorporated in Vermont in 1993 as Receptor Technologies, Inc. In 1997, we reincorporated in Delaware and changed our name to ACADIA Pharmaceuticals Inc. Our principal executive offices are located at 3911 Sorrento Valley Boulevard, San Diego, California 92121, and our telephone number at that address is (858) 558-2871. We also have a chemistry research facility located near Copenhagen, Denmark. Our website is located at www.acadia-pharm.com. Information contained in our website is not part of this prospectus.

THE OFFERING

Common stock offered by us	_____shares
Common stock to be outstanding after this offering	_____shares
Use of proceeds	For research and development, capital expenditures, working capital and general corporate purposes.
Proposed Nasdaq National Market symbol	ACAD

The number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding at November 30, 2000.

The number of shares of common stock to be outstanding after the offering excludes:

- 1,483,404 shares of common stock issuable upon exercise of options outstanding at November 30, 2000, at a weighted average exercise price of $0.77 per share;

- 237,257 shares issuable upon exercise of warrants outstanding at November 30, 2000, at an exercise price of $12.00 per share; and

- 819,479 shares available for future grant at November 30, 2000 under our 1997 stock option plan, and an aggregate of approximately 950,000 additional shares available for future grant under our 2000 equity incentive plan, 2000 nonemployee directors' stock option plan and 2000 employee stock purchase plan, each of which will become effective upon the completion of this offering.

Unless otherwise stated, information in this prospectus is based on the following assumptions:

- no exercise of the underwriters' overallotment option;

- the conversion of all our outstanding shares of preferred stock into 8,625,920 shares of common stock upon the closing of this offering; and

- amendments to our certificate of incorporation and bylaws to be effective upon completion of this offering.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

The following table sets forth summary consolidated financial information for our company. You should read this information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included in this prospectus.

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1995	1996	1997	1998	1999	1999	2000
						(UNAUDITED)	
CONSOLIDATED STATEMENT OF OPERATIONS DATA:							
Revenues	$ 300	$ 438	$ 835	$ 1,419	$ 2,238	$ 1,334	$ 2,768
Operating expenses							
Research and development(1)	264	421	2,295	5,856	7,625	5,582	7,253
General and administrative(2)	85	206	1,771	2,487	2,458	1,996	3,989
Total operating expenses	349	627	4,066	8,343	10,083	7,578	11,242
Loss from operations	(49)	(189)	(3,231)	(6,924)	(7,845)	(6,244)	(8,474)
Interest income (expense), net	(3)	(3)	249	521	400	338	720
Net loss	$ (52)	$ (192)	$(2,982)	$(6,403)	$(7,445)	$(5,906)	$(7,754)
Net loss per share, basic and diluted	$ (0.03)	$ (0.13)	$ (1.74)	$ (3.12)	$ (3.57)	$ (2.83)	$ (3.63)
Weighted average shares used in computing net loss per share, basic and diluted(3)	1,523	1,523	1,712	2,049	2,087	2,083	2,134
Pro forma net loss per share, basic and diluted					$ (0.96)		$ (0.83)
Weighted average shares used in computing pro forma net loss per share, basic and diluted(3)					7,780		9,360

	SEPTEMBER 30, 2000	
	ACTUAL	PRO FORMA AS ADJUSTED(4)
	(UNAUDITED)	
CONSOLIDATED BALANCE SHEET DATA:		
Cash, cash equivalents and investment securities	$ 29,484	
Working capital	27,149	
Total assets	33,471	
Long-term debt, less current portion	4,632	
Convertible preferred stock	46,502	
Total stockholders' equity (deficit)	(20,630)	

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(1) Includes stock-based compensation of $3, $100, $38 and $353 for the years ended December 31, 1998 and 1999 and for the nine months ended September 30, 1999 and 2000, respectively.

(2) Includes stock-based compensation of $49, $6, $5 and $1,856 for the years ended December 31, 1998 and 1999 and for the nine months ended September 30, 1999 and 2000, respectively.

(3) Please see Note 2 of the notes to consolidated financial statements included elsewhere in this prospectus for an explanation of the determination of the number of shares used in computing per share data.

(4) The pro forma as adjusted information in the table reflects the conversion of all of our outstanding shares of convertible preferred stock into shares of common stock and reflects the sale of shares of common stock offered by us at an assumed initial public offering price of $ per share, the midpoint of the range on the cover of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

RISK FACTORS

ANY INVESTMENT IN SHARES OF OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CONSIDER CAREFULLY THE FOLLOWING INFORMATION ABOUT THESE RISKS, TOGETHER WITH THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS, BEFORE YOU DECIDE TO BUY OUR COMMON STOCK. IF ANY OF THE FOLLOWING RISKS ACTUALLY OCCUR, OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND FUTURE GROWTH PROSPECTS WOULD LIKELY SUFFER. IN THESE CIRCUMSTANCES, THE MARKET PRICE OF OUR COMMON STOCK COULD DECLINE, AND YOU MAY LOSE ALL OR PART OF THE MONEY YOU PAID TO BUY OUR COMMON STOCK.

RISKS RELATED TO OUR BUSINESS

OUR SUCCESS AS A COMPANY IS UNCERTAIN DUE TO OUR HISTORY OF OPERATING LOSSES AND THE UNCERTAINTY OF FUTURE PROFITABILITY.

We have not been profitable and have generated substantial operating losses since we were incorporated in 1993. Our operating losses are due in large part to the significant research and development costs required to identify and validate new drug targets and to discover small molecule drug candidates. We incurred net losses of $3.0 million for the year ended December 31, 1997, $6.4 million for the year ended December 31, 1998, $7.4 million for the year ended December 31, 1999 and $7.8 million for the nine months ended September 30, 2000. At September 30, 2000, our accumulated losses were approximately $24.6 million. We expect to incur losses for at least the next several years and expect that these losses will actually increase as we expand our research and development activities, incur significant preclinical and clinical development costs and enhance our core technologies. Our losses are expected to continue even if our research projects successfully identify potential drug candidates. Currently, our income is generated primarily from research and milestone payments from collaboration agreements from one collaborator, interest income and governmental grants. We will need to generate significant additional revenue to achieve profitability. However, any additional revenue will depend in large part on our ability, alone or with others, to successfully research, develop, obtain regulatory clearance for, manufacture, market and distribute our drug candidates. If the time required to generate revenues and achieve profitability is longer than anticipated or if we are unable to obtain necessary capital, we may not be able to fund and continue our operations.

BECAUSE OUR DRUG CANDIDATES ARE IN AN EARLY STAGE OF DEVELOPMENT, THERE IS A HIGH RISK OF FAILURE.

Drug candidates that appear promising at early stages of development may not enter clinical development or reach the market for a number of reasons, including the possibility that the drug candidates will:

- be found ineffective or cause harmful side effects during preclinical testing or clinical trials;
- fail to receive the regulatory clearances required to market them as drugs;
- be subject to proprietary rights held by others requiring the negotiation of a license agreement prior to marketing;
- be difficult or expensive to manufacture on a commercial scale;
- not be developed rapidly enough to compete with drug candidates or other treatments commercialized by our competitors; or
- fail to generate market acceptance.

We or our collaborators will need to conduct significant additional research, preclinical testing and clinical trials before applications with the FDA are filed for product approval of our drug candidates. Clinical trials are expensive and have a high risk of failure. If research and testing are not successful or our drug candidates fail to obtain regulatory approval, we or our collaborators will be unable to market

and sell products derived from our drug candidates. As a result, we may not receive product royalty revenues and milestone payments and our ability to continue operations could be jeopardized.

BECAUSE DISCOVERING DRUGS THROUGH GENOMICS IS NEW AND SPECULATIVE, IT IS POSSIBLE THAT OUR INTEGRATED TECHNOLOGY PLATFORM WILL NOT IDENTIFY SUCCESSFUL DRUG CANDIDATES OR LEAD TO COMMERCIAL PRODUCTS OR SERVICES.

The process of discovering drugs using genomics-based discovery is new and evolving rapidly. We focus our genomics research primarily on complex diseases that may be linked to several genes working in combination. We and the rest of the general scientific and medical community have only a limited understanding of the role of genes and their products in these diseases. To date, we have not commercialized any drug candidates, and we may not be successful in doing so in the future. In addition, relatively few products based on gene discoveries have been developed and commercialized by others. Successful products will require significant development and investment, including preclinical testing and clinical trials, to demonstrate their cost effectiveness prior to regulatory approval and commercialization. Rapid technological development by us or others may result in compounds, products or processes becoming obsolete before we recover our development expenses.

Furthermore, our particular technology platform involves new and unproven approaches to the identification of drug candidates with therapeutic potential. These methods may not lead to the discovery of any candidates that will be safe or effective in humans. In addition, applying our technology to other commercial areas, such as the study of individual genetic variation in the responses of patients to drugs, known as pharmacogenomics, may not be successful. In the future, we may find it necessary to license the technology of others, or in-license, or acquire additional product candidates to augment the results of our internal discovery activities, and in-licensed product candidates may not be available to us or may prove to be unsuccessful. If we are not able to use our technologies to discover new drugs or products with significant commercial potential, we will not be able to achieve our objectives or build a sustainable or profitable business.

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

We have consumed substantial amounts of capital since our inception and we expect to increase our operating expenses over the next several years as we expand our research and development activities and enhance our core technologies. Accordingly, we will require significant additional financing in the future to fund our operations. We do not know whether additional financing will be available when needed, or that, if available, we will obtain financing on terms favorable to us and our stockholders. If adequate funds are not available or are not available on acceptable terms, our ability to fund our operations, take advantage of opportunities, develop drug candidates and technologies or otherwise respond to competitive pressures could be significantly limited. Our future capital requirements will depend on, and could increase significantly as a result of, many factors, including:

- progress in, and the costs of, our research and development programs;
- the scope, prioritization and number of programs;
- the progress of preclinical and clinical testing;
- our ability to enter into additional collaborations;
- the modification or termination of any of our current or future collaborations;
- the time and costs involved in obtaining regulatory approvals;
- the costs involved in obtaining, enforcing and defending patent and other intellectual property rights;
- competing technological and market developments;

- the costs of securing manufacturing arrangements for clinical or commercial production; and

- our acquisition and development of technologies.

IF OUR CURRENT COLLABORATIONS ARE UNSUCCESSFUL OR IF WE ARE UNABLE TO ENTER INTO ADDITIONAL COLLABORATIONS IN THE FUTURE, OUR RESEARCH AND DEVELOPMENT EFFORTS COULD BE SIGNIFICANTLY DELAYED.

Our strategy depends upon the formation and sustainability of collaborative arrangements with third parties. We currently rely, and will continue to rely, on these arrangements for not only financial resources, but also for expertise that we expect to need in the future relating to manufacturing, sales and marketing. To date, we have entered into two collaborative arrangements with Allergan and one with ArQule, Inc. For the nine months ended September 30, 2000, approximately 96% of the total revenue we recognized was from our two collaborations with Allergan. We expect that a similar percentage of our revenue for the foreseeable future will be generated by collaborations. However, we do not know if these collaborators will dedicate sufficient resources or if any development or commercialization efforts by them will be successful. Should a collaborator fail to develop or commercialize a compound or product to which it has rights from us, we may not receive any future milestone payments and will not receive any royalties associated with such compound or product. In addition, the continuation of our collaborations is dependent on periodic renewal by us and our collaborators. Our existing collaboration agreements with Allergan may be terminated before the full term of the collaborations upon a breach or a change of control or other specified circumstances. We may not be able to renew these collaborations on acceptable terms, if at all, or negotiate additional collaborations on acceptable terms, if at all. Finally, we must compete with other companies for the limited number of opportunities to enter into collaborative arrangements. As a result, our operating results may fluctuate significantly depending on the initiation of new collaboration agreements or the termination of existing collaboration agreements.

IF CONFLICTS ARISE WITH OUR COLLABORATORS, THEY MAY ACT IN THEIR SELF INTEREST, WHICH MAY BE ADVERSE TO OUR INTERESTS.

Conflicts may arise between us and our collaborators, such as conflicts concerning ownership rights to particular drug candidates. In addition, some of our collaborators may be conducting multiple product development efforts within each disease area that is the subject of the collaboration with us. For example, Allergan currently markets therapeutic products to treat glaucoma and is engaged in other research programs related to glaucoma that are independent from our two programs in this therapeutic area. In addition, since our collaborators are currently conducting, and may in the future conduct, the clinical trials for our drug candidates, they control the timing of the release of results from these trials and may decide to delay or withhold the results for their own purposes even if the results are positive. Generally, in each of our collaborations, we have agreed not to conduct independently, or with any third party, any research that is competitive with the research conducted under our collaborations. Our collaborations may have the effect of limiting the areas of research that we may pursue, either alone or with others. Our collaborators, however, may develop, either alone or with others, products in related fields that are competitive with the products or potential products that are the subject of these collaborations. Competing products, either developed by the collaborators or to which the collaborators have rights, may result in their withdrawal of support for our product candidates.

THE PROGRESS AND RESULTS OF PRECLINICAL AND CLINICAL TESTING ARE UNCERTAIN, WHICH COULD DELAY OUR EFFORTS AND THE EFFORTS OF OUR COLLABORATORS TO COMMERCIALIZE DRUGS.

Both preclinical and clinical testing are long, expensive and uncertain processes. It may take several years to complete the preclinical testing and clinical development necessary to commercialize a drug, and failure can occur at any stage. Commercialization of product candidates derived from our drug candidates depends upon successful completion of clinical trials. Interim results of trials do not

necessarily predict final results, and success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful. A number of companies in the pharmaceutical industry, including biotechnology companies, have suffered significant setbacks in advanced clinical trials, even after promising results in earlier trials. To date, only one of our drug candidates has advanced to the early stages of clinical trials. We have never successfully completed clinical development of any of our drug candidates. In addition, we do not know whether future clinical trials will begin on time or whether they will be completed on schedule, or at all. The length of time necessary to initiate and complete clinical trials varies significantly and may be difficult to predict. Certain of our activities involve drug testing in small rodents. The use of animals in research and development and drug candidate commercialization have been the subject of controversy and adverse publicity. Animal rights activists could protest against us or damage our preclinical facilities, which could delay our research and development efforts.

Any drug is likely to produce some toxicities or undesirable side effects in animals and in humans when administered at sufficiently high doses and/or for sufficiently long periods of time. Unacceptable toxicities or side effects may occur at any dose level and at any time in the course of studies of animals designed to identify unacceptable effects of a drug candidate or during clinical trials of our potential products. The appearance of any unacceptable toxicity or side effect could cause our collaborators or regulatory authorities to interrupt, limit, delay or abort the development of any of our drug candidates and could ultimately prevent clearance by the required regulatory authorities of these candidates for any or all targeted indications.

WE DEPEND ON THIRD PARTIES TO CONDUCT CLINICAL TRIALS, PERFORM DATA COLLECTION AND ANALYSIS, AND MARKET AND DISTRIBUTE OUR POTENTIAL PRODUCTS, AND AS A RESULT, WE MAY FACE ADDITIONAL COSTS AND DELAYING FACTORS OUTSIDE OF OUR CONTROL.

We currently rely on our collaborators, and expect to contract with third parties in the future, to manufacture drug products, conduct preclinical studies, including studies regarding biological activity, safety, absorption, metabolism and excretion of drug candidates, perform clinical trials for safety and efficacy in humans and market and distribute our potential products. Our existing collaborations and future agreements for preclinical and clinical development services will place substantial responsibilities on third parties for development of our drug candidates which could result in delays in or termination of development if those parties fail to perform as expected. We may not be able to maintain any of these existing relationships, or establish new ones on favorable terms, if at all. We may not be able to enter into replacement arrangements without undue delays or excessive expenditures. Furthermore, these collaborators and third parties may not perform as we expect. Our drug discovery and development costs will increase if there are delays in testing or approvals or if our collaborators need to perform more or larger clinical trials than planned. If the delays are significant, our financial results and the commercial prospects for our drug candidates will be harmed.

BECAUSE REGULATORY APPROVAL IS REQUIRED TO MARKET PRODUCTS DERIVED FROM OUR DRUG CANDIDATES, WE CANNOT PREDICT WHETHER OR WHEN WE OR OUR COLLABORATORS CAN SELL THOSE PRODUCTS.

The pharmaceutical industry is subject to stringent regulation by a wide range of authorities. We cannot predict whether regulatory clearance will be obtained for any product derived from our drug candidates. Even if we obtain regulatory approval for a drug candidate, the approval may not be obtained in a timely manner or under technically or commercially feasible conditions.

A pharmaceutical product cannot be marketed in the United States until it has completed rigorous preclinical testing and clinical trials and an extensive regulatory clearance process implemented by the FDA. Satisfaction of regulatory requirements typically takes many years, is dependent upon the type, or complexity and novelty of the product and requires the expenditure of substantial resources. Of

particular significance are the FDA's requirements covering research and development, testing, manufacturing, quality control, labeling and promotion of drugs for human use.

Before beginning clinical trials in humans, we or our collaborators must submit and receive clearance from the FDA by means of an investigational new drug application, or IND application. Clinical trials are subject to oversight by institutional review boards and the FDA and:

- must be conducted in conformance with the FDA's good laboratory practice regulations;
- must meet requirements for institutional review board oversight;
- must meet requirements for informed consent by the participants;
- must meet requirements for good clinical and manufacturing practices;
- remain subject to continuing FDA oversight;
- may require large numbers of test subjects; and
- may be suspended by the FDA at any time if it believes that the subjects participating in trials are being exposed to unacceptable health risks or if the FDA finds deficiencies in the IND application or the conduct of the trials.

Before receiving FDA clearance to market a product, we or our collaborators must demonstrate that the product is safe and effective on the patient population that will be treated. Data obtained from preclinical and clinical activities are susceptible to varying interpretations that could delay, limit or prevent regulatory clearances. Any clinical trial may fail to produce results satisfactory to the FDA. Negative or inconclusive results or adverse medical events during a clinical trial could require a clinical trial to be repeated or a program to be terminated. If regulatory clearance of a product is granted, this clearance will be limited to those disease states and conditions for which the product is demonstrated through clinical trials to be safe and efficacious. We cannot ensure that any compound developed by us, alone or with others, will prove to be safe and efficacious in clinical trials and will meet all of the applicable regulatory requirements needed to receive marketing clearance. In addition, even a successful clinical trial may fail to lead to marketable products.

Outside the United States, the ability to market a product is contingent upon receiving a marketing authorization from the appropriate regulatory authorities. The requirements governing the conduct of clinical trials, marketing authorization, pricing and reimbursement vary widely from country to country. At present, foreign marketing authorizations are administered at a national level, although within the European Community, or EC, registration procedures are available to companies wishing to market a product in more than one EC member state. Only after the appropriate regulatory authority is satisfied that adequate evidence of safety, quality and efficacy has been presented will it grant a marketing authorization. This foreign regulatory approval process includes all of the risks associated with FDA clearance described above.

In addition, access to and use of some human or other tissue samples in our research and development efforts is subject to government regulation, both in the United States and abroad. United States and foreign government agencies may also impose restrictions on the use of data derived from human or other tissue samples.

FAILURE TO ATTRACT, RETAIN AND MOTIVATE SKILLED PERSONNEL WILL DELAY OUR DRUG DISCOVERY PROGRAMS AND OUR RESEARCH AND DEVELOPMENT EFFORTS.

We are a small company, with under 100 employees, and our success depends on our continued ability to attract, retain and motivate highly qualified management and scientific personnel. In particular, our research and drug discovery programs depend on our ability to attract and retain highly skilled chemists, biologists and pharmacologists. We may not be able to attract or retain qualified employees in the future due to the intense competition for qualified personnel among biotechnology

and other technology based businesses, particularly in the San Diego, California area. If we are not able to attract and retain the necessary personnel to accomplish our business objectives, we may experience constraints that will impede significantly the achievement of our research and development objectives and our ability to meet the demands of our collaborators in a timely fashion. In addition, we will need to hire additional personnel as we continue to expand our research and development activities. Competition for experienced scientists and other technical personnel from numerous companies and academic and other research institutions may limit our ability to attract and retain qualified personnel on acceptable terms. In addition, all of our employees are at will employees, which means that any employee may quit at any time. In particular, if we lose Mark R. Brann, Ph.D., our founder, President, Chief Scientific Officer and a director, or Uli Hacksell, Ph.D., our Chief Executive Officer and a director, we may not be able to find a suitable replacement and our business may be harmed as a result.

IF OUR COMPETITORS DEVELOP AND MARKET PRODUCTS THAT ARE MORE EFFECTIVE THAN PRODUCTS DERIVED FROM OUR DRUG CANDIDATES, OUR COMMERCIAL OPPORTUNITY WILL BE REDUCED OR ELIMINATED.

The pharmaceutical and biotechnology industries are characterized by rapid technological change, and the area of gene research is a rapidly evolving field. Our future success will depend on our ability to maintain a competitive position with respect to technological advances. Rapid technological development by others may result in our technology platform becoming obsolete. Our commercial opportunity will be reduced or eliminated if our competitors develop and market products that are more effective, have fewer side effects or are less expensive than products we hope to derive from our drug candidates.

We face intensifying competition from pharmaceutical and biotechnology companies that are pursuing drugs that are competitive with prospective product candidates derived from our drug candidates. Our competitors include fully integrated pharmaceutical companies and biotechnology companies, including our collaborators, that currently have drug and target discovery efforts. In addition, companies pursuing different but related fields represent substantial competition. Our ability to compete successfully will depend on our ability, alone or together with our collaborators, to develop drug candidates that reach the market in a timely manner and are technologically superior to, and/or are less expensive than, other products on the market. However, many of the organizations competing with us have substantially greater capital resources, larger research and development staffs and facilities, greater experience in drug development and in obtaining regulatory approvals and greater marketing capabilities than we do.

Universities and public and private research institutions are also competitors. While these organizations primarily have educational objectives, they may develop proprietary technology and acquire patents that we may need for the development of our drug products. We may attempt to license this proprietary technology, if available. These licenses may not be available to us on acceptable terms, if at all.

With respect to our drug discovery programs, other companies may have product candidates in clinical trials to treat each of the diseases for which we are seeking to discover and develop product candidates. These competing potential drugs may be further advanced in development than are any of the potential products derived from our drug candidates and may result in effective, commercially successful products. Even if our collaborators or we are successful in developing effective drugs from our drug candidates, those drugs may not compete effectively with our competitor's drugs. Our competitors may succeed in developing and marketing products that are more effective than those that we may develop, alone or with our collaborators. If our competitors reach the market with competing drugs before we do, we may experience difficulty gaining market share over their established products.

OUR ABILITY TO COMPETE MAY DECLINE IF WE DO NOT ADEQUATELY PROTECT OUR PROPRIETARY RIGHTS.

Our commercial success will depend in part on our obtaining, securing and defending patent protection on our technologies and drug candidates. We will be able to protect our proprietary technologies and drug candidates from unauthorized use by third parties only to the extent that our technologies and drug candidates are covered by valid and enforceable patents or are effectively maintained as trade secrets. If we do not protect our intellectual property adequately, competitors may be able to use our technologies and thereby erode our competitive advantage. The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal and factual questions. For example, some of our patent applications will cover gene sequences and their products and the uses of those gene sequences and products. The Human Genome Project, as well as the genomics efforts of many companies and institutions, have sequenced the human and other genomes and deposited partial and full length sequences in public databases or included those sequences in patent applications that are not yet publicly available. These public disclosures and patent applications may limit the scope of our claims or make unpatentable subsequent patent applications on full length genes and the uses of those genes and their products. No consistent policy regarding the breadth of claims allowed in biotechnology patents has emerged to date. Accordingly, we cannot predict the breadth of claims that the U.S. Patent and Trademark Office will allow in the future in our own or in other companies' patents. In addition, changes in or different interpretations of patent laws in the United States and foreign countries may permit others to use our discoveries or to develop and commercialize our technology and products without providing any compensation to us. The degree of future protection for our proprietary rights is uncertain due to a number of factors, including:

- we may not have been the first to file patent applications for the technologies we rely upon;

- others may independently develop similar or alternative technologies or duplicate any of our technologies;

- our disclosures in patent applications may not be sufficient to meet the statutory requirements for patentability in all cases;

- any of our pending patent applications may not result in issued patents;

- we may not seek or obtain patent protection in all countries that will eventually provide a significant business opportunity;

- any patents issued to us or our collaborators may not provide a basis for commercially viable products or may not provide us with any competitive advantages or may be challenged by third parties;

- our proprietary technologies may not be patentable; or

- the patents of others may have an adverse effect on our ability to do business.

Any conflicts resulting from third party patent applications and patents could significantly reduce the coverage of the patents owned, optioned by or licensed to us or our collaborators and limit our ability or that of our collaborators to obtain meaningful patent protection. If patents are issued to third parties that contain competitive or conflicting claims, we and our collaborators may be legally prohibited from pursuing research, development or commercialization of potential products or be required to obtain licenses to these patents or to develop or obtain alternative technology. We may not have rights under some patents or patent applications related to our proposed products, processes or services. Third parties may own or control these patents and patent applications in the United States and abroad. Therefore, in some cases, to develop, manufacture, sell or import some of our proposed products, processes or services, we or our alliance partners may choose to seek, or be required to seek, licenses under third party patents issued in the United States and abroad or those which might issue from United States and foreign patent applications. In that event, we would be required to pay license fees or royalties or both to the licensor. If licenses are not available to us on acceptable terms, we or our collaborators may not be able to develop, manufacture, sell or import these products, processes or services.

In addition, patent law outside the United States is uncertain and in many countries is currently undergoing review and revision. The laws of some countries do not protect intellectual property rights to the same extent as United States laws, and those countries may lack adequate rules and procedures for defending intellectual property rights that are granted. As a result, many companies have encountered significant problems in obtaining and defending their proprietary rights abroad. It may be necessary or useful for us to participate in proceedings to determine the validity of our and our competitors' foreign patents, which could result in substantial costs and would divert our efforts and attention from other aspects of our business.

In-licensed technology may become important to some aspects of our business. We generally will not control the patent prosecution, maintenance or enforcement of in-licensed technology. Accordingly, we will be unable to exercise the same degree of control over this intellectual property as we do over our internally developed technology. Moreover, some of our academic institution licensors, research collaborators and scientific advisors have rights to publish data and information to which we have rights. If we cannot maintain the confidentiality of our technology and other confidential information in connection with our collaborations, then our ability to receive patent protection or protect our proprietary information will be impaired.

A DISPUTE CONCERNING THE INFRINGEMENT OR MISAPPROPRIATION OF OUR PROPRIETARY RIGHTS OR THE PROPRIETARY RIGHTS OF OTHERS COULD BE TIME CONSUMING AND COSTLY AND COULD DELAY OUR RESEARCH AND DEVELOPMENT EFFORTS.

Our success depends partly upon our ability to avoid infringing or misappropriating the proprietary rights of others. We could incur substantial costs in litigation if we are required to defend against patent suits brought by third parties or if we initiate these suits. Others may have filed and in the future are likely to file patent applications covering assays, genes, gene products or therapeutic products that are similar or identical to ours. We cannot assure you that any patent application will not have priority over patent applications filed by us. Any legal action against our collaborators or us claiming damages and seeking to enjoin commercial activities relating to the affected products and processes could, in addition to subjecting us to potential liability for damages, require our collaborator or us to obtain a license to continue to manufacture or market the affected products and processes. We cannot predict whether we or our collaborators would prevail in any of these actions or that any license required under any of these patents would be made available on commercially acceptable terms, if at all.

We believe that there is significant litigation in the industry regarding patent and other intellectual property rights. If we become involved in litigation initiated by a third party, it could consume a substantial portion of our managerial and financial resources. Furthermore, parties making claims against us may be able to obtain injunctive or other equitable relief that may effectively block our ability to further develop, commercialize and sell products. Any litigation or administrative proceedings that we may become involved in would likely be costly, whether we win or lose. In the event of a successful claim of infringement, we may be required to pay damages and obtain one or more licenses from third parties. We may not be able to obtain necessary licenses at a reasonable cost, if at all. In that event, we could encounter delays in product introductions while we attempt to develop alternate methods or products or be prevented from commercializing current or future products. Similarly, third parties may infringe on or misappropriate our proprietary rights, and we may have to institute costly legal action against them to protect our intellectual property rights. We may not be able to afford the costs of enforcing our intellectual property rights against these third parties.

In addition, like many biotechnology companies, we may from time to time hire scientific personnel formerly employed by other companies involved in one or more areas similar to the activities conducted by us. We or these individuals may be subject to allegations of trade secret misappropriation or other similar claims as a result of their prior affiliations. Resolving those claims could also result in significant expenditures of both the time of personnel and our financial resources.

CONFIDENTIALITY AGREEMENTS WITH EMPLOYEES AND OTHERS MAY NOT ADEQUATELY PREVENT DISCLOSURE OF OUR TRADE SECRETS AND OTHER PROPRIETARY INFORMATION.

In order to protect our proprietary technology and processes, we also rely in part on trade secret protection for our confidential and proprietary information. However, trade secrets are difficult to protect. Our policy is to execute confidentiality agreements with our employees and consultants upon the commencement of an employment or consulting arrangement with us. These agreements generally require that all confidential information developed by the individual or made known to the individual by us during the course of the individual's relationship with us be kept confidential and not disclosed to third parties. These agreements also generally provide that inventions conceived by the individual in the course of rendering services to us shall be our exclusive property. While we require employees, academic collaborators and consultants to enter into confidentiality agreements, we cannot assure you that:

- proprietary information will not be disclosed;

- others will not independently develop substantially equivalent proprietary information and techniques;

- others will not gain access to our trade secrets or disclose this technology;

- these obligations of confidentiality will be honored; or

- we can meaningfully protect our rights to proprietary information.

Costly and time consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

WE EXPECT THAT OUR RESULTS OF OPERATIONS WILL FLUCTUATE, WHICH MAY MAKE IT DIFFICULT TO PREDICT OUR FUTURE PERFORMANCE.

Our quarterly operating results have fluctuated in the past and are likely to do so in the future. A large portion of our expenses, including expenses for personnel, facilities, equipment and contracted research, is relatively fixed. In addition, we plan to significantly increase operating expenses in the near term as we expand our internal research and development activities. Failure to achieve anticipated levels of revenue could significantly harm our operating results for a particular fiscal period. Due to the possibility of fluctuations in our revenue and expenses, we believe that period to period comparisons of our operating results are not a good indication of our future performance. Some of the factors that could cause our operating results to fluctuate from period to period include:

- termination or reduction in the scope of our collaborations;

- the success rate of our collaborators' discovery and development efforts associated with milestones and royalties;

- our ability to enter into new agreements with collaborators or to extend the terms of our existing corporate collaboration agreements;

- our ability to satisfy all applicable regulatory requirements;

- the rate of expansion of our internal research and development efforts and related expenses; and

- general and industry specific economic conditions that may affect our collaborators' research and development expenditures.

IF OUR STRATEGIC DECISIONS DO NOT YIELD COMMERCIALLY VIABLE PRODUCTS, WE MAY NOT ACHIEVE PROFITABILITY.

While we believe that our integrated drug discovery approach can be applied to many types of diseases, due to our limited financial and managerial resources, we have made strategic decisions to focus our current resources on six programs that address four specific diseases:

- schizophrenia;

- Alzheimer's disease;

- chronic pain; and

- glaucoma.

This decision requires us to forego potential opportunities with respect to other diseases. We may not successfully select diseases or those drug candidates with the most potential for commercial development. Our efforts may not produce viable commercial products and we may be precluded from other, more profitable opportunities.

ANY CLAIMS RELATING TO IMPROPER HANDLING, STORAGE OR DISPOSAL OF THE BIOLOGICAL AND HAZARDOUS MATERIALS USED IN OUR BUSINESS COULD BE COSTLY AND DELAY OUR RESEARCH AND DEVELOPMENT EFFORTS.

Our research and development activities involve the controlled use of potentially harmful hazardous materials, including biological materials, chemicals and various radioactive compounds. We cannot completely eliminate the risk of accidental contamination or injury from the use, storage, handling or disposal of these materials. In the event of contamination or injury, we could be held liable for damages that result, and any liability could exceed our resources. We are subject to federal, state and local laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. The cost of compliance with these laws and regulations could be significant, and current or future environmental regulations may impair our research, development or production efforts.

WE MAY BE SUED FOR PRODUCT LIABILITY AND COULD FACE SUBSTANTIAL LIABILITIES THAT EXCEED OUR RESOURCES.

Researching, developing and commercializing drug products entail significant product liability risks. The use of products developed by us, alone or with our collaborators, in clinical trials and the commercial sale of those products may expose us and our collaborators to liability claims. These claims may be made directly by consumers or by our collaborators or others selling these products. We may be held liable if any drug we develop, or any drug which is developed with the use of any of our technologies, causes injury or is found otherwise unsuitable during testing, manufacturing, marketing or sale. We currently have no product liability insurance for clinical trials. When and if we attempt to obtain product liability insurance for clinical trials, this insurance may be prohibitively expensive, or may not fully cover our potential liabilities. Inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of products developed by us or our collaborators. If we are sued for any injury caused by our products, our liability could exceed our total assets.

WE MAY ENCOUNTER DIFFICULTIES MANAGING OUR GROWTH, WHICH COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

We will need to expand and effectively manage our operations and facilities in order to successfully complete our existing collaborative agreements, facilitate additional collaborations and pursue future internal research, development and commercialization efforts. We increased the number of our employees from 69 at December 31, 1999 to 89 at November 30, 2000, and, based on the availability of funding, we expect to significantly increase our rate of growth to meet our strategic objectives. If we continue to grow, it is possible that the number and skills of management and scientific personnel, systems and facilities currently in place may not be adequate. Our ability to effectively manage our operations, growth, and various projects requires us to continue to improve our operational, financial and management controls, reporting systems and procedures and to attract and retain sufficient numbers of talented employees. We may not be able to successfully implement these tasks on a larger scale and, accordingly, may not achieve our research, development and commercialization goals.

IF ETHICAL AND OTHER CONCERNS SURROUNDING THE USE OF GENETIC INFORMATION BECOME WIDESPREAD, WE MAY HAVE LESS DEMAND FOR OUR PRODUCTS.

We have entered into a collaboration agreement designed to provide pharmacogenomic services to pharmaceutical companies using our integrated technology platform, including genetic testing. Genetic testing has raised ethical issues regarding confidentiality and the appropriate uses of the resulting information. For these reasons, governmental authorities may call for limits on or regulation of the use of genetic testing or prohibit testing for genetic predisposition to selected conditions. Any of these scenarios could reduce the potential markets for our pharmacogenomic services.

WE FACE ADMINISTRATIVE CHALLENGES IN COORDINATING THE OPERATIONS OF OUR DANISH SUBSIDIARY AND OUR ACTIVITIES IN CALIFORNIA.

Our subsidiary in Denmark, ACADIA Pharmaceuticals A/S, employs approximately 29% of our total personnel, and is engaged in research and development activities with primary responsibility for combinatorial, medicinal and analytical chemistry. Our principal executive offices, however, are located in California. The additional administrative expense required to monitor and coordinate activities in both Denmark and California could divert management resources from other important endeavors and, in turn, delay any development and commercialization efforts. In addition, currency fluctuations involving our Danish operations may cause foreign currency translation gains and losses. We cannot predict the effect of such exchange rate fluctuations on our combined operations and we do not engage in currency hedging transactions.

RISKS RELATED TO THIS OFFERING

OUR STOCK PRICE MAY BE VOLATILE AND YOUR INVESTMENT IN OUR STOCK COULD DECLINE IN VALUE.

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

- market conditions related to the genomics, biotechnology and pharmaceutical industries or the market in general;
- announcements of technological innovations or new commercial products by our competitors or us;
- developments concerning proprietary rights, including patents;
- developments concerning our collaborations;
- publicity regarding actual or potential medical results relating to products under development by our competitors or us;
- public concern as to genetic testing or the safety of drugs and drug delivery techniques;
- regulatory developments in the United States and foreign countries;
- securities analysts' recommendations;
- litigation;
- economic and other external factors or other disasters or crises; or
- period to period fluctuations in financial results.

OUR MANAGEMENT HAS BROAD DISCRETION ON THE USE OF THE PROCEEDS FROM THIS OFFERING, AND WE MAY ALLOCATE THE PROCEEDS IN WAYS THAT YOU AND OTHER STOCKHOLDERS MAY NOT APPROVE.

Our management will have significant flexibility in applying the net proceeds of this offering and could use these proceeds for corporate purposes that do not increase our profitability or our market value, or in ways with which our stockholders may not agree. We currently intend to use the proceeds of this offering and our existing cash balances to fund research and development expenses, capital expenditures, working capital and general corporate purposes. We may also use proceeds for acquisitions or investments in complementary businesses, technologies or products. Pending these expected uses, the proceeds of the offering will be invested in short-term investment grade interest-bearing securities that may lose value. Our management may allocate the net proceeds among these purposes as it determines necessary. In addition, market factors may require our management to allocate all or a portion of the net proceeds for other purposes. You may not agree with the manner in which our management ultimately uses the net proceeds of this offering. Accordingly, you will be relying on the judgment of our management team with regard to the application of the net proceeds of this offering.

IF OUR OFFICERS, DIRECTORS AND LARGEST STOCKHOLDERS CHOOSE TO ACT TOGETHER, THEY MAY BE ABLE TO CONTROL OUR MANAGEMENT AND OPERATIONS, ACTING IN THEIR BEST INTERESTS AND NOT NECESSARILY THOSE OF OTHER STOCKHOLDERS.

Following completion of this offering, our directors, executive officers and principal stockholders and their affiliates will beneficially own approximately % of our common stock, based on their beneficial ownership at November 30, 2000. Accordingly, they collectively will have the ability to affect the election of all of our directors and to affect the outcome of most corporate actions requiring stockholder approval, such as amendments to our certificate of incorporation, going private transactions and other significant corporate events. They may exercise this ability in a manner that advances their best interests and not necessarily those of other stockholders. This concentration of control may depress our stock price.

THERE IS NO PRIOR MARKET FOR OUR COMMON STOCK AND YOU MAY NOT BE ABLE TO RESELL YOUR SHARES AT OR ABOVE THE INITIAL OFFERING PRICE.

Prior to this offering, there has been no public market for shares of our common stock. An active, liquid trading market may not develop following completion of this offering, or if developed, may not be maintained. We will determine the initial public offering price for the shares through negotiations between us and the representatives of the underwriters. This price may not be indicative of prices that will prevail in the future in the trading market. Among the factors to be considered in determining the initial public offering price of the common stock, in addition to prevailing market conditions, will be:

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

Due to the uncertainty in determining the initial public offering price and other risk factors described in this section, the market price of the common stock may decline below the initial public offering price, and you may not be able to resell your shares at or above this price.

IF OUR STOCKHOLDERS SELL SUBSTANTIAL AMOUNTS OF OUR COMMON STOCK AFTER THE PUBLIC OFFERING, THE MARKET PRICE OF OUR COMMON STOCK MAY FALL.

If our stockholders sell substantial amounts of our common stock, including shares issued upon the exercise of outstanding options and warrants, the market price of our common stock may fall. These sales also might make it more difficult for us to sell equity or equity related securities in the future at a time and price that we deem appropriate. After completion of the public offering, we will have outstanding shares of common stock.

The number of shares of common stock available for sale in the public market is limited by restrictions under federal securities laws and under agreements into which substantially all of our stockholders have entered with the underwriters or with us. The lockup agreements with the underwriters restrict those stockholders from selling, pledging or otherwise disposing of their shares for a period of 180 days after the date of this prospectus without the prior written consent of the underwriters. However, the underwriters may, in their sole discretion, release all or any portion of the common stock from the restrictions of the lockup agreements.

We intend to file a registration statement on Form S-8 covering an aggregate of shares issuable upon exercise of options to purchase common stock and common stock reserved for issuance under our stock plans in connection with this offering.

ANTI-TAKEOVER PROVISIONS IN OUR CHARTER DOCUMENTS AND UNDER DELAWARE LAW MAY MAKE AN ACQUISITION OF US, WHICH MAY BE BENEFICIAL TO OUR STOCKHOLDERS, MORE DIFFICULT.

Provisions of our amended and restated certificate of incorporation and bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders. These provisions:

- establish that members of the board of directors may be removed only for cause upon the affirmative vote of stockholders owning at least a majority of our capital stock;

- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and prevent or delay a takeover attempt;

- limit who may call a special meeting of stockholders;

- prohibit stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;

- establish advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings; and

- provide for a board of directors with staggered terms.

In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a third party from acquiring us.

THE PUBLIC OFFERING WILL CAUSE IMMEDIATE AND SUBSTANTIAL DILUTION TO YOUR INVESTMENT.

Purchasers in the public offering will experience immediate and substantial dilution in the net tangible book value of the common stock from the initial public offering price. Because we expect the offering price to be substantially higher than the net tangible book value per share of the common stock, if you purchase shares in this offering, you will incur dilution in the net tangible book value per share of your shares of $ based on the initial public offering price of $, the midpoint of the range on the cover of this prospectus. In the past, we issued options and warrants to acquire capital stock at prices below the initial public offering price of common stock in this offering. As a result, there likely will be further dilution to investors upon exercise of these options and warrants.

NOTE REGARDING FORWARD LOOKING STATEMENTS

This prospectus may contain forward looking statements. The forward looking statements are contained principally in the sections entitled "Summary," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward looking statements. Forward looking statements include, but are not limited to statements about:

- the progress of clinical trials involving our drug candidates;
- the progress of our research and development programs;
- the benefits to be derived from relationships with our collaborators;
- the receipt of regulatory clearances and approvals;
- our estimates of future revenue and profitability; and
- our estimates regarding our capital requirements and our need for additional financing.

In some cases, you can identify forward looking statements by terms such as "may," "will," "should," "could," "would," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential" and similar expressions intended to identify forward looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward looking statements. We discuss many of these risks in this prospectus in greater detail under the heading "Risk Factors." Also, these forward looking statements represent our estimates and assumptions only as of the date of this prospectus.

You should read this prospectus and the documents that we reference in this prospectus completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward looking statements by these cautionary statements.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information provided by this prospectus is accurate as of any date other than the date on the front of this prospectus.

USE OF PROCEEDS

The proceeds from the sale of shares of common stock we are offering are estimated to be approximately $ million, approximately $ million if the underwriters' overallotment option is exercised in full, after deducting underwriting discounts and commissions and our estimated offering expenses and based on an assumed initial public offering price of $ per share, the mid-point of the range on the front cover of this prospectus.

We intend to use the net proceeds from this offering to fund research and development activities, including research expenses and preclinical and clinical development expenses associated with our internal drug discovery programs, and capital expenditures. We expect to use any remaining net proceeds for working capital and general corporate purposes. We may also use a portion of the net proceeds to acquire or invest in complementary businesses or products or to obtain the right to use complimentary technologies; however, we have no present plans, agreements or commitments and are not currently engaged in any negotiations with respect to any such transactions. Pending these uses, the proceeds of the offering will be invested in short-term investment grade interest bearing securities.

The amounts and timing of our actual expenditures will depend significantly upon a number of factors, including the amount and timing of revenues from our current or future collaborators. Pending use of the net proceeds for the above purposes, we intend to invest these funds in short-term, interest bearing investment grade securities.

DIVIDEND POLICY

We have never paid or declared cash dividends on our capital stock. We currently intend to retain future earnings, if any, for use in the expansion and operation of our business and do not anticipate paying any cash dividends in the foreseeable future.

CAPITALIZATION

The following table sets forth our capitalization at September 30, 2000:

- on an actual basis derived from our unaudited consolidated financial statements;
- on a pro forma basis to give effect to the conversion of all of our outstanding shares of convertible preferred stock into an aggregate of 8,625,920 shares of common stock; and
- on a pro forma as adjusted basis to also give effect to the sale of shares of common stock offered hereby at an assumed initial offering price of $ per share, the midpoint of the range on the cover of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses.

You should read this table in conjunction with the consolidated financial statements and the notes to those statements and the other financial information included elsewhere in this prospectus.

	SEPTEMBER 30, 2000		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(UNAUDITED)		
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)		
Long-term obligations, less current portion	$ 4,632	$ 4,632	$ 4,632
Convertible preferred stock, $0.01 par value: 10,019,067 shares authorized, 8,625,920 shares issued and outstanding, actual; 5,000,000 shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	46,502	--	--
Stockholders' equity (deficit):			
Common stock, $0.0001 par value: 14,218,712 shares authorized, 2,145,962 shares outstanding, actual; 10,771,882 shares issued and outstanding, pro forma; 50,000,000 shares authorized, shares issued and outstanding, pro forma as adjusted	--	1	
Additional paid-in capital	4,792	51,293	
Accumulated deficit	(24,559)	(24,559)	(24,559)
Unearned stock-based compensation	(1,260)	(1,260)	(1,260)
Accumulated other comprehensive income	397	397	397
Total stockholders' equity (deficit)	(20,630)	25,872	
Total capitalization	$ 30,504	$ 30,504	$

The number of shares of common stock outstanding at September 30, 2000 does not include:

- 237,257 shares of common stock issuable upon exercise of outstanding warrants at an exercise price of $12.00 per share;
- 1,310,654 shares of common stock issuable upon exercise of options outstanding at September 30, 2000 at a weighted average exercise price of $0.71 per share; and
- 303,729 shares available for future grant at September 30, 2000 under our 1997 stock option plan.

From October 1, 2000 to November 30, 2000, we issued an aggregate of 11,500 shares upon the exercise of options at a weighted average price of $0.67 per share. In addition, from October 1, 2000 to November 30, 2000, we granted 190,000 options to purchase common stock at a weighted average exercise price of $1.16 per share, and 5,750 options to purchase common stock at a weighted average exercise price of $0.48 per share were forfeited.

DILUTION

Our net tangible book value at September 30, 2000 was $25,871,600. Net tangible book value per share is determined by dividing the net tangible book value, total tangible assets less total liabilities, by the number of outstanding shares of common stock at that date. Assuming the conversion of all outstanding shares of preferred stock into shares of common stock, our pro forma net tangible book value at September 30, 2000 was approximately $2.40 per share of common stock. Without taking into account any other changes in pro forma net tangible book value other than the sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share, the mid-point of the range on the cover of this prospectus, and, after deducting underwriting discounts and commissions and our estimated offering expenses, the pro forma as adjusted net tangible book value at September 30, 2000 would be $, or $ per share. Assuming the completion of this offering, there will be an immediate increase in net tangible book value to existing stockholders of $ per share and an immediate dilution to new investors of $ per share. The following table illustrates the per share dilution to new investors:

Assumed initial public offering price per share.....		$
Pro forma net tangible book value per share at September 30, 2000.....	$2.40	
Pro forma increase in net tangible book value per share attributable to new investors.....		
Pro forma as adjusted net tangible book value per share, after offering.....		
Pro forma dilution per share to new investors.....		$

If the underwriters exercise their overallotment option in full, there will be an increase in pro forma net tangible book value to $ per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $ to new investors.

The following table summarizes on a pro forma basis at September 30, 2000 the differences between the existing stockholders and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid, assuming the conversion of all outstanding shares of preferred stock into shares of common stock:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing stockholders...	10,771,882	%	$49,121,600	%	$ 4.56
New investors.....					
Total.....		100%	$	100%	

If the underwriters exercise their overallotment option in full, our existing stockholders would own % and our new investors would own % of the total number of shares of our common stock outstanding after this offering.

At September 30, 2000, there were options outstanding to purchase a total of 1,310,654 shares of common stock at a weighted average exercise price of $0.71 per share and 303,729 shares were reserved for grant of future options under our 1997 stock option plan. In November 2000, the board of directors approved an increase in the number of shares available for issuance under our 1997 stock option plan by 700,000. In December 2000, our board of directors adopted our 2000 employee stock purchase plan, our 2000 equity incentive plan and our 2000 nonemployee directors' stock option plan, under which an aggregate of 950,000 additional shares were reserved for issuance. At September 30, 2000, there were warrants outstanding to purchase a total of 237,257 shares of common stock at an exercise price of $12.00 per share. To the extent that any of these options or warrants are exercised or any shares are issued under these plans, there will be further dilution to new investors.

Assuming the exercise in full of all options and warrants outstanding and exercisable as of September 30, 2000, the average price per share paid by our existing stockholders would be reduced by $ per share to $ per share. After this offering, and assuming the exercise in full of all options and warrants outstanding and exercisable as of September 30, 2000, the pro forma net tangible book value as adjusted would be $ per share, representing an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate dilution in net tangible book value of $ per share to new investors.

SELECTED CONSOLIDATED FINANCIAL DATA
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

The following data, insofar as it relates to each of the years 1995 through 1999, has been derived from annual financial statements, including the consolidated balance sheet at December 31, 1998 and 1999 and the related consolidated statements of operations and of cash flows for the three years ended December 31, 1999 and related notes appearing elsewhere in this prospectus. The data for the nine months ended September 30, 1999 and 2000 has been derived from unaudited financial statements also appearing in this prospectus and which, in the opinion of management, include all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim periods. You should read the following selected financial data set forth below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes appearing elsewhere in this prospectus.

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1995	1996	1997	1998	1999	1999	2000
						(UNAUDITED)	
CONSOLIDATED STATEMENT OF OPERATIONS DATA:							
Revenues							
Collaborative revenues--related party	$ --	$ --	$ 273	$ 1,300	$ 2,238	$ 1,334	$ 2,649
Other research revenues	300	438	562	119	--	--	119
Total revenues	300	438	835	1,419	2,238	1,334	2,768
Operating expenses							
Research and development(1)	264	421	2,295	5,856	7,625	5,582	7,253
General and administrative(2)	85	206	1,771	2,487	2,458	1,996	3,989
Total operating expenses	349	627	4,066	8,343	10,083	7,578	11,242
Loss from operations	(49)	(189)	(3,231)	(6,924)	(7,845)	(6,244)	(8,474)
Interest income	1	--	283	689	751	576	1,013
Interest expense	(4)	(3)	(34)	(168)	(351)	(238)	(293)
Net loss	$ (52)	$ (192)	$(2,982)	$(6,403)	$(7,445)	$(5,906)	$(7,754)
Net loss per share, basic and diluted	$ (0.03)	$ (0.13)	$ (1.74)	$ (3.12)	$ (3.57)	$ (2.83)	$ (3.63)
Weighted average shares used in computing net loss per share, basic and diluted(3)	1,523	1,523	1,712	2,049	2,087	2,083	2,134
Pro forma net loss per share, basic and diluted					$ (0.96)		$ (0.83)
Weighted average shares used in computing pro forma net loss per share, basic and diluted(3)					7,780		9,360

	DECEMBER 31,					SEPTEMBER 30, 2000	
	1995	1996	1997	1998	1999	ACTUAL	PRO FORMA AS ADJUSTED(4)
						(UNAUDITED)	
CONSOLIDATED BALANCE SHEET DATA:							
Cash, cash equivalents and investment securities	$ 8	$ 5	$ 12,418	$ 17,577	$ 12,209	$ 29,484	
Working capital (deficit)	(90)	(329)	11,765	16,939	10,788	27,149	
Total assets	227	223	14,705	21,063	15,518	33,471	
Long-term debt, less current portion	--	76	1,177	3,367	4,432	4,632	
Convertible preferred stock	--	--	14,512	24,665	24,665	46,502	
Total stockholders' equity (deficit)	(52)	(244)	(1,989)	(8,414)	(15,437)	(20,630)	

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(1) Includes stock-based compensation of $3, $100, $38 and $353 for the years ended December 31, 1998 and 1999 and for the nine months ended September 30, 1999 and 2000, respectively.

(2) Includes stock-based compensation of $49, $6, $5 and $1,856 for the years ended December 31, 1998 and 1999 and for the nine months ended September 30, 1999 and 2000, respectively.

(3) Please see Note 2 of the notes to our consolidated financial statements for an explanation of the determination of the number of shares used in computing per share data.

(4) The pro forma as adjusted information in the table reflects the conversion of all of our outstanding shares of convertible preferred stock into shares

of common stock and reflects the sale of shares of common stock offered by us at an assumed initial public offering price of $ per share, the midpoint of the range on the cover of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

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

THE FOLLOWING "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" SHOULD BE READ IN CONJUNCTION WITH "SELECTED CONSOLIDATED FINANCIAL DATA" AND OUR CONSOLIDATED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES. OUR DISCUSSION MAY CONTAIN FORWARD LOOKING STATEMENTS BASED UPON CURRENT EXPECTATIONS THAT INVOLVE RISKS AND UNCERTAINTIES, SUCH AS STATEMENTS OF OUR PLANS, OBJECTIVES AND INTENTIONS. OUR ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE INDICATED IN ANY FORWARD LOOKING STATEMENTS. SEE "NOTE REGARDING FORWARD LOOKING STATEMENTS." FACTORS THAT COULD CAUSE OR CONTRIBUTE TO THESE DIFFERENCES INCLUDE BUT ARE NOT LIMITED TO THOSE DISCUSSED IN "RISK FACTORS" AND ELSEWHERE IN THIS PROSPECTUS.

OVERVIEW

We were incorporated in 1993 and have devoted substantially all of our resources since that time to the development of an integrated technology platform and the discovery of novel small molecule drug candidates. We have not been profitable and we have incurred substantial operating losses since inception due in large part to expenditures related to our research and development activities. At September 30, 2000, we have incurred an accumulated deficit of $24.6 million. We expect to incur substantial increases in our expenditures and operating losses for at least the next several years and until we generate sufficient revenue to offset expenses. Research and development costs will continue to increase as we seek to discover and develop a sustainable pipeline of drug candidates and expand and maintain our integrated technology platform. Our results of operations have fluctuated significantly from period to period in the past and are likely to do so in the future. Due to the possibility of fluctuations in our revenue and expenses, we believe that the period to period comparisons of our operating results are not a good indication of our future performance.

Our income to date has been generated substantially from research and milestone payments from our collaborative agreements, interest income and governmental grants. A major component of our business strategy is to enter into collaborations with pharmaceutical and biotechnology companies in order to leverage the research, development, and commercial resources of our collaborators to establish a pipeline of drug discovery programs and to commercialize our drug candidates. Currently, our revenues are derived primarily from two collaborative agreements with Allergan. These collaborations provide for research funding through July 2001 and September 2002, respectively, and are subject to rights of early termination. We expect our sources of revenues for the next several years to consist of payments under our current and future collaborations. We expect that our collaboration agreements typically will provide for the following potential sources of revenues:

- upfront payments upon entering into the agreements;
- research funding throughout the term of the agreements;
- milestone payments contingent upon achievement of agreed upon objectives; and
- royalties upon the commercialization of products.

Revenues under collaborative agreements are recognized as research activities are performed over the term of the agreements. Upfront license and milestone payments that are related to future performance under such agreements are deferred and recognized as revenue when earned over the term of the agreement.

Our research and development expenses consist primarily of salaries and other personnel-related expenses, facility costs and costs for equipment and laboratory supplies. Our general and administrative expenses consist primarily of personnel-related expenses for finance, business development and general management, as well as professional fees, such as expenses for legal and accounting services.

Our discovery programs are at an early stage of development and we are dependent on securing additional funding from both current and new collaborations to meet our future funding requirements. Another component of our business strategy is to manage our financial resources and level of investment in drug discovery programs to balance our proprietary efforts and activities under collaborations. As part of this strategy, we are planning to make significant investments in our own research and development programs, which will require us to obtain additional financial resources. In particular, we intend to develop some of our own drug candidates through the early stages of clinical development prior to entering into licensing and development agreements with collaborators in return for a greater share of the revenues derived from the resulting products. This strategy will require us to obtain additional financial resources and invest more fully in our own programs. If adequate funds are not available or are not available on acceptable terms, our ability to further develop our drug candidates and fund our operations could be significantly limited.

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999

Revenues increased to $2.8 million for the nine months ended September 30, 2000 from $1.3 million for the nine months ended September 30, 1999. This increase is primarily due to increased revenues recognized under our second collaboration agreement with Allergan, which commenced in July 1999 and, to a lesser degree, funding from a governmental grant. Our two collaboration agreements with Allergan accounted for substantially all of our revenues during these periods.

Research and development expenses increased to $7.3 million for the nine months ended September 30, 2000 from $5.6 million for the nine months ended September 30, 1999, including stock-based compensation expense of $353,000 and $38,000, respectively. This increase, other than stock-based compensation expenses, is primarily due to costs associated with the expansion of our research and discovery organization and our discovery programs. The increased costs are largely comprised of personnel-related expenses, and expenditures for laboratory supplies and equipment. We anticipate substantial increases in research and development expenses in future periods related to further expansion of our research and discovery organization and increased preclinical and clinical expenses associated with our drug candidates.

General and administrative expenses totaled $4.0 million for the nine months ended September 30, 2000 compared to $2.0 million for the nine months ended September 30, 1999, including stock-based compensation expense of $1.9 million and $5,000, respectively. These expenses, other than stock-based compensation expenses, were relatively consistent from period to period. We anticipate increases in general and administrative expenses in future periods as we expand our administrative organization to support the continued growth of our research organization, and incur additional costs associated with operating as a public company and increased business development activities.

Stock-based compensation expense totaled $2.2 million for the nine months ended September 30, 2000 compared to $43,000 for the nine months ended September 30, 1999. This increase results from the amortization of deferred stock compensation, compensation expense resulting from the modification of the terms of an option grant, and compensation expense from the valuation of options granted to consultants. During the nine months ended September 30, 2000, we recorded deferred stock-based compensation totaling $1.2 million in connection with the grant of stock options to employees. This amount has been reflected as a component of stockholders' equity (deficit) and will be amortized to operations over the vesting period of the options, generally four years. The remaining unearned stock-based compensation of $1.3 million at September 30, 2000 will be recognized as expense in future years as follows: $191,900 remaining in 2000, $582,700 in 2001, $305,000 in 2002, $143,200 in 2003 and $37,000 in 2004.

We anticipate that additional deferred stock-based compensation will be recorded for options granted after September 30, 2000, including approximately $1.3 million for options granted from October 1, 2000 through November 30, 2000.

Net interest income increased to $720,000 for the nine months ended September 30, 2000 from $338,000 for the nine months ended September 30, 1999. This increase is primarily attributable to increased interest income resulting from higher levels of cash and investment securities in 2000. Increased interest income during the nine months ended September 30, 2000 was offset in part by additional interest expense associated with our loans.

YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

Revenues increased to $2.2 million for the year ended December 31, 1999 from $1.4 million in 1998 and $835,000 in 1997. The increase in revenues during 1999 relative to 1998 is primarily due to an increase in revenues recognized under our second collaboration agreement with Allergan, which commenced in July 1999. The increase in revenues in 1998 relative to 1997 is primarily due to increased revenues recognized under our first collaboration agreement with Allergan, which began in September 1997. Other research revenues during 1997 were derived from research funding from other agreements and a governmental grant. Other research revenues during 1998 were derived from research funding from a government grant.

Research and development expenses increased to $7.6 million for the year ended December 31, 1999 from $5.9 million in 1998 and $2.3 million in 1997, including stock-based compensation expense of $100,000, $3,000 and $0, respectively. This increase, other than stock-based compensation expenses, is primarily due to increased costs associated with expansion of our research and discovery organization and our discovery programs, including increased personnel-related expenses, and expenditures for laboratory supplies, expanded facilities and equipment.

General and administrative expenses totaled $2.5 million for the years ended December 31, 1999 and 1998 and $1.8 million in 1997, including stock-based compensation expense of $6,000, $49,000 and $0, respectively. This increase, other than stock-based compensation expenses, reflects the expansion of our administrative organization to support increased research and development efforts, and expanded business development activities.

Stock-based compensation expense totaled $106,000 for the year ended December 31, 1999 compared to $52,000 for the year ended December 31, 1998. This increase results from the amortization of deferred stock-based compensation and compensation expense from the valuation of options granted to consultants. During the year ended December 31, 1999, we recorded deferred stock-based compensation totaling $470,000 in connection with the grant of stock options to employees. This amount has been reflected as a component of stockholders' equity (deficit) and will be amortized to operations over the vesting period of the options, generally four years.

Net interest income totaled $400,000 for the year ended December 31, 1999 compared to $521,000 for 1998 and $249,000 in 1997. The decrease in net interest income during 1999 relative to 1998 is primarily attributable to increased interest expense associated with our equipment and other loans. The increase in net interest income in 1998 relative to 1997 is primarily due to increased interest income resulting from higher levels of cash and investment securities in 1998. Increased interest income during the year ended December 31, 1998 was offset in part by additional interest expense associated with our loans.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, we have funded our operations primarily through private placements of our preferred stock, payments under our collaborative agreements, debt financing and interest income. At

September 30, 2000, we have received $47.9 million in net proceeds from the sales of equity securities, including $6.0 million from one of our collaborators, $7.8 million in payments from collaborative agreements, $7.2 million in debt financing and $2.7 million in interest income.

At September 30, 2000, we had approximately $29.5 million in cash, cash equivalents and investment securities compared to $12.2 million at December 31, 1999. This increase in cash balances is largely attributable to net proceeds of $21.8 million from the issuance of Series E preferred stock during the second quarter of 2000, offset by $4.5 million in cash used in operating activities for the nine months ended September 30, 2000. We have invested a substantial portion of our available cash funds in investment securities consisting of high quality debt instruments of financial institutions and corporations and U.S. Government securities.

At September 30, 2000, we have purchased $5.4 million in property and equipment and we expect to acquire approximately $1.0 million in additional property and equipment during the remainder of 2000. Since inception, we have financed approximately $1.6 million of our property and equipment acquisitions through equipment financing agreements.

Net cash provided by financing activities totaled $23.1 million for the nine months ended September 30, 2000 compared to $1.0 million for the nine months ended September 30, 1999. This increase is primarily due to net proceeds of $21.8 million from the issuance of Series E preferred stock and increased proceeds from the issuance of debt, net of repayments during 2000. At September 30, 2000, we had $4.7 million outstanding under a loan agreement with The Vaekstfonden (The Danish Fund for Industrial Growth). This loan is funded on a quarterly basis over the term of a research project up to a maximum commitment of approximately 45 million Danish kroner, or approximately $5.3 million. The loan accrues interest at 7.7% per annum and principal and interest are payable in quarterly installments based on estimated project related revenues over an anticipated period of five years. Should actual revenues fail to materialize or fall short of projections, the loan may be forgiven or the repayment terms revised at the discretion of The Vaekstfondon.

At September 30, 2000, we had $1.2 million in outstanding borrowings under two equipment financing agreements which are secured by the related equipment. Outstanding balances under these agreements bear interest in the range of 10.6% to 12.6% per annum and are due in monthly installments over a three to four year period. At September 30, 2000, we had $1.7 million available under equipment financing agreements, subject to compliance with specified financial covenants and conditions. We also have commitments under operating leases for our facilities and certain equipment requiring future payments totaling $4.8 million through 2005.

We believe our existing cash resources plus the proceeds of this offering and anticipated proceeds from existing corporate collaborations will be sufficient to fund our anticipated cash requirements through 2002. Our future capital requirements will depend on many factors including:

- progress in, and the costs of, our research and development programs;
- the scope, prioritization and number of programs;
- the progress of preclinical and clinical testing;
- our ability to enter into additional collaborations;
- the modification or termination of any of our current or future collaborations;
- the time and costs involved in obtaining regulatory approvals; and
- the costs involved in obtaining, enforcing and defending patent and other intellectual property rights.

We will need to raise substantial additional capital to fund our operations in future periods. We intend to seek additional funding through collaborative and licensing agreements, public or private equity or debt financing, or other financing sources that may be available. We cannot assure you that additional financing or collaborative and licensing agreements will be available when needed or that, if available, this financing will be obtained on terms favorable to us or our stockholders. If additional funds are raised through the sale of equity securities, substantial dilution to existing stockholders may result. If adequate funds are not available, we may be required to delay, or reduce the scope of, or eliminate some or all of our research and development programs or to relinquish rights to drug candidates at an earlier stage of development or on less favorable terms than we would otherwise choose to do. Our failure to obtain capital when needed could have a material adverse effect on our business, financial condition and results of operations.

RECENTLY ISSUED ACCOUNTING STANDARDS

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, or SAB 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS. The objective of SAB 101 is to provide further guidance on revenue recognition issues in the absence of authoritative literature addressing a specific arrangement or a specific industry. We have adopted SAB 101 for all periods presented.

We expect to adopt Statement of Financial Accounting Standards No. 133, or SFAS 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, effective January 1, 2001. SFAS 133 will require us to recognize all derivatives on the balance sheet at fair value. We do not anticipate that the adoption of SFAS 133 will have a significant effect on our results of operations or financial position.

In March 2000, the Financial Accounting Standards Board issued Interpretation No. 44, or FIN 44, ACCOUNTING FOR CERTAIN TRANSACTION INVOLVING STOCK COMPENSATION. We adopted FIN 44 effective July 1, 2000 with respect to specific provisions applicable to new awards, exchanges of awards in a business combination, modifications to outstanding awards, and changes in grantee status that occur on or after that date. FIN 44 addresses practice issues related to the application of Accounting Practice Bulletin Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

We invest our excess cash in investment grade, interest bearing securities. The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we invest in highly liquid and high quality debt instruments of financial institutions and corporations and U.S. government securities with maturities of less than two years. If a 10% change in interest rates were to have occurred on September 30, 2000, this change would not have had a material effect on the fair value of our investment portfolio as of that date.

FOREIGN CURRENCY RISK

We have a wholly owned subsidiary in Denmark, ACADIA Pharmaceuticals A/S, which exposes us to foreign exchange risk. The functional currency of our subsidiary is the Danish local currency. Accordingly, all assets and liabilities of our subsidiary are translated at the current exchange rate at the balance sheet date. Revenue and expense components are translated at weighted average exchange rates in effect during the period. Gains and losses resulting from foreign currency translation are included as a component of our stockholders' equity (deficit). Other foreign currency transaction gains and losses are included in our results of operations and, to-date, have not been significant. We have not hedged exposures denominated in foreign currencies or any other derivative financial instrument.

OVERVIEW

We are a genomics-based drug discovery and development company that efficiently identifies target-specific small molecule drug candidates using our integrated technology platform. Our proprietary approach integrates genomics, chemistry and biology to rapidly identify and validate drug targets and discover chemistries specific to those targets. We have successfully applied our approach to generate a drug discovery pipeline that currently includes six advanced programs as well as a number of earlier stage research projects. We have rapidly advanced two of these programs to development with a collaborator. The first drug candidate, for glaucoma treatment, is undergoing a Phase I/IIa clinical trial. The second drug candidate has been nominated for development as a novel treatment for chronic pain. We also have four additional drug candidates in late-stage preclinical testing. We focus on major diseases that represent some of the largest pharmaceutical markets in the world, including schizophrenia, Alzheimer's disease, chronic pain and glaucoma.

BACKGROUND ON DRUG DISCOVERY

The drug discovery process is complex and involves multiple steps. Currently, many drugs are discovered through screening large numbers of chemical structures, or compounds, for a chosen disease target. Drugs are natural or synthetic compounds that interact with a target molecule, normally a protein, either to induce or to inhibit that molecule's function within the human body. The key steps in the discovery of a compound for further development as a drug candidate typically include:

- identification of a suitable drug target, or target validation;

- discovery of a lead compound;

- optimizing the properties of the lead compound; and

- preclinical testing and development of the lead compound.

Recent advances in genomics research have led to the identification of a large number of genes, which represent potential targets for therapeutic intervention. As with genomic initiatives, researchers have made major advances in chemistry techniques useful in the drug discovery process, including combinatorial chemistry. As a result many pharmaceutical and biotechnology companies now have access to large collections of diverse chemical structures, referred to as libraries, which may include synthetic compounds and natural product extracts. Researchers have also made major advances in the technologies available for screening libraries to identify compounds that interact with a given drug target.

CURRENT LIMITATIONS OF DRUG DISCOVERY AND GENOMICS

Recent advances in genomics have the potential to significantly improve the drug discovery process. As genomics efforts continue to identify new genes, however, researchers face a major challenge in understanding the functional and clinical relevance of this increasing wealth of genetic information. These developments have not enabled the rapid identification of ideal drug targets, because the gene sequence data by itself provides only limited information, if any, about a gene's relationship to a specific disease. The following limitations exist in the current process of moving from a gene to a drug:

- Slow and cumbersome process--Identification of gene function is inefficient and time consuming.

- Poor target selection--The inability to look broadly and functionally at targets often leads to the selection of inappropriate drug targets.

- Nonselective drugs--Difficulties exist in finding highly selective chemistries for the appropriate target; therefore many resulting drugs are nonspecific in their action.

The selection of targets for drug discovery and the identification of specific lead chemistries have historically been inefficient processes. Even after advances in genomics and chemistry, these two aspects of drug discovery continue to represent critical bottlenecks that significantly limit the efficiency and productivity of current discovery efforts. Inappropriate drug targets combined with nonselective chemistries often lead to low success rates and drugs with suboptimal clinical profiles, including poor efficacy and side effects.

OUR SOLUTION

We have developed a drug discovery approach based on our integrated technology platform that combines genomics, chemistry and biology to both validate drug targets and discover novel chemistries specific to those targets. Our technology platform efficiently and productively links diverse genomic and chemical information. This platform may be used to identify and validate individual gene products as novel disease targeting mechanisms. Our technology platform may also be used to discover novel small molecule drug candidates that selectively target these individual gene products.

We have established drug discovery and technical expertise in the areas of genomics, functional genomics, molecular biology, ultra high throughput screening, molecular and behavioral pharmacology, and combinatorial, medicinal and analytical chemistry. We have assembled a large and diverse compound library and have developed more than 250 functional assays for key genomic targets. We have discovered novel specific chemistries in over 200 structural classes for 35 genomic targets. We also apply our technology to study the genetic variation on genomic targets in patient populations. In addition to our internal capabilities, we collaborate with world renowned scientists, clinicians and academic institutions. We believe that our discovery expertise combined with our technology platform creates a highly efficient and productive drug discovery process that allows us to discover superior drug candidates more efficiently than traditional approaches. We believe that our technology platform provides the following benefits:

- Productive and efficient drug discovery--Since 1997, we have generated six advanced drug discovery programs, two of which are now in development.

- Effective target validation--We are able to identify the therapeutic relevance of genomic targets by using our proprietary assay technology, R-SAT, to functionally link genomic and chemical information. Targets for all six of our programs have been validated using our approach.

- Target-specific drugs--Using our compound library and our proprietary combinatorial chemistries, we can identify specific chemistries for our validated targets, and thereby achieve therapeutic benefits without side effects.

- Broad applicability--We apply our technology platform over a wide range of potential drug targets to address several therapeutic areas. Our efforts address many diverse classes of potential targets, including GPCRs, cytokine receptors, growth factor receptors, nuclear receptors, enzymes and neurotransmitter transporters.

OUR DRUG DISCOVERY APPROACH

KEY COMPONENTS OF OUR PLATFORM TECHNOLOGY

Our drug discovery approach is based on our integrated technology platform and validates novel genomic targets while simultaneously identifying specific chemistries for those targets. This proprietary platform consists of four key elements:

- R-SAT FUNCTIONAL ASSAY PLATFORM. Our proprietary Receptor Selection and Amplification Technology, which we refer to as R-SAT, is the foundation of our integrated technology platform. R-SAT is a functional cell-based chemical compound testing system that we have broadly applied to measure the ability of compounds to alter cellular function. Our studies have shown that the results are predictive of the clinical activities of drugs. This technology is scaleable and we have integrated it into an industrial process for the analysis of diverse compound libraries.

- GENOMIC TARGETS. We have developed what we believe is one of the most comprehensive sets of functional genomic assays, encompassing more than 250 genomic targets. We have prioritized the discovery and testing of genomic targets to those targets that we believe are most likely to interact with small organic molecules.

- DIVERSE COMPOUND LIBRARY. We have a large and diverse compound library, which we use as a resource to search for novel structure-activity relationships, which are the relationships between chemical structure and pharmacological activity. This library consists of over 700,000 small organic compounds that have been characterized and quality controlled for purity and drug-like characteristics.

- REFERENCE DRUGS. We have assembled a collection of over 1,000 compounds, primarily consisting of currently and formerly marketed drugs, and drugs that failed in clinical trials, each with known effects or side effects on the central nervous system. Our reference drugs, when combined with R-SAT and the genomic targets, provide an important resource to link clinical and physiological effects of drugs with genomic targets.

CHART

HOW WE USE OUR TECHNOLOGY

To validate novel targets and find target-specific chemistries, our discovery approach can be applied in either of two complementary ways: an evidence-based approach or a chemistry-based approach. With the evidence-based approach, we match the effects of reference drugs on genomic targets using R-SAT to better understand the clinical relevance of a genomic target. Our evidence-based approach relies on the fact that most currently marketed drugs are not completely target-specific and interact with a variety of gene products to cause side effects. A thorough understanding of an established drug's multiple target interactions coupled with knowledge about the clinical experience related to its use in patients allows us to reach conclusions regarding the mechanism of action underlying its clinical efficacy, as well as the targets responsible for side effects. This allows us to differentiate between the therapeutic targets and those targets that are associated with side effects.

Our second approach, the chemistry-based approach, uses high throughput screening of compound libraries with detailed pharmacologic profiling of the active chemistries using R-SAT. This process enables us to discover novel proprietary chemistries that selectively target individual gene products and use these as critical tools to determine the therapeutic potential of these targets. We believe that our discovery expertise combined with our integrated technology platform creates a highly efficient and productive drug discovery process that allows us to discover superior drug candidates more efficiently than traditional approaches.

OUR PROGRAMS

We have used our integrated technology platform to generate a drug discovery pipeline that currently includes six advanced programs. Our programs address major diseases that are not well served by currently available therapies and that represent significant commercial markets. We believe that these disease areas are well suited to genomic approaches and that our drug candidates provide the potential for improved therapeutic profiles relative to existing therapies. The following table summarizes key information for our gene product specific drug candidates.

PROGRAM	STATUS	OUR KEY ACHIEVEMENTS	COMMERCIAL RIGHTS
GLAUCOMA			
adrenergic agonist (AGN 195795)	Phase I/IIa Clinical Trial	Identified and validated a specific adrenergic target that affects intraocular pressure. Discovered a specific drug candidate that demonstrates a superior therapeutic profile in animal models relative to current adrenergic therapies.	Allergan(A)
muscarinic agonist	Preclinical	Identified and validated a specific muscarinic target that affects intraocular pressure. Discovered a specific drug candidate that demonstrates a superior therapeutic profile in animal models relative to current muscarinic therapies.	Allergan(B)
CHRONIC PAIN			
GPCR agonist (AGN 197075)	Development Candidate	Identified and validated a specific GPCR as a target for the treatment of chronic pain. Discovered a drug candidate that was shown to be highly efficacious when administered orally in animal models, and does not exhibit the side effects common to pain drugs.	Allergan(A)

PROGRAM	STATUS	OUR KEY ACHIEVEMENTS	COMMERCIAL RIGHTS
SCHIZOPHRENIA			
m1 muscarinic agonist/ dopamine D(2) antagonist	Preclinical	Discovered specific drug candidates with a dual mechanism of action that demonstrate activity when administered orally in animal models of psychosis.	ACADIA
5-HT(2A) inverse agonist	Preclinical	Identified and validated 5-HT(2A) inverse agonism as a therapeutic targeting mechanism for antipsychotic drugs. Discovered specific drug candidates with activity in animal models of psychosis.	ACADIA
ALZHEIMER'S DISEASE			
m1 muscarinic agonist	Preclinical	Discovered specific drug candidates with activity in animal models of psychotic symptoms associated with Alzheimer's disease.	ACADIA

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"Phase I/IIa Clinical Trial" means that our collaborator is conducting a clinical trial designed to provide information on safety and preliminary efficacy in groups of patients.

"Development Candidate" means that our collaborator has nominated a drug candidate for development and is performing toxicology, manufacturing and/or other studies designed to compile data necessary for submission of an IND application to the FDA.

"Preclinical" means that drug candidates have been discovered and evaluated in relevant animal models; these drug candidates meet specified preclinical criteria and are undergoing further preclinical testing designed to enable the selection of a Development Candidate for clinical testing.

"Allergan(A)" indicates that the commercialization of this program is governed by the terms of our September 1997 Collaboration Agreement with Allergan, Inc. discussed under "--Collaboration Agreements."

"Allergan(B)" indicates that the commercialization of this program is governed by the terms of our July 1999 License and Collaboration Agreement with Allergan, Inc. described under "--Collaboration Agreements."

GLAUCOMA

Glaucoma is an eye disease that is associated with the degeneration of the optic nerve. An important factor related to glaucoma is increased fluid pressure within the eye, or intraocular pressure. Initially, glaucoma causes blind spots in the visual field and, if left untreated, can result in blindness. In fact, glaucoma is the second leading cause of blindness. According to the Glaucoma Research Foundation, an estimated 3 million people in the United States and 67 million people worldwide have glaucoma. In 1999, global sales for glaucoma therapeutics totaled $1.8 billion. It is expected that global sales of glaucoma therapeutics will increase significantly as awareness and diagnoses increase and the general population ages. Currently, physicians treat glaucoma with multiple classes of therapeutics to optimize therapy and minimize side effects. Therefore, we believe significant market demand exists for a novel glaucoma therapeutic that offers superior efficacy with minimal side effects.

We have two programs in glaucoma and have formed two collaborations with Allergan, Inc. to develop and commercialize drug candidates from these programs. These drug candidates address different but complementary therapeutic mechanisms and we believe that they provide potential advantages as compared to current therapies.

SPECIFIC ADRENERGIC AGONIST: Adrenergic agonists reduce intraocular pressure and may have neuroprotective effects on the optic nerve. In collaboration with Allergan, we have identified and validated a specific adrenergic gene product that affects the lowering of intraocular pressure and have discovered a development candidate, AGN 195795, that selectively activates this gene product. In a pivotal primate model of glaucoma, our drug candidate demonstrated effects indicative of clinical

efficacy. In addition, studies in other animal models suggest absence of activities indicative of side effects commonly produced by nonselective adrenergic drugs such as sedation and cardiovascular side effects. AGN 195795 has a preclinical profile that is superior to that of currently used adrenergic drugs, suggesting that it may offer potential advantages to patients. A Phase I/IIa placebo controlled, multicenter clinical trial using different dosing regimens has begun at major medical centers in the United States. We anticipate that the analysis from the Phase I/IIa clinical trial will be completed in the second half of 2001.

GENE PRODUCT SPECIFIC MUSCARINIC AGONIST: Specific muscarinic agonists are designed to treat glaucoma by increasing the outflow of ocular fluid, thereby reducing the intraocular pressure. We have identified a specific muscarinic gene product that affects the lowering of intraocular pressure and have discovered lead compounds that selectively activate this gene product. In a pivotal primate model of glaucoma, our drug candidates demonstrate efficacy and a long duration of action, without visual disturbances including pupil contraction. Pupil contraction, which can cause night blindness and other side effects, is believed to be linked to the nonselective action of the drug pilocarpine on muscarinic receptors. The long duration of action and the favorable preclinical side effect profile of our target-specific muscarinic agonist indicates therapeutic benefits as compared to the nonselective drug pilocarpine. Several drug candidates are undergoing further testing in pivotal animal models designed to allow Allergan to select a development candidate and gather data necessary for submission of an IND application to the FDA.

CHRONIC PAIN

Pain can be classified in terms of its duration as either acute or chronic. Chronic pain typically results from a chronic illness or appears spontaneously and persists for undefined reasons. Examples of chronic pain include chronic lower back pain, neuropathic pain and pain resulting from bone cancer or advanced arthritis. Neuropathic pain, a specific type of pain caused by injury to the nerves that sense pain, is a common and growing subset of pain. Common causes include diabetes, HIV and nerve damage. Patients with chronic pain commonly suffer from both the state of physical pain as well as a general decline in the quality of life.

The worldwide market for pain drugs totaled over $16 billion in 1997. In the United States and Western Europe the corresponding market for pain drugs totaled nearly $12 billion. The U.S. market for prescription pain drugs has grown by approximately 15% per year during the past five years due to a number of factors.

The traditional method of treating chronic pain is through opioid painkillers. Although there has been little innovation in the area of opioid painkillers, sales in the United States were approximately $2.5 billion in 1999. Despite widespread clinical use of opioids, such as morphine, pain management remains less than optimal. Opioid painkillers have significant adverse side effects that limit their usefulness, including respiratory depression, nausea, vomiting, dizziness, sedation, mental clouding, constipation, urinary retention and severe itching. In addition, chronic use of opioid painkillers can lead to the need for increasing dosage, and potentially, addiction.

The most common treatments for neuropathic pain are Neurontin, a seizure medication, and antidepressants. Neurontin, in spite of being relatively ineffective, had sales of approximately $900 million in 1999.

SPECIFIC GPCR AGONIST: In collaboration with Allergan, we have identified and validated a specific GPCR as a target for chronic pain. We discovered a novel lead chemistry by ultra high throughput screening of our diverse compound library. Subsequent lead optimization resulted in the discovery of AGN 197075, a small molecule drug that selectively activates this gene product. AGN 197075 was shown to be highly efficacious when administered orally in relevant animal models of pain, suggesting that it may offer potential as a new therapy for chronic pain. In laboratory studies, AGN 197075 does not exhibit common side effects of pain drugs, including sedation and cardiovascular, respiratory and

gastrointestinal effects. Allergan has nominated this drug candidate for development and is conducting toxicology, manufacturing and/or other studies designed to compile data necessary for submission of an IND application to the FDA.

SCHIZOPHRENIA

Schizophrenia is a common form of psychotic illness characterized by disturbances in thinking, emotional reaction and behavior. It is one of the most debilitating mental illnesses known and often requires patients to be under medical care for their entire lives. According to the National Institutes of Health, about 2.7 million people in the United States suffer from schizophrenia, with approximately 300,000 new cases diagnosed each year. Worldwide sales of antipsychotics totaled approximately $3.7 billion in 1999. Annual direct and indirect healthcare costs for schizophrenia are approximately $45 billion in the U.S. and over $100 billion worldwide. Traditional antipsychotic medications fail to treat both cognitive and emotional symptoms and are often associated with severe dose limiting side effects. While the more recently developed atypical antipsychotic drugs exhibit fewer side effects, these drugs are far from optimal. We believe that a significant market opportunity exists for new therapeutics that have improved efficacy, reduced side effects and activity in refractory patients.

We have established two internal programs in schizophrenia, which provide us with multiple drug targets that address different therapeutic mechanisms and disease populations. We believe that our drug candidates provide potential advantages compared to current therapies. We are also complementing these programs through pharmacogenomic studies of schizophrenia patients.

SPECIFIC M1 MUSCARINIC AGONIST/DOPAMINE D(2) ANTAGONISTS: Our studies suggest that m1 agonism and D(2) antagonism may be synergistic antipsychotic mechanisms, and that m1 agonism has the potential to mitigate some of the cognitive side effects of the typical antipsychotics that are currently marketed. Drug candidates from this program are designed to target patients responding to traditional antipsychotic agents. Our discovery efforts have identified compounds that uniquely combine dopamine D(2) antagonism and m1 muscarinic agonism. Subsequent lead optimization resulted in the discovery of gene product specific drug candidates that were selected for preclinical testing. These drug candidates demonstrate IN VIVO activity in animal models of schizophrenia, favorable pharmacokinetic properties and oral bioavailability. We are conducting additional preclinical testing designed to select a drug candidate for clinical development.

SPECIFIC 5-HT(2A) INVERSE AGONISTS: In contrast to currently marketed antipsychotic drugs, selective 5-HT(2A) inverse agonists do not interact with dopamine D(2) or other receptors believed to be responsible for side effects such as motor disorders, emotional flattening and obesity. We believe these drug candidates will target patients not responding, or responding unfavorably, to traditional antipsychotic agents. Our discovery efforts have identified and validated inverse agonism of the 5-HT(2A) receptor as a targeting mechanism that is shared by most of the currently marketed antipsychotic drugs. We have also discovered that these drugs have many other activities that may contribute to their clinical profiles. For example, the typical antipsychotics also have higher potency as dopamine D(2) receptor antagonists, while the newer atypical antipsychotics are more potent as 5-HT(2A) inverse agonists. Employing ultra high throughput screening, we identified novel, proprietary chemistries that are potent and have selectivity as 5-HT(2A) inverse agonists. From these chemistries, our discovery efforts have identified gene product specific drug candidates that were selected for preclinical testing. These drug candidates are potent in animal models of schizophrenia. Hence, we believe that our 5-HT(2A) inverse agonists will exhibit clinical efficacy with fewer side effects than current antipsychotics. Our drug candidates are undergoing preclinical testing designed to select a drug candidate for clinical development.

PHARMACOGENOMIC STUDIES OF ANTIPSYCHOTICS: In collaboration with scientists at the Karolinska Institute, we are studying the relationship between the genomic targets and clinical outcomes in individual schizophrenia patients. There are several different patient groups that suffer from schizophrenia. One way to differentiate these patient groups is to classify them according to their

responsiveness to different types of drugs. Some schizophrenic patients respond well to treatment with haloperidol and similar typical antipsychotics whereas others do not respond to those drugs but do respond to treatment with atypical drugs such as clozapine. We are focusing our initial studies on these two well defined groups of patients. These studies are expected to provide insight into the relative clinical roles of selected targets for different classes of antipsychotic drugs, and how these genomic targets vary in patient populations. Results from these studies will provide information that may be relevant to both of our schizophrenia programs, and the selection of patients for future clinical trials.

ALZHEIMER'S DISEASE

Alzheimer's disease is the most common cause of dementia in older people. A progressively debilitating disease, Alzheimer's disease is most common among older people and its prevalence is increasing significantly as a function of the aging population. An estimated 4 million people in the U.S. over the age of 65 suffer from Alzheimer's disease. Prevalence rates rise from 3% at age 65 to 47% by age 85. By various mechanisms, Alzheimer's disease causes the death of nerve cells within the brains of afflicted patients, resulting in impaired cognitive function and significant changes in mood and behavior. Currently available drugs to treat Alzheimer's disease attempt to substitute for the cholinergic deficit in this disease by inhibiting the enzyme acetylcholinesterase. Because acetylcholinesterase inhibitors indirectly activate all muscarinic receptors, these treatments often lead to dose limiting cardiovascular and gastrointestinal side effects, which may cause some patients to reduce or discontinue use of the drugs. Even with these limitations, these drugs had sales of $600 million in 1999.

One muscarinic receptor, the m1 receptor, is widely believed to be associated with memory and cognition. This has led to the hypothesis that a selective m1 receptor agonist could potentially treat Alzheimer's disease without dose limiting side effects caused by nonselective muscarinic drugs. Due to the ineffectiveness of current therapies, a large market opportunity exists for new entrants with superior levels of efficacy.

SPECIFIC M1 MUSCARINIC AGONIST: We have discovered what we believe is the first uniquely selective series of m1 receptor agonists using our integrated technology platform. Following this discovery, we have engaged in an aggressive chemistry effort, which has resulted in the synthesis of more than 500 analogs, many with improved potency, efficacy and bioavailability in animal models. We have selected gene product specific drug candidates for preclinical testing. These drug candidates have shown behavioral effects in animal models of psychotic symptoms associated with Alzheimer's disease, without evidence of cardiovascular or gastrointestinal side effects, suggesting that they may offer advantages relative to existing treatments. These drug candidates are undergoing additional preclinical testing designed to select a drug candidate for clinical development.

PHARMACOGENOMIC STUDIES OF PATIENTS WITH ALZHEIMER'S DISEASE: In collaboration with scientists at Emory University, we are studying the relationship between the genomic targets and clinical outcomes in individual patients with Alzheimer's disease. Some of these patients respond well to treatment with the acetylcholinesterase inhibitor, donepezil, whereas others do not respond. Hence, the patients may be grouped according to donepezil response/no response criteria. This study design may provide insights into the interindividual genetic variation in target function and how this affects the patient responses to donepezil. Results from these studies may provide information relevant to our Alzheimer's disease program and for the selection of patients in future clinical trials.

OUR RESEARCH PROJECTS

Our integrated technology platform has produced a steady output of new validated targets and related target-specific chemistries that serve as starting points for novel research projects. In addition to our drug discovery programs, which represent advanced efforts employing dedicated chemistry and pharmacology groups and, when relevant, other preclinical capabilities, we also have earlier stage research projects in several different areas. These research projects aim to answer specific scientific

questions using limited personnel resources. When all key criteria have been fulfilled, research projects may be elevated into new drug discovery programs. Some of our more advanced current research projects focus on depression, feeding and obesity, and other indications. We believe that these research projects will continue to supply us with additional drug candidates in the future.

In the area of depression, we have identified a GPCR that is targeted by many marketed antidepressants using our evidence-based approach. Following successful ultra high throughput screening of our diverse compound library, we have available selective chemistries for this potential depression target and we are currently studying the complete pharmacological profile of these chemistries. Antidepressant drugs that interact with the optimal target(s) may produce a quicker onset of action, a higher response rate and fewer side effects than currently available therapies. We are also establishing appropriate behavioral pharmacology models to enable critical animal proof of concept studies.

In the area of feeding and obesity, we have used our evidence-based approach to identify likely GPCR targets. The targets have been used in ultra high throughput screening of our diverse compound library to identify chemical starting points for a potential program. In addition, most of the peptide receptor targets that have been implicated in feeding and obesity have been introduced in ultra high throughput screening of our diverse compound library, searching for agonist chemistries. This has led to the identification of a specifically acting small molecule peptide receptor agonist. Currently, we are seeking to identify the most promising chemical starting point for a potential program by careful pharmacological studies.

In our functional genomics collaboration with Allergan, we have retained development rights to inventions in the adrenergic program for applications in the neuropsychiatric disease area. Through this collaboration, we have identified a variety of unique gene product specific adrenergic leads, which possess attractive pharmacokinetic properties, such as oral bioavailability. We believe that these compounds provide us with the opportunity to explore previously unrealized therapeutic opportunities for adrenergic therapies in the neuropsychiatric area. In this program, we intend to evaluate our gene product specific leads in animal models mimicking various neuropsychiatric conditions, including anxiety/depression, schizophrenia, Alzheimer's disease and attention deficit/hyperactivity disorder.

OUR STRATEGY

Our goal is to discover and develop novel target-specific drugs that address large unmet medical needs. There are six basic elements to our business and scientific strategy:

FOCUS ON DISEASES WITH LARGE UNMET MEDICAL NEEDS THAT ARE WELL SUITED TO GENOMIC APPROACHES.

We use our technology and scientific expertise to understand the genetic basis of drug action. Our internal programs address disorders for which existing therapies interact nonspecifically with several gene targets, leading to side effects. In these areas there is a need to discover small molecule drug candidates that are highly selective for the desired gene target and therefore will have significantly improved therapeutic profiles. We will continue to target diseases that are not well served by currently available medications and which represent some of the largest pharmaceutical markets in the world.

BUILD A LARGE AND DIVERSIFIED PRODUCT PORTFOLIO.

We intend to use our integrated technology platform to generate drug candidates to treat a variety of diseases. We have diversified our drug discovery efforts by pursuing a portfolio of discovery programs and multiple targets and drug candidates both independently and with our collaborators. We believe that the breadth of our programs will reduce the risks inherent in drug discovery and increase the likelihood of commercial success. We intend to pursue a broad range of programs to continue to generate a sustainable pipeline of drug candidates.

ADVANCE SELECTED DISCOVERY PROGRAMS INTERNALLY THROUGH EARLY CLINICAL DEVELOPMENT.

We plan to advance some of our discovery programs through the early stages of clinical development prior to entering collaboration agreements. We believe the varied nature of our drug discovery programs will enable us to internally develop some of our drug candidates to a later stage. For programs that require large resource allocations, we will establish collaborations at an earlier stage of development to leverage the resources and expertise of pharmaceutical partners.

COMMERCIALIZE DRUG CANDIDATES THROUGH LICENSING AND DEVELOPMENT COLLABORATIONS.

We plan to develop and commercialize our drug candidates through additional collaborations with pharmaceutical and biotechnology companies. We intend to evaluate each project on an individual basis and form collaborations at the development stage that we believe optimizes our position while balancing our financial and technical risks.

COMMERCIALIZE OUR INTEGRATED TECHNOLOGY PLATFORM THROUGH FUNCTIONAL GENOMICS COLLABORATIONS.

We intend to leverage our integrated technology platform and scientific expertise by forming functional genomics collaborations with pharmaceutical, biotechnology and other companies. These collaborations will capitalize on our strengths in the areas of target validation, lead discovery and pharmacogenomics. We believe that our technology and expertise may be applied to these and other potential commercial opportunities and provide a potential source of revenues.

EXPAND OUR TECHNOLOGY PLATFORM LEADERSHIP.

We believe that our technology platform which combines genomics, chemistry and biology is superior at identifying novel genomic targets together with their specific chemistries. We will continue to improve the scientific excellence of our integrated technology platform and may license or acquire technologies that complement our core capabilities. We will continue to protect and build on our existing patent portfolio, and also rely on trade secrets to protect our proprietary technologies. In addition, we will continue to recruit highly skilled scientists and collaborate with leading scientific and clinical advisors in each of our program areas.

TECHNOLOGY OVERVIEW

We have built an integrated technology platform that interfaces with our drug discovery capabilities. We believe that our technology platform will continue to efficiently convert genomic information into a flow of novel validated targets and target-specific chemistries, thereby providing us with excellent starting points for additional drug discovery programs. Key components of our technology platform include:

R-SAT FUNCTIONAL ASSAY SYSTEM. Our proprietary Receptor Selection and Amplification Technology, which we call R-SAT, is the foundation of our integrated technology platform. R-SAT is a cell-based assay system that has been broadly applied to measure the ability of drugs to affect the function of gene products. This assay system may be used to measure the ability of a drug to activate or inhibit a wide range of gene products and is useful in assessing the functional relevance of potential drug targets and in predicting the clinical activity of novel drugs.

In our R-SAT assay, a series of potential target genes are mixed together and transferred to cells in culture. In the absence of an added test compound, the cells that take up the genes behave normally. The cells continue to grow only until they encounter another cell, at which point all cellular growth ceases. If a test compound activates the product of one of the genes, the cells that express that gene are able to grow and all other cells in the culture do not grow. The cells with the compound's target are selected and amplified in the culture relative to cells that make the other target genes. In short, the technology uses the principle of genetic selection as a method to evaluate compound/target interactions.

Target genes are mixed with marker genes that change color intensity. The number of marker gene molecules increases as the number of cells that express a target for a given compound increase. As a result, when a compound activates a target the intensity of color increases. In contrast to competing "transcription-based marker gene" assays, our R-SAT technology does not rely on changes in numbers of marker genes within a given cell.

R-SAT FUNCTIONAL ASSAY SYSTEM

CHART

[R-SAT FUNCTIONAL ASSAY SYSTEM: On the left is a line of cells Labeled "t1" through "t6". Beneath these cells is a small hexagon and the text "+ Compound." An arrow points down from here to the same line of cells, t1 through t6, except that there are now many t4 cells replicated below the line of cells. One of these t4 cells is magnified to the right of these graphics and is labeled "Cell." The magnified cell shows the hexagonal compound attached to a cell marked t4 which is linked by two downward arrows to a depiction of cell growth. To the left of these arrows is a double arrow pointing towards the arrows and captioned "Helper Gene." To the right of the magnified cell are three items of text. "Activation of target 4 by compound" is linked by a downward arrow to "Engineered signal" which is linked by a downward arrow to "Cell growth enabled."]

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This diagram depicts six distinct cells, each expressing a different target, targets 1 through 6, which are incubated with a compound. The compound is specific to one of the targets, target 4 in this case, which allows the cell containing the compatible target to grow.

There are a number of features of our R-SAT system that we believe make it a highly efficient and productive tool. First, we have shown that this technology may be broadly applied to a wide range of gene products. Second, we have demonstrated that there is a strong correlation between the functional properties, or pharmacology, as determined by our R-SAT system and events in humans. Third, the technology allows for a group of genes or whole gene families to be tested simultaneously, which we refer to as a multiplex. This feature, combined with the simplicity of our assay format and other factors, allows our tests to be automated and performed at ultra high throughput.

FUNCTIONAL GENOMIC ASSAYS. We have developed what we believe is one of the leading, most comprehensive sets of functional genomic assays for use in our R-SAT system. We currently have more than 250 genomic targets in our assay format, which we refer to as our genomic targets. This set of assays is being expanded on an ongoing basis as new genomic targets are discovered. We prioritize the genomic targets that we believe are most likely to interact with small organic compounds.

Researchers have classified genes into categories, or gene families, based upon similar characteristics. A large number of genes are referred to as receptors, many of which are located on the surface of cells. The largest category of receptors is GPCRs. This gene family is the predominant category of receptors involved in cellular function, and represents the most common targets for many of the world's largest selling pharmaceutical products. We have developed significant expertise in the area of GPCRs and have established this important gene family as our highest priority targets for drug discovery. We have isolated genes for approximately 200 GPCRs and have integrated more than 130 of these into our functional genomic assays. We have also developed assays for members of other gene

families including cytokine receptors, growth factor receptors, nuclear receptors, enzymes and neurotransmitter transporters.

GENOMIC TARGET DISCOVERY. The publicly available genomic databases are rapidly being populated with sequence data from a variety of sources involved in the human genome project. Our scientists search these databases for sequences that are related to known targets of small organic compounds. These searches are yielding large numbers of novel genes that are related in sequence to known genes. Novel genes with no known ligands or function are referred to as orphans. Our initial efforts in the orphan area have focused on genes related to GPCRs. Our scientists have identified many novel orphan GPCRs. Several of these novel genes are selectively expressed in the human brain. To date, we have integrated more than 20 orphan GPCRs into our functional genomics assay format.

ULTRA HIGH THROUGHPUT SCREENING. We have established a state of the art screening infrastructure and capability based on our R-SAT system. The simplicity of our assay format, multiplexing capability, and miniaturization and robotics, make our screening process highly efficient and productive in terms of the numbers of compounds and breadth of genes that can be functionally tested. Our screening infrastructure currently provides for a sustainable capacity of approximately 250,000 functional tests per week and we have achieved a level of over 500,000 functional tests per week. We believe that we can readily expand this capacity. Our screens are normally multiplexed with four to six gene products per test. As a result, our infrastructure provides for more than 1 million compound/gene interactions on a weekly basis.

HIGH THROUGHPUT PHARMACOLOGY AND PROFILING. Many of the competing high throughput technologies either measure the simple binding of compounds to a target or provide only qualitative approximations of function, thereby requiring secondary assays to provide quantitative results. These secondary assays are generally costly and time consuming, creating a bottleneck in the discovery process. In contrast, our R-SAT assay system allows the quantitative and physiologically predictive evaluation of compounds. The potency, efficacy and selectivity of large numbers of compounds from screening can be established rapidly using the same functional assay platform. As a result, our assay system may relieve a major bottleneck that exists in many screening operations.

One important feature of the R-SAT system, when used in high throughput pharmacology, is its ability to accurately measure the full range of potential activities of compounds at gene products. Many assay technologies are unable to distinguish between partial agonists or full agonists, or between inverse agonists and antagonists. In contrast, our R-SAT technology has the ability to reliably and accurately measure the full range of activities.

COMPOUND LIBRARIES. Access to large, high quality libraries of diverse molecular structures is an important aspect of our drug discovery efforts. We have developed a large and diverse compound collection, referred to as our diverse compound library, which we use as a resource to search for compounds with functional activities. Our diverse compound library consists of approximately 200,000 small organic compounds that have been characterized and quality controlled for purity and drug like characteristics. We have collected these compounds from a variety of sources throughout the world including academic medicinal chemistry laboratories, pharmaceutical and biotechnology companies, combinatorial chemistry companies, other commercial suppliers and our own synthetic efforts. In addition, we have a collaboration with ArQule, Inc., and we have integrated more than 500,000 of ArQule's compounds into our screening operation. Our internal combinatorial chemistry expertise provides our library with another source of unique, diverse chemistry. We have developed a convenient combinatorial synthetic method, which allows for the generation of large sublibraries containing hundreds to thousands of analogs with designed diversity.

We have also assembled a collection of over 1,000 compounds with known effects on the central nervous system, which we refer to as our reference drugs. These compounds include many drugs that are currently used to treat various diseases in psychiatry and neurology, and a host of other drugs and research compounds that have important physiological effects on the brain. Our reference drugs, when combined with our profiling capability, provide an important resource to link clinical and physiological effects of drugs with genomic targets.

GENOMIC/PHARMACOLOGY DATABASE. Using our evidence-based approach, our goal is to measure the potency and efficacy of our reference drugs against a range of genomic targets using our R-SAT system. Through these efforts, we are seeking to generate an extensive set of central nervous system, or CNS, drug/gene product interactions that will reside in our genomic/pharmacology database. Because the majority of current CNS drugs were discovered before their genetic targets were identified, the molecular mechanisms of their therapeutic and adverse effects are poorly understood. We believe that by combining our database with existing clinical knowledge, our evidence-based approach will result in important correlations between gene/drug interactions and clinical responses. Our database also contains information on proprietary chemistries that target individual gene products. These chemistries provide tool compounds for the validation of genomic targets and starting points for our drug discovery programs.

LEAD OPTIMIZATION AND PRECLINICAL DEVELOPMENT. The properties of a lead compound must generally be improved before selection of a development candidate for further preclinical testing and clinical development. Using our R-SAT system, we evaluate the pharmacology of new analogs IN VITRO. This high throughput pharmacology capability provides our scientists with a powerful tool to streamline the lead optimization process, removing a traditional bottleneck in the drug discovery process. We complement this pharmacology capability by our strength in combinatorial and medicinal chemistry, which allows for the design and production of a large number of optimized analogs. Sufficiently potent, efficacious and selective compounds are further evaluated using standard pharmacological models, pivotal disease models, and relevant gene knockout animal models. We have established expertise in drug metabolism and pharmacokinetics, including bioanalytical chemistry, which allows us to efficiently optimize the properties of our drug candidates. We complement our internal pharmacology and preclinical development capabilities through collaborations with leading academic laboratories and clinical research organizations.

PHARMACOGENOMICS. We are applying our integrated technology platform to the area of pharmacogenomics using two approaches. The first approach seeks to leverage proprietary information concerning the genomic targets of many neuropsychiatric drugs. We sequence these specific targets in populations of patients with relevant neuropsychiatric diseases. As we identify genetic variations in these targets, we are testing the consequences of these variations on the functional and pharmacological effects of relevant neuropsychiatric drugs. Our second approach applies our functional genomics technology to the analysis of genes isolated from individual patients. The functional and pharmacological effects of drugs can be evaluated using patient DNA as a starting point. By using this approach, we believe that potential differences in therapeutic response and toxicity may be predicted prior to a patient's initial exposure to a drug. Together, these approaches will provide a broad insight concerning the influence that variation in genomic targets has on the clinical responses to many neuropsychiatric drugs.

COLLABORATION AGREEMENTS

We have established and intend to continue to pursue both licensing and development collaborations and functional genomics collaborations with pharmaceutical and biotechnology companies to commercialize our integrated drug candidates and our technology platform. Our collaborations may include up front payments at initiation of the collaboration, research support during

the discovery term, milestone payments upon successful completion of specified development milestones, and royalties based upon sales, if any, of drugs developed under the collaboration. Our current collaboration agreements are as follows:

ALLERGAN, INC.

LICENSING AND DEVELOPMENT COLLABORATION. In July 1999, we entered into a license and collaboration agreement with Allergan, a global health care company providing eye care and specialty pharmaceutical products. This collaboration provides for the development and commercialization of drugs for glaucoma based on our proprietary and gene product specific muscarinic lead compounds. Under the agreement, we provide our expertise in medicinal chemistry and high throughput pharmacology for a two year period to enable the selection of up to two development candidates for clinical development and commercialization by Allergan. Allergan was granted worldwide rights to products based on our lead compounds for the treatment of ocular disease. In exchange, we are eligible to receive up to approximately $19 million for the first development candidate, in the form of up front fees, research support and milestone payments. We will also receive royalties on future product sales, if any. Allergan also has the right to select a second development candidate, subject to similar milestone and royalty payments to us. The funding and collaborative activities under the license and collaboration agreement, as renewed, will cease in July 2001, unless extended by the parties. The agreement itself terminates six months after the later of ten years from the date of the first sale of the final commercial product developed under the agreement or the expiration of the last patent to expire covering a product developed under the agreement. The agreement may be terminated earlier by Allergan upon 90 days' notice to us, by mutual agreement of the parties, or by either party in the event of a breach by the other party or upon the other party's bankruptcy or insolvency.

FUNCTIONAL GENOMICS COLLABORATION. In September 1997, we established a three year collaboration agreement with Allergan to work jointly and exclusively on target validation and discovery efforts on several potential drug targets. This collaboration was extended in September 2000 for an additional two year period. Allergan has exclusive development and commercialization rights to all therapeutic uses, with the exception that we retain development rights to at least one therapeutic indication for each target. Under the collaboration, we receive research funding. We are also eligible to receive milestone payments of up to $12.5 million for the first product developed for each target as well as royalties on sales of products, if any, resulting from the collaboration. The funding and collaborative activities under the collaboration agreement, as renewed, will cease in September 2002. The agreement itself terminates six months after the later of ten years from the date of the first sale of the final commercial product developed under the agreement or the expiration of the last patent to expire covering a product developed under the agreement. The agreement may be terminated earlier by mutual agreement of the parties, by either party in the event of a breach by the other party or upon the other party's bankruptcy or insolvency, or by Allergan in the event of a change in control of our company. In September 1997, Allergan also made a $6 million equity investment in our company.

ARQULE, INC.

LICENSING AND DEVELOPMENT COLLABORATIONS. In December 2000, we entered into a five year collaborative drug discovery agreement with ArQule, Inc, a company engaged in the discovery, development and production of novel chemical compounds primarily for the pharmaceutical, biotechnology and agrochemical industries. This collaboration is focused on the discovery of drug candidates for selected genomic targets and replaces an earlier material transfer and screening agreement. Under the collaboration, we will combine our integrated technology platform with ArQule's Parallel Track Drug Discovery Program to discover novel small molecule drug candidates directed at individual genomic targets. We will share equally in all future revenues created by our joint discovery programs, including future milestone, royalty and upfront payments resulting from the out licensing of

drug candidates, if any, and we will each obtain selected rights to pursue independent discovery efforts. The collaborative drug discovery agreement terminates in December 2005. However, the agreement may be terminated earlier by mutual agreement of the parties, by either party upon 90 days' notice to the other party, or by either party after a deadlock of the steering committee for the collaboration that lasts 60 days.

In May 2000, we entered into a compound license agreement with ArQule. Under this agreement, we obtained rights to specified ArQule compounds discovered in our earlier material transfer and screening agreement in exchange for milestones and royalties. The compound license agreement terminates six months after the latest date upon which ArQule could receive royalties or fees under the agreement. However, the agreement may be terminated earlier by either us or ArQule in the event of a material breach by the other party.

PAREXEL INTERNATIONAL CORPORATION.

FUNCTIONAL GENOMICS COLLABORATION. In November 2000, we entered into a collaboration agreement with PAREXEL International Corporation, a leading clinical research, medical marketing and consulting services organization, designed to provide pharmacogenomic services to pharmaceutical companies using our integrated technology platform. Under the agreement, PAREXEL will make our pharmacogenomics capabilities and expertise available to potential pharmaceutical customers engaged in clinical trials of drugs for neuropsychiatric disease. We will seek to enter into agreements with these customers to provide our services, including research to identify the genomic targets of their neuropsychiatric drugs in clinical development and how these targets may vary functionally in patient populations. We will be required to make specified payments to PAREXEL based upon the revenues earned under these agreements with pharmaceutical partners, if any. The initial term of the collaborative agreement expires in November 2003, but will be automatically renewed for additional one year periods unless we or PAREXEL object to a renewal with 90 days' notice to the other party.

INTELLECTUAL PROPERTY

We will be able to protect our technology from unauthorized use by third parties only to the extent that it is covered by valid and enforceable patents or are effectively maintained as trade secrets. Accordingly, patents or other proprietary rights are an essential element of our business. We have three issued patents and nine pending patent applications in the United States covering novel target-specific small molecule drug candidates. In addition, we have received patents in 13 foreign countries on our R-SAT technology and have 16 foreign patent applications and one international patent application pending that cover our R-SAT technology or novel compounds identified using this technology. Our policy is to file patent applications to protect technology, inventions and improvements to inventions that are commercially important to the development of our business. We seek United States and international patent protection for a variety of technologies, including: new screening and chemistry methodologies and other research tools; targeting mechanisms that are associated with disease states identified in our screens; and lead compounds that interact with these other targets. We also intend to seek patent protection or rely upon trade secret rights to protect other technologies that may be used to discover and validate targets and that may be used to identify and develop novel drugs. We seek protection, in part, through confidentiality and proprietary information agreements. We are a party to various other license agreements that give us rights to use technologies in our research and development.

COMPETITION

We face, and will continue to face, intense competition from pharmaceutical and biotechnology companies, as well as numerous academic and research institutions and governmental agencies, both in the United States and abroad. We compete with existing and new products being developed by our

competitors. Some of our competitors are using functional genomics technologies or other methods to identify and validate drug targets and to discover novel small molecule drugs. Some of these competitors are pursuing the development of pharmaceuticals that target the same diseases and conditions that our research programs target. Many of our competitors and their collaborators have significantly greater experience than we do in the following:

- identifying and validating targets;

- screening compounds against targets;

- preclinical and clinical trials of potential pharmaceutical products; and

- obtaining FDA and other regulatory clearances.

In addition, many of our competitors and their collaborators have substantially greater advantages in the following areas:

- capital resources;

- research and development resources;

- manufacturing;

- sales and marketing; and

- production facilities.

Smaller companies also may prove to be significant competitors, particularly through proprietary research discoveries and collaborative arrangements with large pharmaceutical and established biotechnology companies. Many of our competitors have products that have been approved or are in advanced development. We face competition from other companies, academic institutions, governmental agencies and other public and private research organizations for collaborative arrangements with pharmaceutical and biotechnology companies, in recruiting and retaining highly qualified scientific and management personnel and for licenses to additional technologies.

Our competitors, either alone or with their collaborators, may succeed in developing technologies or drugs that are more effective, safer, more affordable or more easily administered than ours and may achieve patent protection or commercialize drugs sooner than us. Developments by others may render our product candidates or our technologies obsolete. Our failure to compete effectively could have a material adverse effect on our business.

GOVERNMENT REGULATION

The manufacturing and marketing of our potential products and our ongoing research and development activities are subject to extensive regulation by numerous governmental authorities in the United States and other countries. Before marketing in the United States, any drug developed by us must undergo rigorous preclinical testing and clinical trials and an extensive regulatory clearance process implemented by the FDA under the federal Food, Drug, and Cosmetic Act. The FDA regulates, among other things, the development, testing, manufacture, safety, efficacy, record keeping, labeling, storage, approval, advertising, promotion, sale and distribution of biopharmaceutical products. None of our product candidates has been approved for sale in the United States or any foreign market. The regulatory review and approval process, which includes preclinical testing and clinical trials of each product candidate, is lengthy, expensive and uncertain. Securing FDA approval requires the submission of extensive preclinical and clinical data and supporting information to the FDA for each indication to establish a product candidate's safety and efficacy. The approval process takes many years, requires the expenditure of substantial resources, involves postmarketing surveillance, and may involve ongoing requirements for postmarketing studies. Before commencing clinical investigations in humans, we or

our collaborators must submit to, and receive approval from, the FDA of an Investigational New Drug application. We have in the past and may in the future rely on some of our collaborators to file Investigational New Drug applications and generally direct the regulatory approval process for many of our potential products.

Clinical testing must meet requirements for institutional review board oversight, informed consent and good clinical practices. Clinical testing must be conducted under FDA oversight. Before receiving FDA clearance to market a product, we or our collaborators must demonstrate that the product is safe and effective on the patient population that will be treated. If regulatory clearance of a product is granted, this clearance will be limited to those disease states and conditions for which the product is useful, as demonstrated through clinical studies. Marketing or promoting a drug for an unapproved indication is generally prohibited. Furthermore, clearance may entail ongoing requirements for postmarketing studies. Even if this regulatory clearance is obtained, a marketed product, its manufacturer and its manufacturing facilities are subject to continual review and periodic inspections by the FDA. Discovery of previously unknown problems with a product, manufacturer or facility may result in restrictions on this product or manufacturer, including costly recalls or withdrawal of the product from the market.

Any drug is likely to produce some toxicities or undesirable side effects in animals and in humans when administered at sufficiently high doses and/or for sufficiently long periods of time. Unacceptable toxicities or side effects may occur at any dose level at any time in the course of studies in animals designed to identify unacceptable effects of a drug candidate, known as toxicological studies, or clinical trials of our potential products. The appearance of any unacceptable toxicity or side effect could cause us or regulatory authorities to interrupt, limit, delay or abort the development of any of our product candidates and could ultimately prevent their clearance by the FDA or foreign regulatory authorities for any or all targeted indications.

We and our collaborators and contract manufacturers are also are required to comply with the applicable FDA current good manufacturing practice regulations. Good manufacturing practice regulations include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation. Manufacturing facilities are subject to inspection by the FDA. These facilities must be approved before we can use them in commercial manufacturing of our products. We or our collaborators or contract manufacturers may not be able to comply with the applicable good manufacturing practice requirements and other FDA regulatory requirements. If we or our collaborators or contract manufacturers fail to comply, our business, financial condition and results of operations may be materially adversely affected.

Outside the United States, our collaborator's ability to market a product is contingent upon receiving a marketing authorization from the appropriate regulatory authorities. The requirements governing the conduct of clinical trials, marketing authorization, pricing and reimbursement vary widely from country to country. At present, foreign marketing authorizations are applied for at a national level, although within the European Community, or EC, registration procedures are available to companies wishing to market a product in more than one EC member state. If the regulatory authority is satisfied that adequate evidence of safety, quality and efficacy has been presented, a marketing authorization will be granted. This foreign regulatory approval process involves all of the risks associated with FDA clearance discussed above.

MARKETING, SALES & MANUFACTURING

We currently have no marketing, sales, distribution or manufacturing capabilities. In order to commercialize any of our product candidates, we must make arrangements with our collaborators or other third parties to provide these services or internally develop these capabilities. Our agreements with Allergan call for Allergan to provide these services and to arrange for the manufacture of

sufficient quantities of our product candidates for use in preclinical and clinical trials. Our future programs may be conducted independently or with a collaborator who does not provide these services, in which case we will be required to retain contract manufacturers for our product candidates or obtain from third parties the components of product candidates and bulk chemical materials. In the event that we elect to manufacture any of our future products internally, we will have to add manufacturing facilities and personnel. In the event we choose to market any of our future products directly, we must develop a marketing and sales force with technical expertise and with supporting distribution capabilities.

EMPLOYEES

At November 30, 2000, we had 89 full time employees, of whom 34 hold Ph.D. and/or other advanced degrees. Of our total workforce, 74 are engaged in research and development activities and 15 are engaged in business development, finance and administration. None of our employees is represented by a collective bargaining agreement, nor have we experienced work stoppages. We believe that our relations with our employees are good.

FACILITIES

Our primary facilities consist of approximately 34,000 square feet of research and office space located in San Diego, California that is leased to us until 2005. We have an option to renew this lease for one additional period of 5 years. We also have approximately 14,500 square feet of research and office space located in Glostrup, Denmark leased until 2002. We believe that our existing facilities are adequate for our current needs. When our leases expire, we may look for additional or alternate space for our operations and we believe that suitable additional or alternative space will be available in the future on commercially reasonable terms.

LEGAL PROCEEDINGS

We are not currently a party to any legal proceedings.

SCIENTIFIC ADVISORY BOARD

We utilize scientists and physicians to advise us on scientific and medical matters as part of our Scientific Advisory Board, or SAB, including experts in human genetics, mouse genetics, molecular biology, biochemistry, cell biology, chemistry, pharmacology, structural biology and pharmaceutical discovery and development. Generally, each of our scientific consultants has received an option to purchase shares of our common stock.

TAMAS BARTFAI, PH.D. is Director of the Harold L. Dorris Neurological Research Center at the Scripps Research Institute of La Jolla, California and holds the Harold L. Dorris Chair in Neuroscience. He also holds the chair of Medical Chemistry at the Karolinska Institute, Stockholm. His more than 27 years of experience in neuroscience includes both academic and pharmaceutical settings. Until recently, he was Head of Central Nervous System research at Hoffmann-La Roche, Basel. Much of his professional career was spent as a professor at Stockholm University, most recently as the Chairman of the Department of Neurochemistry and Neurotoxicity. His expertise extends into the areas of peptide neurobiology and muscarinic acetylcholine receptors and he has made significant contributions to understanding the molecular and biochemical basis of cognition and the molecular basis of fever and other neuroinflammatory states. He has been involved in the development of several central nervous system drugs in neurology and psychiatry as consultant to major pharmaceutical corporations.

HENRY BOURNE, M.D. has made significant contributions to the understanding of the signaling pathways used by GPCRs. Dr. Bourne's research has focused on transmembrane signaling mediated by G proteins, and his research played a key role in identifying the role of cyclic AMP, or cAMP, in cellular function. His laboratory studies also characterized various unique G protein subunits, which define distinct signaling pathways within the cell. He is Professor of Medicine and Pharmacology and a Senior Staff Member of the Cardiovascular Research Institute at the University of California at San Francisco. He is a member of the National Academy of Sciences and a Fellow of the American Association for the Advancement of Science, and he is on the Board of Reviewing Editors of SCIENCE magazine.

ARVID CARLSSON, M.D., PH.D. is the most recent winner of the Nobel Prize in medicine. He is Professor Emeritus of Pharmacology at University of Goteborg, Sweden, and is a member of the Royal Swedish Academy of Sciences and a foreign associate member of the US National Academy of Sciences. Dr. Carlsson's research has changed the understanding of the molecular basis of several major neuropsychiatric diseases, including Parkinson's disease, depression and schizophrenia. He is an author on several hundred peer reviewed journal articles and the recipient of numerous awards, including the Nobel Prize, the Japan Prize in Psychology and Psychiatry, The Research Prize of the Lundbeck Foundation in Denmark and the Lieber Prize for research in schizophrenia in the United States.

MARC G. CARON, PH.D. is James B. Duke Professor of Cell Biology and Medicine at Duke University Medical Center and Investigator at Howard Hughes Medical Institute. His research focuses on the molecular study of receptors for neurotransmitters and hormones. He is the recipient of numerous awards such as the DuPont Prize for Receptor Research and the Javits Neuroscience Award. Dr. Caron has served on editorial boards of a number of journals including JOURNAL OF BIOLOGICAL CHEMISTRY and MOLECULAR PHARMACOLOGY. He is currently Associate Editor in Chief of ENDOCRINE REVIEWS and Associate Editor of BIOCHEMISTRY.

ROBERT E. DAVIS, PH.D. is a consultant to our company. Previously, he was President and Chief Scientific Officer of MitoKor, a development stage biopharmaceutical company. Earlier in his career, Dr. Davis served as Director of Neurodegenerative Diseases Research at Warner-Lambert Company where he was instrumental in the development of Cognex, the first FDA approved therapy for Alzheimer's disease. Dr. Davis serves on the editorial board of NEUROBIOLOGY OF AGING, CURRENT OPINIONS IN INVESTIGATIONAL DRUGS and EMERGING THERAPEUTICS. His awards include the National Research Award

from the National Institute of Alcohol Abuse and Alcoholism and the Leadership in Research Award from the Alzheimer Association.

BRIAN KOBILKA, M.D. is Professor of Medicine and Molecular and Cellular Physiology at Stanford University Medical School. He is also an Associate Investigator of the Howard Hughes Medical Institute. Dr. Kobilka is an expert in the study of adrenergic receptor function. He has received several awards, including the Syntex Prize in Receptor Pharmacology, the John Jacob Abel Award from the American Society for Pharmacology and Experimental Therapeutics, and the Young Investigator Award from the Western Society for Clinical Investigation.

LESLIE L. IVERSEN, PH.D. is also a member of our clinical advisory board and is the chairman of our board of directors. For a description of his scientific background, please see "Management."

POVL KROGSGAARD-LARSEN, PH.D. is also a member of our board of directors. For a description of his scientific background, please see "Management."

CLINICAL ADVISORY BOARD

In addition to our SAB, we utilize a number of scientists and physicians to advise us on scientific and medical matters as part of our Clinical Advisory Board. Generally, each of our clinical advisors has received an option to purchase shares of our common stock.

ALLAN I. LEVEY, M.D., PH.D. is Professor of Neurology, Psychiatry and Behavioral Sciences and Pharmacology at Emory University and Vice-Chairman of the Department of Neurology. He is also Director of the Emory Center for Neurodegenerative Diseases and the Alzheimer's Disease Center. Dr. Levey has done extensive research in the molecular neurobiology of Alzheimer's and Parkinson's diseases including animal models, diagnostics and clinical trials. He has received numerous awards, including the Alzheimer's Association Faculty Scholar Award, the Derek Denny-Brown Neurological Scholar Award from the American Neurological Association and the Heikkila Research Scholar Award from the National Parkinson Foundation.

HERBERT Y. MELTZER, M.D., is Bixler Professor of Psychiatry and Pharmacology and Director of the Division of Psychopharmacology at the Vanderbilt University School of Medicine. Dr. Meltzer's major research interests are the neurochemistry and psychopharmacologic treatment of schizophrenia, the mechanism of action of antipsychotic drugs, and suicide and cognitive studies in schizophrenic patients. His awards include the Daniel Efron Research Award of the American College of Neuropsychopharmacology, the Lieber Prize from NARSAD, Stanley Dean Award of the American College of Psychiatry and the Gold Medal Award of the Society of Biological Psychiatry, the Research Prize of the American Foundation for Suicide Prevention, the Paul Hoch Distinguished Service Award from the American College of Neuropsychopharmacology, the Sachar Award from Columbia University and the Kobe Award from the Commonwealth of Pennsylvania. Dr. Meltzer is President-elect of the Collegium Internationale Neuropsychopharmacologicum and past president of the American College of Neuropsychopharmacology.

CHARLES NEMEROFF, M.D., PH.D. is currently the Reunette W. Harris Professor and Chairman of the Department of Psychiatry and Behavioral Sciences at Emory University. His research has concentrated on the biological basis of the major neuropsychiatric disorders, including affective disorders, Alzheimer's disease, schizophrenia, and anxiety disorders. His numerous honors include the Gold Medal Award from the Society of Biological Psychiatry, the Research Prize from the American Psychiatric Association, the Selo Prize from the National Alliance for Research in Schizophrenia and Depression and the Research Award in Mood Disorders from the American College of Psychiatrists. Dr. Nemeroff is past President of the American College of Neuropsychopharmacology.

ARVID CARLSSON, M.D., PH.D. is also a member of our scientific advisory board. For his scientific background, please see "Scientific Advisory Board."

LESLIE L. IVERSEN, PH.D. is also a member of our scientific advisory board and is the chairman of our board of directors. For a description of his scientific background, please see "Management."

EXECUTIVE OFFICERS AND DIRECTORS

Set forth below is the name, age, position and a brief account of the business experience of each of our executive officers and directors.

NAME	AGE	POSITION
Uli Hacksell, Ph.D.	50	Chief Executive Officer and Director
Mark R. Brann, Ph.D.	42	President, Chief Scientific Officer and Director
Thomas H. Aasen	40	Vice President, Chief Financial Officer, Secretary and Treasurer
Leslie L. Iversen, Ph.D.	63	Director and Chairman of the Board
Thomas Eklund(1)	33	Director
Arne J. Gillin(1)	43	Director
Carl L. Gordon, Ph.D., CFA(1)(2)	36	Director
Lester J. Kaplan, Ph.D., D.Sc.(2)	50	Director
Povl Krogsgaard-Larsen, Ph.D.	59	Director
Torsten Rasmussen(2)	56	Director

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(1) Member of the audit committee.

(2) Member of the compensation committee.

ULI HACKSELL, PH.D. joined us as our Executive Vice President of Drug Discovery in February 1999 and was elected Chief Executive Officer in September 2000. He became a member of our board of directors in October 2000. From August 1991 to February 1999, Dr. Hacksell held various senior executive positions at Astra, a pharmaceutical company, including Vice President of Drug Discovery and Technology as well as President of Astra Draco, one of Astra's largest research and development subsidiaries, where he directed an organization of more than 1,100 employees. From August 1991 to May 1994, he served as Vice President of CNS Preclinical R&D at Astra Arcus, another subsidiary. Earlier in his career, Dr. Hacksell held the positions of professor of Organic Chemistry and Chairman at Uppsala University in Sweden and also served as Chairman and Vice Chairman of the European Federation of Medicinal Chemistry. Dr. Hacksell received a Master of Pharmacy and a Ph.D. in Medicinal Chemistry at Uppsala University.

MARK R. BRANN, PH.D. is our founder and has served as our President and Chief Scientific Officer and a member of our board of directors since January 1997. Prior to founding our company and from 1991 to 1996, Dr. Brann was a tenured Associate Professor at the University of Vermont. He also directed a research group at the National Institutes of Health, where he received the Boehringer award for his accomplishments in identifying and characterizing muscarinic receptor genes. He is on the editorial boards of two international scientific journals and is also an Adjunct Associate Professor at the University of California, San Diego. Dr. Brann received his Ph.D. in Pharmacology from the University of Vermont.

THOMAS H. AASEN has served as our Vice President, Chief Financial Officer, Secretary and Treasurer since April 1998. From June 1996 to April 1998, Mr. Aasen held the position of Senior Director of Finance and Administration at Axys Pharmaceuticals, formerly called Sequana Therapeutics, Inc. From October 1991 to June 1996, he served as Director of Finance at Genta, Inc., a life sciences company. Earlier in his career, Mr. Aasen held various financial positions including Director of Accounting at Gen-Probe, Inc., a life sciences company, and Audit Manager at KPMG Peat Marwick. He has eighteen years of professional finance and accounting experience focused primarily on the life sciences industry. Mr. Aasen received his B.S. degree with honors from San Diego State University and is a Certified Public Accountant.

LESLIE L. IVERSEN, PH.D. has served as a director of our company since April 1998 and is a founding member of our Scientific Advisory Board. Dr. Iversen was elected Chairman of our board of directors in December 2000. Since 1999, Dr. Iversen has been a Professor of Pharmacology at King's College, London and Director of the Wolfson Centre for Age Related Diseases. Since 1995, he has also served as a Visiting Professor at the Department of Pharmacology, University of Oxford. Dr. Iversen is internationally recognized for his fundamental contributions to the understanding of neurotransmission. He is a Fellow of the Royal Society of London and a Foreign Associate Member of the US National Academy of Sciences. From 1987 to 1995, Dr. Iversen acted as Vice-President for Neuroscience for Merck Research Laboratories, the research division of the leading international pharmaceutical company Merck & Co., Inc. and, also served as served as Director of the Neuroscience Center of Merck Research Laboratories in the UK from 1983 to 1995. In addition, he was Director of the Medical Research Council, Neurochemical Pharmacology Unit in Cambridge from 1970 to 1983. In 1995, Dr. Iversen founded Panos Therapeutics and currently serves as one of its directors. He received his Ph.D. and B.A. from the University of Cambridge.

THOMAS EKLUND has served as a director of our company since September 2000. Since June 2000, Mr. Eklund has served as Investment Director of Alfred Berg ABN AMRO AB Capital Investment AB, a company organized in Sweden and majority owned by ABN AMRO NV, Netherlands. From June 1992 to May 2000, he had various positions within the Investment Banking division of Handelsbanken, a Swedish universal banking group, including the last three years as Vice President and head of the life science team within corporate finance. Mr. Eklund holds an M.B.A. from Stockholm School of Economics.

ARNE GILLIN has served on our board of directors since January 1997. Since 1993, he has been Vice President of Dansk Kapitalanlaeg, the largest venture capital firm in Denmark. Prior to joining Dansk Kapitalanlaeg, Mr. Gillin's experience included serving as Chief Controller for Volund A/S and as Department Manager for Centralanstalten for Revision/KPMG C. Jespersen, an auditing company. Mr. Gillin also serves on the boards of directors of several other biopharmaceutical and technology companies. He is a State Authorized Public Accountant in Denmark.

CARL L. GORDON, PH.D., CFA has served as a director of our company since June 2000. Since January 1998, Dr. Gordon has been a General Partner of OrbiMed Advisors LLC, a leading institutional healthcare investor. Prior to joining OrbiMed and from March 1995 to December 1997, Dr. Gordon was with Mehta and Isaly, where he was a Senior Analyst covering biotechnology. Dr. Gordon was a Fellow at The Rockefeller University. He received a Ph.D. in molecular biology from the Massachusetts Institute of Technology and a B.A. degree from Harvard University.

LESTER J. KAPLAN, PH.D., D.SC. has served as a director of our company since November 1997. Dr. Kaplan is Corporate Vice President, Science & Technology and President, Research & Development and Global BOTOX-Registered Trademark- and a board member of Allergan, Inc. Dr. Kaplan joined Allergan in 1983 and, prior to being appointed to his current position, was Corporate Vice President, Research and Development from June 1992 to July 1996. Dr. Kaplan was elected to Allergan's board of directors in 1994, and is a member of its Science and Technology Committee. Dr. Kaplan is also a member of the board of directors of Allergan Specialty Therapeutics, Inc., and an Advisory Board Member to the Pediatric Cancer Research Foundation and Healthcare Ventures. Dr. Kaplan received his M.S. and Ph.D. in organic chemistry from the University of California, Los Angeles.

POVL KROGSGAARD-LARSEN, PH.D. has served as a member of both our board of directors and our Scientific Advisory Board since January 1997. Since 1986, Dr. Krogsgaard-Larsen has been Professor of Medicinal Chemistry at the Royal Danish School of Pharmacy and, from 1991 to 1992, was F. Merz-Stiftungsgastprofessor at Goethe University in Frankfurt. He is a medicinal chemist who specializes in the study of compounds for treatment of neurological disorders. He serves on the board of directors of Carlsberg Foundation as a trustee of the Alfred Benzon Foundation and is the recipient

of numerous awards such as the Astra Award, the Paul Erlich Prize and the W.Th. Nauta Award. Dr. Krogsgaard-Larsen is a member of the Royal Danish Academy of Sciences and Letters and the Danish Academy of Natural Sciences. He received his Ph.D. and D.Sc. from the Royal Danish School of Pharmacy and honorary doctorates from Louis Pasteur University and Uppsala University.

TORSTEN RASMUSSEN has served as a director of our company since April 1998. Mr. Rasmussen has been CEO of Morgan Management ApS, a management advisory and consulting company, since 1997. Prior to founding Morgan Management ApS in 1997, Mr. Rasmussen held the position of Executive Vice President, Operations at the LEGO Group (LEGO A/S) in Denmark, since 1981. He currently serves as a board member in the capacity of chairman, deputy chairman or ordinary board member of a number of Danish companies of which the following are quoted on the Danish Stock Exchange: Coloplast A/S, Bang & Olufsen A/S, TK Development A/S, Vestas Wind Systems A/S, Vest-Wood A/S and A/S Det Oestasiatiske Kompagni. Mr. Rasmussen holds an M.B.A. from IMD in Lausanne, Switzerland.

BOARD COMPOSITION

Upon the closing of this offering, in accordance with the terms of our certificate of incorporation, the terms of office of our board of directors will be divided into three classes:

- Class I directors, whose term will expire at the first annual meeting of stockholders following the closing of this offering;

- Class II directors, whose term will expire at the second annual meeting of stockholders following the closing of this offering; and

- Class III directors, whose term will expire at the third annual meeting of stockholders following the closing of this offering.

Our Class I directors will be Mr. Gillin, Dr. Iversen, and Mr. Eklund, our Class II directors will be Dr. Kaplan, Dr. Brann and Mr. Rasmussen and our Class III directors will be Dr. Gordon, Dr. Hacksell and Dr. Krogsgaard-Larsen. At each annual meeting of stockholders, after the initial classification, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one third of the directors. This classification of the board of directors may have the effect of delaying or preventing a change of control or management of our company.

COMMITTEES OF THE BOARD OF DIRECTORS

The audit committee of the board of directors reviews our internal accounting procedures and consults with and reviews the services provided by our independent accountants.

Our compensation committee reviews and makes recommendations to the board concerning compensation and benefits of all of our executive officers, administers our stock option plans and establishes and reviews general policies relating to compensation and benefits of our employees.

DIRECTOR COMPENSATION

Our directors currently receive a cash retainer of $3,000 per year for services on the board of directors or any committee thereof, and directors may be reimbursed for expenses in connection with attendance at board and committee meetings. In addition, all nonemployee directors are eligible to participate in our 2000 nonemployee directors' stock option plan. However, if a nonemployee director is not eligible to receive stock options by reason of the director's obligations to the director's employer

or for any other reason, the director may elect to receive an additional cash retainer of $7,000 for each year.

Our 2000 nonemployee directors' stock option plan provides for automatic stock option grants to nonemployee directors serving on the board. Each person who is elected or appointed for the first time to be a nonemployee director subsequent to the date of this offering will be granted an initial grant on the date of his or her election or appointment to the board to purchase 12,000 shares of our common stock.

The 2000 nonemployee directors' stock option plan also provides that eligible nonemployee directors will, on the day following each annual meeting, automatically receive an annual grant to purchase 3,000 shares of our common stock commencing, as applicable, with the annual meeting in 2002. If, however, the person has not been serving as a nonemployee director for the entire period since the preceding annual meeting, the number of shares subject to the annual grant will be reduced pro rata for each full month period prior to the date of grant during which such person did not serve as a nonemployee director.

The nonemployee director stock options will have a maximum term of ten years and generally must be exercised prior to the earliest of 18 months following the death of the nonemployee director, 12 months from the termination of service on the board by the nonemployee director due to a disability, three months from the termination of the service of the nonemployee director for any other reason, or the expiration of the original term of the stock option. One third of the shares issued under each initial grant of a nonemployee director option vest one year after the date of grant and one twelfth vest on a quarterly basis over the next two years. One quarter of the shares under each annual grant of a nonemployee director option vest each month following the date of grant. All options granted to nonemployee directors will be granted at the fair market value of the common stock on the date of grant.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

EXECUTIVE COMPENSATION

The following table sets forth information concerning the compensation that we will have paid during the fiscal year ended December 31, 2000, to our Chief Executive Officer and each of our other executive officers whose salary and bonus for the fiscal year exceeded $100,000 and who served as an executive officer of ours during the fiscal year.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION		LONG-TERM COMPENSATION	
	SALARY	BONUS	SECURITIES UNDERLYING OPTIONS	ALL OTHER COMPENSATION
Uli Hacksell, Ph.D. ..... Chief Executive Officer	$237,944(1)	$55,310	100,000	$ 8,500(2)
Mark R. Brann, Ph.D. ..... President and Chief Scientific Officer	223,478	44,696	--	8,500(2)
Thomas H. Aasen ..... Vice President and Chief Financial Officer	184,026	48,500	35,000	8,500(2)
Leonard R. Borrmann, Pharm.D. ..... Former Chief Executive Officer(3)	174,559	--	--	166,297

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(1) Dr. Hacksell's salary reflects amounts paid to him as our Executive Vice President before becoming our Chief Executive Officer in September 2000, and amounts paid to him as Chief Executive Officer after September 2000.

(2) Represents matching contribution of $8,500 paid by us to the account of these executive officers in our 401(k) Plan.

(3) Dr. Borrmann resigned as our Chief Executive Officer effective September 20, 2000. Amounts under "All Other Compensation" include a matching contribution of $8,500 paid by us to the account of Dr. Borrmann in our 401(k) Plan and an aggregate of $157,797 in payments to Mr. Borrmann in connection with his separation from us, including continuation of salary, bonus and accrued vacation.

EMPLOYMENT AGREEMENTS AND INDEBTEDNESS OF MANAGEMENT

ULI HACKSELL, PH.D. We entered into an employment letter agreement with Uli Hacksell, Ph.D. dated December 21, 1998, providing for an initial annual salary of $212,835, subject to adjustment from time to time, plus bonuses based upon Dr. Hacksell's individual performance and our financial performance as determined by our board of directors, a signing bonus of $75,000 and an opportunity to acquire 200,000 shares of our common stock under our 1997 stock option plan. Dr. Hacksell's employment letter agreement also provided for reimbursement of specified expenses incurred by Dr. Hacksell in connection with his relocation to San Diego, California in an amount not to exceed $100,000. Under the terms of the agreement, Dr. Hacksell's stock options will become fully vested upon a change of control of our company. In September 2000, Dr. Hacksell was promoted from Executive Vice President of Drug Discovery to the position of Chief Executive Officer and his annual salary was raised to $275,000. If we terminate Dr. Hacksell's employment for reasons other than cause, the employment letter agreement obligates us to pay Dr. Hacksell a severance of the continuation of his salary and other benefits he may be receiving at the time of termination for the one year period following his termination.

In May 2000, we loaned $100,000 to Dr. Hacksell to assist with the purchase of a residence in connection with his relocation to San Diego, California. Under the terms of a Secured Promissory Note dated May 11, 2000, the principal amount of the loan plus accrues interest at prime and will be due and payable at the end of four years, or earlier in the event of a termination of employment.

MARK R. BRANN, PH.D. We entered into an employment agreement with Mark R. Brann, Ph.D. dated January 31, 1997, providing for an initial annual salary of $160,000, subject to adjustment from time to time, plus bonuses to be paid solely at the discretion of our board of directors based on Dr. Brann's achievement of reasonable, measurable performance objectives established by our board of directors at the beginning of each fiscal year. The agreement obligates us, following a termination of Dr. Brann's employment under select circumstances, to pay Dr. Brann a severance of the continuation of his salary and other benefits he may be receiving at the time of termination for the two year period following his termination.

THOMAS H. AASEN. We entered into an employment letter agreement with Thomas H. Aasen, dated March 4, 1998, providing for an initial annual salary of $160,000, subject to adjustment from time to time, plus bonuses based upon Mr. Aasen's individual performance and our financial performance as determined by our board of directors, a signing bonus of $20,000 and an opportunity to acquire 75,000 shares of common stock under our 1997 stock option plan. Under the terms of the agreement, Mr. Aasen's stock options will become fully vested upon a change of control of our company. If we terminate Mr. Aasen's employment for reasons other than cause, we are obligated to pay Mr. Aasen a severance of the continuation of his salary and other benefits he may be receiving at the time of termination for the one year period following his termination.

LEONARD R. BORRMANN, PHARM.D. We entered into an employment letter agreement with Leonard R. Borrmann, Pharm.D., dated April 17, 1998, providing for an initial annual salary of $220,000, subject to adjustment from time to time, plus bonuses to be paid solely at the discretion of our board of directors based on Dr. Borrmann's achievement of reasonable, measurable performance objectives established by our board of directors at the beginning of each fiscal year, a signing bonus of $50,000 and an opportunity to acquire 300,000 shares of our common stock under our 1997 stock option plan. Dr. Borrmann resigned as our Chief Executive Officer effective September 20, 2000. In connection with his resignation, we entered into a separation agreement with Dr. Borrmann that provided for the continuation of salary for an additional year from the date of his resignation, the payment of a bonus for the period of service in 2000 and cash payment of accrued vacation time. The agreement also provides for the acceleration of vesting of options to purchase 31,250 shares of our common stock and that all of Dr. Borrmann's options will remain exercisable until September 2007.

OPTION GRANTS IN 2000

The following table sets forth, as to the named executive officers, information concerning stock options granted to purchase shares of our common stock under our 1997 stock option plan during the fiscal year ended December 31, 2000. Except as otherwise noted below, 25% of the option vests on the one year anniversary of employment and the remainder vest in a series of equal monthly installments beginning on the month following the one year anniversary of employment and continuing over the next three years of service. The percentage of total options is based upon options to purchase an aggregate of 398,250 granted to employees under our 1997 stock option plan in 2000.

Amounts represent the hypothetical gains that could be achieved from the respective options if exercised at the end of the option term and are not predictive of our future gains, if any. These gains are based on assumed rates of stock appreciation of 5% and 10% compounded annually from the date

the respective options were granted to their expiration date based upon an initial public offering price of $, minus the applicable per share exercise price.

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENTAGE OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE PER SHARE	EXPIRATION DATE	5%	10%
Uli Hacksell, Ph.D.	100,000	25.1%	$1.00	10/01/2010		
Mark R. Brann, Ph.D.	--	--	--	--	--	--
Thomas H. Aasen	35,000	8.8	1.00	6/28/2010		
Leonard R. Borrmann, Pharm.D.	--	--	--	--	--	--

2000 YEAR END OPTION VALUES

The following table sets forth information concerning stock options to purchase common stock held at December 31, 2000 by each of the named executive officers.

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 2000		VALUE OF UNEXERCISED IN THE MONEY OPTIONS AT DECEMBER 31, 2000(1)	
NAME	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Uli Hacksell, Ph.D.	91,667	208,333	$	$
Mark R. Brann, Ph.D.	62,500	137,500		
Thomas H. Aasen	50,000	60,000		
Leonard R. Borrmann, Pharm.D.(2)	200,000	--		--

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(1) There was no public trading market for our common stock at December 31, 2000. Accordingly, these values have been calculated on the basis of the assumed initial public offering price of $ per share minus the applicable per share exercise price.

(2) At the time of Dr. Borrmann's resignation, he held options to purchase 200,000 shares of our common stock that are exercisable and will remain exercisable until September 20, 2007 under the terms of his separation agreement.

EMPLOYEE BENEFIT PLANS

1997 STOCK OPTION PLAN. In January 1997, we adopted our 1997 stock option plan. A total of 2,700,000 shares of common stock are authorized for issuance under the 1997 stock option plan, as amended in April 1999 and November 2000. Shares subject to stock options that have expired or otherwise terminated without having been exercised in full again become available for grant.

The 1997 stock option plan permits the grant of options to our directors, officers, other employees and consultants. Options may be either incentive stock options to employees within the meaning of Section 422 of the Internal Revenue Code or nonstatutory stock options. Except in specified circumstances, no person may be granted options covering more than 500,000 shares of common stock in any calendar year.

The 1997 stock option plan is administered by the board of directors. The board may delegate the authority to administer the plan to a committee of directors or to one or more executive officers. In connection with this offering, the board will designate the compensation committee to administer the plan. Subject to the limitations set forth in the plan or limitations created by the board, the administrator has the authority to select the eligible persons to whom option grants are to be made, to

designate the number of shares to be covered by each option, to determine whether an option is to be an incentive stock option or a nonstatutory stock option, to establish vesting schedules, to specify the exercise price of options and the type of consideration to be paid upon exercise and, subject to specified restrictions, to specify other terms of option grants under the plan.

The maximum term of options granted under the plan is ten years. Options granted under the 1997 stock option plan are generally nontransferable. Options granted under the 1997 stock option plan vest at the rate determined by the administrator as specified in the option agreement.

In the event of an acquisition event amounting to a change in control of our ownership as defined in the 1997 stock option plan, our board of directors has the discretion to provide that all outstanding stock options under the plan may be assumed or substituted by the surviving entity. As an alternative or in addition, our board may provide that outstanding options will become exercisable in full at a specified date prior to the change of control and that all unexercised options will terminate immediately prior to the change of control. In addition, options granted to our employees in Denmark under the 1997 stock option plan require the option holders, in some circumstances, to sell all of their shares and other securities of our company upon request by a group of our major stockholders under our amended and restated stockholders agreement on terms negotiated between those major stockholders and the proposed buyer.

Our board of directors may amend or terminate the 1997 stock option plan at any time. Amendments will generally be submitted for stockholder approval to the extent required by applicable law.

At November 30, 2000, we had issued and outstanding under the 1997 stock option plan options to purchase 1,483,404 shares of common stock and 397,117 shares had been purchased upon the exercise of previously held options. The exercise prices for each of these outstanding options ranges from $0.01 per share to $1.50 per share.

2000 EQUITY INCENTIVE PLAN. In December 2000, we adopted our 2000 equity incentive plan. A total of 3,300,000 shares of common stock will be authorized for issuance under the plan and the 1997 stock option plan. There are 2,902,883 shares reserved for issuance under the 2000 equity incentive plan subject to reduction for shares exercised under our 1997 stock option plan. The plan includes an "evergreen" provision providing that an additional number of shares will automatically be added annually to the shares authorized for issuance under the plan and the 1997 stock option plan. The number of shares added at our annual meeting each year beginning in 2002 will be equal to the least of:

- five percent of our outstanding capital stock as of the record date for the applicable annual meeting;

- 1,500,000; and

- an amount determined for such year by our board of directors.

Shares subject to stock awards that have expired or otherwise terminated without having been exercised in full again become available for grant.

The 2000 equity incentive plan permits the grant of options to our directors, officers, other employees and consultants. Options may be either incentive stock options to employees within the meaning of Section 422 of the Internal Revenue Code or nonstatutory stock options. In addition, the plan permits the grant of stock bonuses and rights to purchase restricted stock. Except in specified circumstances, no person may be granted options covering more than 1,000,000 shares of common stock in any calendar year.

The 2000 equity incentive plan is administered by the board of directors or a committee appointed by the board. Subject to the limitations set forth in the plan, the committee has the authority to select the eligible persons to whom award grants are to be made, to designate the number of shares to be covered by each award, to determine whether an option is to be an incentive stock option or a nonstatutory stock option, to establish vesting schedules, to specify the exercise price of options and the type of consideration to be paid upon exercise and, subject to specified restrictions, to specify other terms of awards.

The maximum term of any option granted under the plan is ten years. Incentive stock options granted under the plan are generally nontransferable. Nonstatutory stock options are generally nontransferable, although the applicable option agreement may permit some transfers. Options generally expire three months after the termination of an optionholder's service. However, if an optionholder is permanently disabled, or dies, during his or her service, that person's options generally may be exercised up to 12 months following disability or up to 18 months following death.

The exercise price of options granted under the 2000 equity incentive plan will be determined by the board of directors or committee in accordance with the guidelines set forth in the plan. The exercise price of an incentive stock option cannot be less than 100% of the fair market value of the common stock on the date of grant. The exercise price of a nonstatutory stock option generally cannot be less than 85% of the fair market value of the common stock on the date of grant.

Options granted under the plan vest at the rate determined by the board of directors or committee as specified in the option agreement. The terms of any stock bonuses or restricted stock purchase awards granted under the plan will be determined by the board of directors or committee. The purchase price of restricted stock under any restricted stock purchase agreement will be determined by the board of directors or committee and will not be less than 85% of the fair market value of our common stock on the date of grant. Stock bonuses and restricted stock purchase agreements awarded under the plan will generally be nontransferable, although the applicable award agreement may permit some transfers.

In the event of a corporate transaction amounting to a change of control in our ownership as defined in the 2000 equity incentive plan, all outstanding stock awards under the plan must either be assumed or substituted for by the surviving entity. In the event the surviving entity does not assume or substitute for the stock awards, then the vesting and exercisability of outstanding awards will accelerate prior to the change of control and the awards will terminate to the extent not exercised prior to the change of control.

The board of directors may amend or terminate the 2000 equity incentive plan at any time. Amendments will be submitted for stockholder approval to the extent required by applicable law.

The 2000 equity incentive plan will take effect upon the consummation of this offering.

2000 NONEMPLOYEE DIRECTORS' STOCK OPTION PLAN. In December 2000, we adopted our 2000 nonemployee directors' stock option plan. A total of 200,000 shares of common stock are authorized for issuance under the plan. Shares subject to stock awards that have expired or otherwise terminated without having been exercised in full again become available for grant.

The plan permits the grant of options to our nonemployee directors. Options under the 2000 nonemployee directors' stock option plan may only be nonstatutory stock options. See also the discussion under " --Director Compensation" regarding automatic grants to nonemployee directors under the plan and the terms of those grants.

The plan is administered by the board of directors. Subject to the limitations set forth in the plan, the board has the authority to construe and interpret the plan and options granted under it, and to

establish, amend and revoke rules and regulations for its administration and to specify the terms of options granted under the plan.

In the event of a corporate transaction amounting to a change of control in our ownership as defined in the 2000 nonemployee directors' stock option plan, all outstanding stock awards under the plan must either be assumed or substituted by the surviving entity. In the event the surviving entity does not assume or substitute for the stock awards, then the vesting and exercisability of outstanding awards will accelerate prior to the change of control and the awards will terminate to the extent not exercised prior to the change of control. Amendments to the plan will generally be submitted for stockholder approval to the extent required by applicable law.

The 2000 nonemployee directors' stock option plan will take effect upon completion of this offering.

2000 EMPLOYEE STOCK PURCHASE PLAN. In December 2000, we adopted the 2000 employee stock purchase plan. A total of 150,000 shares of common stock has been reserved for issuance under the purchase plan. The plan includes an "evergreen" provision providing that an additional number of shares will automatically be added annually to the shares authorized for issuance under the plan. The number of shares added at our annual stockholder meeting each year beginning in 2002 will be the least of:

- one percent of our outstanding capital stock;

- 250,000; and

- an amount expressly determined for such year by our board of directors.

The purchase plan is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code. Under the purchase plan, the board of directors may authorize participation by eligible employees, including executive officers, in periodic offerings following the commencement of the purchase plan. The initial offering under the purchase plan will commence on the effective date of this offering and continue for two years thereafter.

Unless otherwise determined by the board of directors, employees are eligible to participate in the purchase plan only if they are employed by us or one of our subsidiaries designated by the board of directors for at least 20 hours per week and are customarily employed for at least five months per calendar year. Employees who participate in an offering may have up to 15% of their earnings withheld pursuant to the purchase plan. The amount withheld is then used to purchase shares of common stock on specified dates determined by the board of directors. The price of common stock purchased under the purchase plan will be equal to 85% of the lower of the fair market value of the common stock at the commencement date of each offering period or the relevant purchase date. Employees may end their participation in the offering at any time during the offering period, and participation ends automatically upon termination of employment.

In the event of a merger, reorganization, consolidation or liquidation, or other change of control, each right to purchase common stock will be assumed or an equivalent right substituted by the successor corporation. In the event that the rights are not assumed or substituted, then all sums collected by payroll deductions will be applied to purchase stock immediately prior to such merger or other transaction. The board of directors has the authority to amend or terminate the purchase plan, provided however, that no such action may adversely affect any outstanding rights to purchase common stock.

The 2000 employee stock purchase plan will take effect upon completion of this offering.

401(k) PLAN. We adopted a 401(k) Plan effective January 1, 1997. All regular employees who are 21 years or older, with the exception of post doctoral training fellows and graduate student training

fellows, are eligible to participate in the plan on the first day of January, April, July or October following their date of hire. These participants may contribute up to 15% of their current compensation, subject to a statutorily prescribed annual dollar limit set by the IRS. Participant contributions are held in a trust as required by law. Individual participants may direct the trustee to invest their accounts in authorized investment alternatives. We make matching contributions to the 401(k) Plan on behalf of each participant in an amount equal to 100% of the participant's salary reduction contributions up to 5% of the participant's annual compensation. In addition, we may make discretionary and special contributions each year, although we have not done so to date. Each participant is fully vested in his or her salary reduction contributions and our matching and special contributions to the 401(k) Plan. We adopted the Safe Harbor Contribution Plan Amendment in January 1999. The 401(k) Plan is intended to qualify under Section 401(a) of the Internal Revenue Code so that contributions to the 401(k) Plan, and income earned on such contributions, are not taxable to participants until withdrawn or distributed from the 401(k) Plan.

RELATED PARTY TRANSACTIONS

The following is a description of transactions since January 1, 1997 to which we have been a party and in which any director, executive officer or holder of more than 5% of our capital stock had or will have a direct or indirect material interest, other than compensation arrangements, which are described under "Management." See "Principal Stockholders" for more detail regarding the relationship of these parties to our directors, executive offers and principal stockholders.

The following executive officer and principal stockholders purchased securities in the amounts and on the dates shown:

PURCHASER	COMMON STOCK	SERIES A PREFERRED STOCK(1)	SERIES B PREFERRED STOCK(2)	SERIES C PREFERRED STOCK(3)	SERIES D PREFERRED STOCK(4)	SERIES E PREFERRED STOCK(5)	WARRANTS(6)	WARRANTS(7)	WARRANTS(8)
EXECUTIVE OFFICER									
Mark R. Brann, Ph.D., President, Chief Scientific Officer and Director(9).....	1,523,088	--	--	--	--	--	--	--	--
PRINCIPAL STOCKHOLDERS									
Danske Kapitalanlaeg Aktieselskab(10)....	58,824	588,235	176,471	--	185,000	400,000	58,824	58,824	41,607
Kommunernes Pensionsforsikring A/S(10).....	58,824	588,235	176,471	--	185,000	400,000	58,824	58,824	41,607
Lonmodtagernes Dyrtidsfond(10).....	58,824	588,235	176,471	--	185,000	266,667	58,824	58,824	41,607
BankInvest affiliates(10).....	58,824	588,235	176,471	--	--	--	58,824	58,824	41,607
Allergan Sales, Inc.....	--	--	--	1,000,000	--	--	--	--	33,151
ABN AMRO Ventures B.V.....	--	--	--	--	750,000	--	--	--	--
OrbiMed Advisors LLC affiliates.....	--	--	--	--	--	666,667	--	--	--
Hambrecht & Quist Capital Management, Inc. and affiliates.....	--	--	--	--	--	666,667	--	--	--
S.V. Penelope Jones, Ph.D.(11).....	147,936	--	--	--	--	--	--	--	--
OTHER TRANSACTION INFORMATION									
Price per share.....	Various	$ 2.55	$ 4.00	$ 6.00	$ 6.75	$ 7.50	--	--	--
Date(s) of purchase...	Various	2/97	8/97	9/97	8/98	5/00, 6/00	2/97	2/97	--

INFORMATION	
Price per share.....	--
Date(s) of purchase...	3/98

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(1) In February 1997, we sold in a private placement 2,372,548 shares of Series A preferred stock in exchange for an aggregate purchase price of $6,049,997 in cash. The shares of Series A preferred stock were sold under a Series A preferred stock purchase agreement dated February 3, 1997. Upon the closing of this offering, each share of Series A preferred stock will be converted into one share of common stock.

(2) In August 1997, we sold in a private placement 738,384 shares of Series B preferred stock in exchange for an aggregate purchase price of $2,953,536 in cash. The shares of Series B preferred stock were sold under a Series B preferred stock purchase agreement dated August 12, 1997.

Upon the closing of this offering, each share of Series B preferred stock will be converted into one share of common stock.

(3) In September 1997, we sold in a private placement 1,000,000 shares of Series C preferred stock to Vision Pharmaceuticals L.P., now Allergan Sales, Inc., in exchange for an aggregate purchase price of $6,000,000 in cash. The shares of Series C preferred stock were sold under a stock purchase agreement dated September 24, 1997. Upon the closing of this offering, each share of Series C preferred stock will be converted into one share of common stock.

(4) In August 1998, we sold in a private placement 1,581,653 shares of Series D preferred stock in exchange for an aggregate purchase price of $10,676,158 in cash. The shares of Series D preferred stock were sold under a Series D preferred stock purchase agreement dated August 26, 1998. Upon the closing of this offering, each share of Series D preferred stock will be converted into one share of common stock.

(5) In May and June 2000, we sold in a private placement 2,933,335 shares of Series E preferred stock in exchange for an aggregate purchase price of $22,000,013 in cash. The shares of Series E preferred stock were sold under a Series E preferred stock purchase agreement dated May 5, 2000. Upon the closing of this offering, each share of Series E preferred stock will be converted into one share of common stock.

(6) In February 1997 in connection with our Series A preferred stock financing, we issued warrants to purchase an aggregate of 237,257 shares of our common stock at an exercise price of $6.00 per share, which warrants were exercised in December 1997.

(7) In February 1997 in connection with our Series A preferred stock financing, we issued warrants to purchase an aggregate of 237,257 shares of our common stock at an exercise price of $12.00 per share, which warrants remain unexercised. These warrants expire in February 2002.

(8) In March 1998, we issued warrants to purchase an aggregate of 202,043 shares of our common stock at an exercise price of $15.00 per share. These warrants expired in June 2000.

(9) The shares of common stock acquired by Dr. Brann were issued upon our reincorporation in January 1997 in Delaware. We were previously incorporated in Vermont. Dr. Brann originally acquired 250 shares of common stock of the Vermont corporation for $250 in cash, which shares were exchanged for the shares of our common stock described above. 687,575 shares of common stock were subsequently transferred by Dr. Brann to S.V. Penelope Jones, Ph.D.

(10) The shares of common stock purchased by these stockholders and their affiliates were issued in December 1997 upon the exercise of the warrants described in footnote (6) above.

(11) The shares of common stock acquired by Dr. Jones were issued upon the exercise of stock options granted under our 1997 stock option plan at an aggregate exercise price of $1,479.

We entered into other agreements in connection with the purchases of our preferred stock described above. Under one of these agreements, our amended and restated stockholders agreement, some of our stockholders acquired registration rights. See "Description of Capital Stock--Registration Rights" for a description of these registration rights. Further, we agreed with our stockholders on restrictions on the issuance and transfer of shares of our capital stock, rights of first refusal, voting rights relating to the election of directors and provisions requiring all parties to the agreement to sell their shares if requested by a group of major stockholders, all of which restrictions and rights are not applicable to, and will terminate upon the closing of, this offering. Similarly, our purchase agreement with Vision Pharmaceuticals L.P., now Allergan Sales, Inc., included a right of first refusal which is not applicable to, and will terminate upon the closing of, this offering.

In January and February 1999 and in connection with our Series A preferred stock financing, Dr. Brann assigned his intellectual property rights relating to mass drug screening and related technology to us.

In July 1999, we entered into a collaborative research, development and license agreement with Allergan, Inc., Allergan Sales, Inc. and Allergan Pharmaceuticals (Ireland) Limited, Inc., related to our muscarinic glaucoma program. In September 1997, we entered into a collaboration research, development and license agreement with Allergan, Inc. and Vision Pharmaceuticals L.P., now Allergan Sales, Inc., related to our functional genomics and discovery efforts. One provision of the September 1997 agreement grants Allergan limited rights of negotiation in the event of a proposed acquisition of our company. For a more detailed discussion of our agreements with Allergan, refer to "Business--Collaborations."

Mr. Eklund, a member of our board of directors, held various positions from June 1992 to May 2000 within the Investment Banking division of Handelsbanken, a Swedish universal banking group. In August 1998, Handelsbanken served as placement agent in our Series D preferred stock financing and received a placement agent fee of $413,000.

Dr. Iversen, a member of our board of directors, and his wife, Susan Iversen, Ph.D., are currently employed by Oxford University. Oxford University has provided pharmacology services to us from time to time. From January 1, 1997 through November 30, 2000, we have paid an aggregate of $71,600 to Oxford University in consideration for services.

S.V. Penelope Jones, Ph.D. was formerly employed by us. From November 3, 1997 through December 4, 1998, the date of her termination, we paid an aggregate of $101,727 in salary and bonus to Dr. Jones. On December 4, 1998, we entered into an agreement with Dr. Jones under which she provided cellular physiology and other scientific consulting services to us. From December 4, 1998 to December 3, 1999, we paid an aggregate of $93,500 to Dr. Jones in consideration of these services. Dr. Jones is currently a professor at the University of California, San Diego, or UCSD. UCSD provides laboratory services to us under the terms of a services agreement. From December 1, 1999 through November 30, 2000, we have paid an aggregate of $50,000 to UCSD in consideration for services.

Some of our directors are associated with our major stockholders as indicated in the table below:

DIRECTOR	MAJOR STOCKHOLDER(S)
Thomas Eklund.....	ABN AMRO Ventures B.V.
Arne J. Gillin.....	Danske Kapitalanlaeg Aktieselskab
Carl L. Gordon, Ph.D.....	OrbiMed Advisors LLC affiliates
Leslie L. Iversen, Ph.D....	BankInvest affiliates
Lester J. Kaplan, Ph.D.....	Allergan Sales, Inc.
Torsten Rasmussen.....	Kommunernes Pensionsforsikring A/S and Lonmodtagernes Dyrtidsfond

We expect to enter into indemnification agreements with each of our directors and executive officers.

PRINCIPAL STOCKHOLDERS

Except as otherwise noted, the following table sets forth selected information known to us with respect to beneficial ownership of our common stock at November 30, 2000 by:

- each stockholder we know to be the beneficial owner of more than five percent of our common stock;
- each of our directors;
- each of our named executive officers; and
- all of our executive officers and directors as a group.

Except where otherwise indicated below, the address of the stockholders listed below is our address, 3911 Sorrento Valley Boulevard, San Diego, California 92121.

The following table reflects the number of shares of our common stock outstanding at November 30, 2000 and the automatic conversion of all outstanding shares of our convertible preferred stock into 8,625,920 shares of common stock.

NAME OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED(1)	PERCENTAGE OF SHARES BENEFICIALLY OWNED	
		BEFORE OFFERING	AFTER OFFERING(2)
5% STOCKHOLDERS			
Danske Kapitalanlaeg Aktieselskab(3).....	1,467,354	13.5%	
Kommunernes Pensionsforsikring A/S(4).....	1,467,354	13.5	
Lonmodtagernes Dyrtidsfond(5).....	1,334,021	12.3	
Allergan Sales, Inc. affiliates(6).....	1,000,000	9.3	
BankInvest affiliates(7).....	882,354	8.1	
S.V. Penelope Jones, Ph.D.(8).....	835,511	7.7	
ABN AMRO Ventures B.V.(9).....	750,000	7.0	
Hambrecht & Quist Capital Management, Inc.(10).....	666,667	6.2	
OrbiMed Advisors LLC affiliates(11).....	666,667	6.2	
DIRECTORS AND EXECUTIVE OFFICERS			
Uli Hacksell, Ph.D.(12).....	95,833	*	
Mark R. Brann, Ph.D.(13).....	1,589,755	14.7	
Thomas H. Aasen(14).....	51,563	*	
Leslie L. Iversen, Ph.D.(7)(15).....	8,500	*	
Torsten Rasmussen(4)(5)(16).....	4,000	*	
Arne J. Gillin(3).....	1,469,354	13.5	
Lester J. Kaplan, Ph.D.(6).....	1,006,000	9.3	
Thomas Eklund(9).....	750,000	7.0	
Carl L. Gordon, Ph.D.(11).....	666,667	6.2	
Povl Krogsgaard-Larsen, Ph.D., D.Sc.....	--	*	
Leonard R. Borrmann, Pharm.D.(17).....	200,000	1.8	
All current directors and executive officers as a group (10 persons)(18).....	5,641,672	50.1	

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* Represents beneficial ownership of less than 1% of our outstanding common stock.

(1) Unless otherwise indicated below, the persons and entities named in the table above have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Shares of common stock subject to options or warrants that are currently exercisable or are exercisable within 60 days of November 30, 2000 are

deemed to be outstanding and to be beneficially owned by the person holding such options or warrants for the purpose of computing the percentage ownership of such person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

(2) See discussion under "Underwriting" regarding the overallotment option to the underwriters.

(3) Reflects 1,408,530 shares owned by Dansk Kapitalanlaeg Aktieselskab and includes 58,824 shares issuable upon the exercise of stock warrants. Mr. Gillin is a Vice President of Dansk Kapitalanlaeg Aktieselskab and he disclaims beneficial ownership of shares in which he does not have a pecuniary interest. Included in the beneficially owned shares of Mr. Gillin are 2,000 shares issuable to him upon the exercise of stock options. The address for Dansk Kapitalanlg Aktieselskab is 103 Gothersgade, P.O. Box 1080, Copenhagen K Denmark.

(4) Reflects 1,408,530 shares owned by Kommunernes Pensionsforsikring A/S and includes 58,824 shares issuable upon the exercise of stock warrants. Mr. Rasmussen represents Kommunernes Pensionsforsikring A/S on our board of directors and disclaims beneficial ownership of shares in which he does not have a pecuniary interest. The address for Kommunernes Pensionsforsikring A/S is Krumptappen 2, 2500 Valby Denmark.

(5) Reflects 1,275,197 shares owned by Lonmodtagernes Dyrtidsfond and includes 58,824 shares issuable upon the exercise of stock warrants. Mr. Rasmussen represents Lonmodtagernes Dyrtidsfond on our board of directors and disclaims beneficial ownership of shares in which he does not have a pecuniary interest. The address for Lonmodtagernes Dyrtidsfond is Vendersgade 28, DK-1363, Copenhagen K Denmark.

(6) Reflects 1,000,000 shares owned by Allergan Sales, Inc. Dr. Kaplan is President, Research and Development and Global BOTOX at Allergan, Inc., the parent company of Allergan Sales, Inc., and he disclaims beneficial ownership of shares in which he does not have a pecuniary interest. Included in the beneficially owned shares of Dr. Kaplan are 6,000 shares issuable to him upon the exercise of stock options. The address for Allergan Sales, Inc. is 2525 Dupont Drive, P.O. Box 19534, Irvine, California.

(7) Reflects 411,764.5 shares owned by BankInvest 7 Biotechnology and 411,765.5 shares owned by BankInvest 1 Danske Aktier, and includes a total of 58,824 shares issuable upon the exercise of stock warrants. Dr. Iversen represents BankInvest 7 Biotechnology and BankInvest 1 Danske Aktier on our board of directors and disclaims beneficial ownership of shares in which he does not have a pecuniary interest. The address for both BankInvest 7 Biotechnology and BankInvest 1 Danske Aktier is Toldbodgade 33, P.O. Box 9011, DK-22, Copenhagen K Denmark.

(8) 687,575 of the shares held by Dr. Jones are subject to the terms of a voting agreement that permits Dr. Brann to direct the voting of the shares.

(9) Reflects 750,000 shares owned by ABN AMRO Ventures B.V. Mr. Eklund is Investment Director of Alfred Berg ABN AMRO AB Capital Investment AB, a company majority owned by ABN AMRO N.V., and he disclaims beneficial ownership of shares in which he does not have a pecuniary interest. The address for ABN AMRO Ventures B.V. is Foppingadreof 22, Amsterdam, P.O. Box 283, 1000 EA Amsterdam, Netherlands.

(10) Reflects 400,000 shares owned by H&Q Healthcare Investors and 266,667 shares owned by H&Q Life Sciences Investors. Hambrecht and Quist Capital Management is the fund manager of H&Q Healthcare Investors and H&Q Life Sciences Investors. The address for Hambrecht and Quist Capital Management, Inc. is 50 Rowes Wharf, Boston, Massachusetts.

(11) Reflects 400,000 shares owned by Eaton Vance Worldwide Health Sciences Fund and 266,667 shares owned by Finsbury Worldwide Pharmaceutical Trust. Dr. Gordon is a General Partner of

OrbiMed Advisors LLC, which provides investment advisory services to Eaton Vance Worldwide Health Sciences Fund and Finsbury Worldwide Pharmaceutical Trust. Dr. Gordon disclaims beneficial ownership of shares in which he does not have a pecuniary interest. The address of OrbiMed Advisors LLC is 767 Third Avenue, 6th Floor, New York, New York 10017-2023.

(12) Reflects 95,833 shares issuable upon the exercise of stock options.

(13) Reflects 835,513 shares held by Dr. Brann, 66,667 shares issuable upon the exercise of stock options and 687,575 shares held by Dr. Jones of which Dr. Brann has the power to direct the voting under the terms of a voting agreement. Dr. Brann disclaims beneficial ownership of shares subject to the voting agreement.

(14) Reflects 51,563 shares issuable upon the exercise of stock options.

(15) Reflects 8,500 shares issuable upon the exercise of stock options.

(16) Reflects 4,000 shares issuable to Morgan Management ApS, a Danish corporation in which Mr. Rasmussen has a controlling interest, upon the exercise of stock options.

(17) Reflects 200,000 shares issuable upon the exercise of stock options. Dr. Borrmann resigned as our Chief Executive Officer effective September 20, 2000.

(18) Includes 234,563 shares issuable upon the exercise of stock options.

DESCRIPTION OF CAPITAL STOCK

Following the closing of this offering, our authorized capital stock will consist of 50,000,000 shares of common stock, $0.0001 par value per share, and 5,000,000 shares of preferred stock, $0.0001 par value per share. At November 30, 2000, and assuming the conversion of all outstanding preferred stock into common stock immediately prior to the closing of this offering there were outstanding 10,783,382 shares of common stock held of record by 40 stockholders, warrants to purchase 237,257 shares of common stock and options to purchase 1,483,404 shares of common stock.

COMMON STOCK

Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available at such times and in such amounts as our board of directors may from time to time determine. Each stockholder is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not provided for in our certificate of incorporation, which means that the holders of a majority of the shares voted can elect all of the directors then standing for election. The common stock is not entitled to preemptive rights and is not subject to conversion or redemption. Each outstanding share of common stock is, and all shares of common stock to be outstanding upon completion of this offering will be, fully paid and nonassessable.

PREFERRED STOCK

Following the conversion of our outstanding preferred stock into common stock in connection with this offering, our board of directors will have the authority, without further action by the stockholders, to issue up to 5,000,000 shares of preferred stock in one or more series and to fix the designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights of the common stock. Our board of directors, without stockholder approval, can issue preferred stock with voting, conversion or other rights that could adversely affect the voting power and other rights of the holders of common stock. Preferred stock could thus be issued quickly with terms calculated to delay or prevent a change of control or make removal of management more difficult. The issuance of preferred stock may have the effect of decreasing the market price of the common stock, and may adversely affect the voting and other rights of the holders of common stock. At present, there are no shares of preferred stock outstanding and we have no plans to issue any of the preferred stock.

WARRANTS

Upon completion of this offering, we will have outstanding warrants to purchase an aggregate of 237,257 shares of common stock at an exercise price of $12.00 per share. These warrants expire in February 2002 or on the occurrence of specified events, whichever occurs first.

ANTI-TAKEOVER PROVISIONS

DELAWARE LAW

We are governed by the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes mergers, asset sales or other transactions resulting in a financial benefit to the stockholder. An "interested stockholder" is a person

who, together with affiliates and associates, owns, or within three years, did own, 15% or more of the corporation's outstanding voting stock. This provision could delay, discourage or prohibit transactions not approved in advance by the board of directors, such as takeover attempts that might result in a premium over the market price of the common stock.

CHARTER AND BYLAW PROVISIONS

Our certificate of incorporation and bylaws contain provisions that could discourage potential takeover attempts and make more difficult attempts by stockholders to change management. Our certificate of incorporation provides that stockholders may not take action by written consent but may only act at a stockholders' meeting, and that special meetings of our stockholders may only be called by the Chairman of our board of directors or a majority of our board of directors.

REGISTRATION RIGHTS

Following 180 days after the completion of this offering, under the terms of our amended and restated stockholders agreement, the holders of 8,625,920 shares of our common stock and warrants to purchase an aggregate of 237,257 shares of our common stock will have the right to demand that we register their shares, subject to limitations, under the Securities Act on Form S-1 or Form S-2 or similar forms. In addition, at any time after we become eligible to file a registration statement on Form S-3, these holders will have the right to demand that we register their shares, subject to limitations, on Form S-3 or similar form. In addition, these holders are entitled under the agreement, subject to limitations, to require us to include their shares in future registration statements that we may file for our own account or for the account of other stockholders.

We are generally required to bear all of the expenses of these registrations, except underwriting discounts and commissions. Registration of any of the shares of common stock entitled to these registration rights would result in the shares becoming freely tradable without restriction under the Securities Act. Upon completion of this offering, the registration rights with respect to the shares held by any party to the amended and restated stockholders agreement will terminate if the stockholder holds less than 1% of the then outstanding shares of common stock and the stockholder's shares are entitled to be resold without restriction under Rule 144 promulgated under the Securities Act.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for our common stock is .

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock, and we cannot assure you that a significant public market for the common stock will develop or be sustained after this offering. Future sales of substantial amounts of our common stock, including shares issued upon exercise of outstanding options and warrants, in the public market after this offering could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through sale of our equity securities. As described below, no shares currently outstanding will be available for sale immediately after this offering due to contractual restrictions on resale. Sales of substantial amounts of our common stock in the public market after the restrictions lapse could adversely affect the prevailing market price and our ability to raise equity capital in the future.

Upon completion of this offering, we will have outstanding shares of common stock, assuming no exercise of the underwriters' overallotment option and no exercise of outstanding options that do not expire upon the closing. Of these shares, the shares sold in this offering will be freely tradable without restriction under the Securities Act unless purchased by our "affiliates" as that term is defined in Rule 144 under the Securities Act. The remaining shares held by existing stockholders are subject to various lockup agreements providing that, with limited exceptions, the stockholder will not offer, sell, contract to sell, grant an option to purchase, make a short sale or otherwise dispose of or engage in any hedging or other transaction that is designed or reasonably expected to lead to a disposition of any shares of common stock or any option to purchase shares of common stock or any securities exchangeable for or convertible into shares of common stock for a period of 180 days after public trading commences without the prior written consent of Robertson Stephens, Inc. As a result of these lockup agreements, notwithstanding possible earlier eligibility for sale under the provisions of Rules 144, 144(k) and 701, none of these shares will be salable until 180 days after the public trading commences. Beginning 180 days after public trading commences, of these shares will be eligible for sale in the public market, although all but shares will be subject to certain volume limitations. Thereafter, of these shares will become eligible for sale between the end of the lockup period and 2001 and the remaining of these shares will become eligible for sale starting in 2002. In addition, at , 2001, there were outstanding options to purchase shares common stock. All of such options will be subject to lockup agreements. Robertson Stephens, Inc. may, in its sole discretion and at any time without notice, release all or any portion of the securities subject to lockup agreements.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person, or persons whose shares are aggregated, who has beneficially owned unregistered shares for at least one year, including the holding period of any prior owner except an affiliate, would be entitled to sell within any three month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately shares immediately after this offering; or

- the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of a Form 144 with respect to such sale.

Sales under Rule 144 are also subject to specific manner of sale provisions and notice requirements and to the availability of current public information about us. Under Rule 144(k), a person who is not deemed to have been an affiliate of us at any time during the three months preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner except an affiliate, is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

Rule 701 permits resales of shares in reliance upon Rule 144 but without compliance with specific restrictions, including the holding period requirement, of Rule 144. Any of our employees, officers, directors or consultants who purchased his or her shares pursuant to a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701. Rule 701 permits affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. Rule 701 further provides that nonaffiliates may sell such shares in reliance on Rule 144 without having to comply with the holding period, public information, volume limitation or notice provisions of Rule 144. All holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling such shares. However, all shares issued pursuant to Rule 701 are subject to lockup agreements and will only become eligible for sale at the earlier of the expiration of the 180 day lockup period or no sooner than 90 days after the offering upon obtaining the prior written consent of Robertson Stephens, Inc.

UNITED STATES TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a general discussion of the principal United States federal income and estate tax consequences of the acquisition, ownership and disposition of our common stock by a Non-U.S. Holder. As used in this prospectus, the term "Non-U.S. Holder" is a person who holds our common stock other than:

- a citizen or resident of the United States;
- a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or of any political subdivision of the United States;
- an estate the income of which is includable in gross income for United States federal income tax purposes regardless of its source; or
- a trust subject to the primary supervision of a United States court and the control of one or more United States persons, or a trust (other than a wholly owned grantor trust) that was treated as a domestic trust despite not meeting the requirements described above.

This discussion does not consider:

- state, local or foreign tax consequences;
- specific facts and circumstances that may be relevant to a particular Non-U.S. Holder's tax position in light of their particular circumstances;
- the tax consequences for the stockholders or beneficiaries of a Non-U.S. Holder;
- special tax rules that may apply to selected Non-U.S. Holders, including without limitation, partnerships, banks, insurance companies, dealers in securities and traders in securities; or
- special tax rules that may apply to a Non-U.S. Holder that holds our common stock as part of a "straddle," "hedge" or "conversion transaction."

The following discussion is based on provisions of the United States Internal Revenue Code of 1986, as amended, also known as the Code, applicable Treasury regulations and administrative and judicial interpretations, all as of the date of this prospectus, and all of which are subject to change, retroactively or prospectively. The following discussion assumes that our common stock is held as a capital asset. The following summary is for general information. Accordingly, each Non-U.S. Holder should consult a tax advisor regarding the United States federal, state, local and foreign income and other tax consequences of acquiring, holding and disposing of shares of our common stock.

DIVIDENDS

We do not anticipate paying cash dividends on our common stock in the foreseeable future. See "Dividend Policy." In the event, however, that dividends are paid on shares of our common stock, dividends paid to a Non-U.S. Holder of our common stock generally will be subject to withholding of United States federal income tax at a 30% rate, or such lower rate as may be provided by an applicable income tax treaty.

Dividends that are effectively connected with a Non-U.S. Holder's conduct of a trade or business in the United States or, if any income tax treaty applies, attributable to a permanent establishment in the United States, known as "United States trade or business income," are generally subject to the 30% withholding tax if the Non-U.S. Holder files the appropriate United States Internal Revenue Service form with the payor. Any United States trade or business income received by a Non-U.S. Holder that is a corporation may also, under limited circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as specified by an applicable income tax treaty.

Dividends paid prior to 2001 to an address in a foreign country are presumed, absent actual knowledge to the contrary, to be paid to a resident of such country for purposes of the withholding discussed above and for purposes of determining the applicability of a tax treaty rate. For dividends paid after 2000, a Non-U.S. Holder of our common stock who claims the benefit of an applicable income tax treaty rate generally will be required to satisfy applicable certification and other requirements. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under a relevant income tax treaty.

A Non-U.S. Holder of our common stock that is eligible for a reduced rate of United States withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the United States Internal Revenue Service.

GAIN ON DISPOSITION OF COMMON STOCK

A Non-U.S. Holder generally will not be subject to United States federal income tax in respect of gain recognized on a disposition of our common stock unless:

- the gain is United States trade or business income, in which case the branch profits tax described above may apply to a corporate Non-U.S. Holder;

- the Non-U.S. Holder is an individual who holds our common stock as a capital asset within the meaning of Section 1221 of the Code, is present in the United States for more than 182 days in the taxable year of the disposition and meets other requirements;

- the Non-U.S. Holder is subject to tax pursuant to the provisions of the Untied States tax law applicable to selected United States expatriates; or

- we are or have been a "United States real property holding corporation" for United States federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition or the period that the Non-U.S. Holder held our common stock.

Generally, a corporation is a "United States real property holding corporation" if the fair market value of its "United States real property interest" equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. We believe we have never been, are not currently and are not likely to become a United States real property holding corporation for United States federal income tax purposes.

FEDERAL ESTATE TAX

Common stock owned or treated as owned by an individual who is a Non-U.S. Holder at the time of death will be included in the individual's gross estate for United States federal estate tax purposes, unless an applicable estate tax or other treaty provides otherwise.

INFORMATION REPORTING AND BACKUP WITHHOLDING TAX

We must report annually to the United States Internal Revenue Service and to each Non-U.S. Holder the amount of dividends paid to that holder and the tax withheld with respect to those dividends. Copies of the information returns reporting those dividends and withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder is a resident under the provisions of an applicable income tax treaty or agreement.

Under some circumstances, United States Treasury Regulations require information reporting and backup withholding at a rate of 31% on specified payments on our common stock. Under currently applicable law, Non-U.S. Holders of our common stock, generally will be exempt from backup withholding on dividends paid prior to 2001 to an address outside the United States. For dividends paid after 2000, however, a Non-U.S. Holder of our common stock that fails to certify its Non-U.S. Holder

status in accordance with applicable United States Treasury Regulations may be subject to backup withholding at a rate of 31% of dividends.

The payment of the proceeds of the disposition of our common stock by a holder to or through the United States office of a broker generally will be subject to information reporting and backup withholding at a rate of 31% unless the holder either certifies its status as a Non-U.S. Holder under penalties of perjury or otherwise establishes an exemption. The payment of the proceeds of the disposition by a Non-U.S. Holder of our common stock to or through a foreign office of a foreign broker will not be subject to backup withholding or information reporting unless the foreign broker is a "United States related person." In the case of the payment of proceeds from the disposition of our common stock by or through a foreign office of a broker that is a United States person or a "United States related person," information reporting, but currently not backup withholding, on the payment applies unless the broker receives a statement from the owner, signed under penalty or perjury, certifying its foreign status or the broker has documentary evidence on its files that the holder is a Non-U.S. Holder and the broker has no actual knowledge to the contrary. For this purpose, a "United States related person" is:

- a "controlled foreign corporation" for United States federal income tax purposes;

- a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment, or for such part of the period that the broker has been in existence, is derived from activities that are effectively connected with the conduct of a United States trade or business;

- effective after 2000, a foreign partnership if, at any time during the taxable year, (A) at least 50% of the capital or profits interest in the partnership is owned by United States persons, or (B) the partnership is engaged in a United States trade or business; or

- some U.S. branches of foreign banks or insurance companies.

Effective after 2000, backup withholding may apply to the payment of disposition proceeds by or through a foreign office or a broker that is a United States person or a United States related person unless specific certification requirements are satisfied or an exemption is otherwise established and the broker has no actual knowledge that the holder is a United States person. Non-U.S. Holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them, including changes to these rules that will become effective after 2000.

Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder will be refunded, or credited against the holder's United States federal income tax liability, if any, provided that the required information is furnished to the United States Internal Revenue Service.

UNDERWRITING

The underwriters named below, acting through their representatives, Robertson Stephens, Inc. and U.S. Bancorp Piper Jaffray Inc., have severally agreed with us, subject to the terms and conditions of the underwriting agreement, to purchase from us the number of shares of common stock set forth opposite their respective names below. The underwriters are committed to purchase and pay for all of these shares if any are purchased.

UNDERWRITER	NUMBERS OF SHARES
Robertson Stephens, Inc.	
U.S. Bancorp Piper Jaffray Inc.	
INTERNATIONAL UNDERWRITER	
Robertson Stephens International, Ltd.	
U.S. Bancorp Piper Jaffray Inc.	
Total	

The representatives of the underwriters have advised us that the underwriters propose to offer the shares of common stock to the public at the public offering price shown on the cover page of this prospectus and to certain dealers at that price less a concession of not more than $ per share, of which $ may be reallowed to other dealers. After the completion of this offering, the public offering price, concession and reallowance to dealers may be reduced by the representatives. No such reduction will change the amount of proceeds we are to receive as set forth on the cover page of this prospectus. The common stock is offered by the underwriters as stated in this prospectus, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part.

OVERALLOTMENT OPTION. We have granted to the underwriters an option, exercisable during the 30 day period after the date of this prospectus, to purchase up to additional shares of common stock at the same price per share as we will receive for the shares that the underwriters have agreed to purchase. To the extent that the underwriters exercise this option, each of the underwriters will have a firm commitment, subject to certain conditions, to purchase approximately the same percentage of these additional shares that the number of shares of common stock to be purchased by it shown in the above table bears to the total number of shares offered by this prospectus. If purchased, the additional shares will be sold by the underwriters on the same terms as those on which the shares are being sold. The underwriters may exercise this option only to cover overallotments made in connection with the sale of the shares of common stock in this offering.

The following table shows the per share and total underwriting discounts and commissions that we are to pay to the underwriters. This information is presented assuming either no exercise or full exercise by the underwriters of their overallotment option.

		TOTAL	
	PER SHARE	WITHOUT OVER ALLOTMENT	WITH OVER ALLOTMENT
Price offering price	$	$	$
Underwriting discounts and commissions	$	$	$
Proceeds, before expenses, to us	$	$	$

EXPENSES OF THIS OFFERING. The expenses of this offering, other than the underwriting discounts and commissions, are estimated at approximately $ and are payable entirely by us.

INDEMNITY. The underwriting agreement contains covenants of indemnity among the underwriters and us against civil liabilities, including liabilities under the Securities Act and liabilities arising from breaches of representations and warranties contained in the underwriting agreement. In addition, the underwriting agreement contains a covenant that we will maintain Directors and Officers liability insurance in the minimum amount of $10 million and cause Robertson Stephens, Inc., on behalf of the underwriters, to be added to such policy such that up to $500,000 of certain of its expenses shall be paid directly by such insurers.

LOCKUP AGREEMENTS. Each of our executive officers, directors, and substantially all of our other stockholders and warrantholders have agreed, subject to limited exceptions, not to offer, sell, contract to sell, or otherwise sell, dispose of, loan, pledge or grant any rights with respect to any shares of common stock, any options or warrants to purchase any shares of common stock, or any securities convertible into or exchangeable for common stock owned by the holder as of the date of this prospectus or acquired directly from us or with respect to which these holders have or may acquire the power of disposition, without the prior written consent of Robertson Stephens, Inc. This restriction terminates after the close of trading of the shares on the 180th day after, and including, the day the shares began trading on the Nasdaq National Market. However, Robertson Stephens, Inc. may, in its sole discretion and at any time without notice, release all or any portion of the securities subject to lockup agreements. There are no existing agreements between the representatives and any of our stockholders and warrantholders who have executed a lockup agreement providing consent to the sale of shares prior to the expiration of the lockup period.

FUTURE SALES BY US. In addition, we have agreed that for a period of 180 days after the date of this prospectus, we will not, without the prior written consent of Robertson Stephens, Inc. (a) consent to the disposition of any shares held by stockholders, warrantholders or optionholders before the expiration of the 180 day lockup period or (b) issue, sell, contract to sell or otherwise dispose of any shares of common stock, any options or warrants to purchase any shares of common stock or any securities convertible into, exercisable for or exchangeable for shares of common stock, other than our sale of shares in this offering, the issuance of shares of common stock upon the exercise of options outstanding on the date of this prospectus and the grant of options to purchase shares of common stock under existing employee stock option or stock purchase plans provided that those options are subject to a 180 day lockup.

DIRECTED SHARES. At our request, the underwriters will reserve up to 5% of the shares of common stock for sale in this offering, at the initial public offering price, to our customers, partners and business associates. The number of shares of common stock available for sale to the general public will be reduced to the extent that these individuals purchase all or a portion of the reserved shares. Any reserved shares that are not purchased will be offered by the underwriters to the general public on the same basis as the other shares of common stock offered by this prospectus. We have agreed to indemnify the underwriters of the directed share program against liabilities and expenses, including liabilities under the Securities Act, in connection with the sale of the reserved shares.

LISTING. We have applied for approval for quotation of our common stock on the Nasdaq National Market under the symbol "ACAD."

NO PRIOR PUBLIC MARKET. Prior to this offering, there has been no public market for our common stock. Consequently, the initial public offering price for our common stock will be determined through negotiations between us and the representatives. Among the factors to be considered in these negotiations are prevailing market and economic conditions, our financial information, market valuations of other companies that we and the representatives believe to be comparable to us, estimates

of our business potential and the present state of our development. The estimated initial public offering price range set forth on the cover page of this prospectus is subject to change as a result of market conditions and other factors. A pricing committee of our board of directors will establish the initial public offering price following such negotiations.

The underwriters have advised us that they do not expect sales to discretionary accounts to exceed 5% of the total number of shares offered.

SYNDICATE SHORT SALES. The representatives have advised us that, on behalf of the underwriters, they may make short sales of our common stock in connection with this offering, resulting in the sale by the underwriters of a greater number of shares than they are required to purchase pursuant to the underwriting agreement. The short position resulting from those short sales will be deemed a "covered" short position to the extent that it does not exceed the shares subject to the underwriters' overallotment option and will be deemed a "naked" short position to the extent that it exceeds that number. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the trading price of the common stock in the open market that could adversely affect investors who purchased shares in the offering. The underwriters may reduce or close out their covered short position either by exercising the overallotment option or by purchasing shares in the open market. In determining which of these alternatives to pursue, the underwriters will consider the price at which shares are available for purchase in the open market as compared to the price at which they may purchase shares through the overallotment option. Any naked short position will be closed out by purchasing shares in the open market. Similar to the other stabilizing transactions described below, open market purchases made by the underwriters to cover all or a portion of their short position may have the effect of preventing or retarding a decline in the market price of our common stock following this offering. As a result, our common stock may trade at a price that is higher than the price that otherwise might prevail in the open market.

STABILIZATION. The underwriters' representatives have advised us that, pursuant to Regulation M under the Securities Exchange Act of 1934, as amended, certain persons participating in this offering may engage in transactions, including stabilizing bids, syndicate covering transactions or the imposition of penalty bids, that may have the effect of stabilizing or maintaining the market price of the common stock at a level above that which might otherwise prevail in the open market. A "stabilizing bid" is a bid for or the purchase of shares of common stock on behalf of the underwriters for the purpose of fixing or maintaining the price of the common stock. A "syndicate covering transaction" is the bid for or the purchase of the common stock on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with this offering. A "penalty bid" is an arrangement permitting the underwriters' representatives to reclaim the selling concession otherwise accruing to an underwriter or syndicate member in connection with the offering if the common stock originally sold by such underwriter or syndicate member is purchased by underwriters' representatives in the open market pursuant to a stabilizing bid or to cover all or part of a syndicate short position. The underwriters' representatives have advised us that such transactions may be effected on the Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time.

LEGAL MATTERS

Cooley Godward LLP, San Diego, California, will pass upon the validity of the common stock offered by this prospectus for us. Brobeck, Phleger & Harrison LLP, San Diego, California, will pass upon legal matters for the underwriters.

EXPERTS

The financial statements at December 31, 1998 and 1999 and for each of the three years in the period ended December 31, 1999 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules which are part of the registration statement. For further information with respect to us and our common stock offered by this prospectus, we refer you to the registration statement and the exhibits and schedules filed as part of the registration statement. You may read and copy any document we file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from the SEC's website at http://www.sec.gov.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Securities Exchange Act, and, in accordance therewith, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference rooms and the website of the SEC referred to above.

ACADIA PHARMACEUTICALS INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of ACADIA Pharmaceuticals Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of convertible preferred stock and stockholders' equity (deficit) and comprehensive loss and of cash flows present fairly, in all material respects, the financial position of ACADIA Pharmaceuticals Inc. and its subsidiary at December 31, 1998 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Diego, California
February 28, 2000

ACADIA PHARMACEUTICALS INC.

CONSOLIDATED BALANCE SHEET

	DECEMBER 31,		SEPTEMBER 30,	PRO FORMA STOCKHOLDERS' EQUITY AT SEPTEMBER 30,
	1998	1999	2000	2000
			(UNAUDITED)	(UNAUDITED)
ASSETS				
Cash and cash equivalents	$ 4,778,700	$ 3,684,100	$ 10,217,900	
Investment securities, available-for-sale	12,798,000	8,524,600	19,265,800	
Accounts receivable	208,800			
Prepaid expenses and other current assets	599,700	438,300	632,900	
Total current assets	18,385,200	12,647,000	30,116,600	
Property and equipment, net	2,299,700	2,508,500	2,880,100	
Other assets	378,300	362,300	474,700	
	$ 21,063,200	$ 15,517,800	$ 33,471,400	
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)				
Accounts payable	$ 278,800	$ 236,700	$ 379,200	
Accrued expenses	759,200	703,500	1,260,300	
Deferred revenue	310,000	291,700		
Current portion of long-term debt	98,000	626,700	1,328,500	
Total current liabilities	1,446,000	1,858,600	2,968,000	
Long-term debt, less current portion	3,366,500	4,431,700	4,631,800	
Commitments (Note 10)				
Convertible preferred stock, $0.01 par value; 10,019,067 shares authorized; 5,692,585, 5,692,585 and 8,625,920 shares issued and outstanding at December 31, 1998, 1999, and September 30, 2000, respectively; 5,000,000 shares authorized, no shares issued and outstanding pro forma; liquidation preference $55,761,900 at September 30, 2000	24,664,800	24,664,800	46,501,800	
Stockholders' equity (deficit)				
Common stock, $0.0001 par value; 14,218,712 shares authorized; 2,068,248, 2,102,955 and 2,145,962 shares issued and outstanding at December 31, 1998, 1999 and September 30, 2000, respectively; 50,000,000 shares authorized; 10,771,882 shares issued and outstanding pro forma	200	200	200	1,100
Additional paid-in capital	1,203,100	1,682,300	4,792,100	51,293,000
Accumulated deficit	(9,360,200)	(16,805,500)	(24,559,200)	(24,559,200)
Unearned stock-based compensation		(371,700)	(1,259,800)	(1,259,800)
Unrealized loss on investment securities	(43,700)	(20,800)	(78,000)	(78,000)
Cumulative translation adjustment	(213,500)	78,200	474,500	474,500
Total stockholders' equity (deficit)	(8,414,100)	(15,437,300)	(20,630,200)	$ 25,871,600
	$ 21,063,200	$ 15,517,800	$ 33,471,400	

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

ACADIA PHARMACEUTICALS INC.

CONSOLIDATED STATEMENT OF OPERATIONS

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1998	1999	1999	2000
				(UNAUDITED)	(UNAUDITED)
Revenues					
Collaborative revenues--related party	$ 273,500	$ 1,300,000	$ 2,238,200	$ 1,334,400	$ 2,648,600
Other research revenues	561,800	119,400			119,400
Total revenues	835,300	1,419,400	2,238,200	1,334,400	2,768,000
Operating expenses					
Research and development (including stock-based compensation of $3,300, $99,700, $37,800 and $353,000 for the years ended December 31, 1998 and 1999 and for the nine months ended September 30, 1999 and 2000, respectively)	2,295,300	5,855,900	7,625,700	5,582,100	7,253,100
General and administrative (including stock-based compensation of $49,400, $5,800, $4,900 and $1,855,900 for the years ended December 31, 1998 and 1999 and for the nine months ended September 30, 1999 and 2000, respectively)	1,770,800	2,487,000	2,457,600	1,996,400	3,989,200
Total operating expenses	4,066,100	8,342,900	10,083,300	7,578,500	11,242,300
Loss from operations	(3,230,800)	(6,923,500)	(7,845,100)	(6,244,100)	(8,474,300)
Interest income	283,200	689,000	751,000	575,700	1,013,100
Interest expense	(34,300)	(168,000)	(351,200)	(237,900)	(292,500)
Net loss	$(2,981,900)	$(6,402,500)	$(7,445,300)	$(5,906,300)	$(7,753,700)
Net loss per share, basic and diluted	$ (1.74)	$ (3.12)	$ (3.57)	$ (2.83)	$ (3.63)
Weighted average shares outstanding, basic and diluted	1,712,055	2,049,307	2,086,977	2,083,369	2,134,084
Pro forma net loss per share, basic and diluted (unaudited)			$ (0.96)		$ (0.83)
Pro forma weighted average shares outstanding, basic and diluted (unaudited)			7,779,562		9,360,004

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

ACADIA PHARMACEUTICALS INC.

CONSOLIDATED STATEMENT OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT) AND COMPREHENSIVE LOSS

	CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	ACCUMULATED	UNEARNED STOCK-BASED
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	DEFICIT	COMPENSATION
Balances at December 31, 1996			1,523,088	$200	$ 100	$ (244,300)	
Issuance of Series A preferred stock at $2.55 per share, net of issuance costs	2,372,548	$ 5,611,000					
Elimination of S Corporation deficit against additional paid in capital upon issuance of Series A preferred stock					(268,500)	268,500	
Issuance of Series B preferred stock at $4.00 per share, net of issuance costs	738,384	2,914,800					
Issuance of Series C preferred stock at $6.00 per share, net of issuance costs	1,000,000	5,986,300					
Issuance of common stock from exercise of stock options			223,370		2,300		
Issuance of common stock from exercise of $6.00 stock warrants			237,257		1,415,600		
Net loss						(2,981,900)	
Cumulative translation adjustment							
Balances at December 31, 1997	4,110,932	14,512,100	1,983,715	200	1,149,500	(2,957,700)	--
Issuance of Series D preferred stock at $6.75 per share, net of issuance costs	1,581,653	10,152,700					
Issuance of common stock from exercise of stock options			84,533		900		
Net loss						(6,402,500)	
Noncash compensation related to stock options granted					52,700		
Unrealized loss on investment securities							
Cumulative translation adjustment							
Balances at December 31, 1998	5,692,585	24,664,800	2,068,248	200	1,203,100	(9,360,200)	--
Issuance of common stock from exercise of stock options			34,707		2,000		
Net loss						(7,445,300)	
Noncash compensation related to stock options granted					477,200		$ (371,700)
Unrealized gain on investment securities							
Cumulative translation adjustment							
Balances at December 31, 1999	5,692,585	24,664,800	2,102,955	200	1,682,300	(16,805,500)	(371,700)
Issuance of Series E preferred stock at $7.50 per share, net of issuance costs	2,933,335	21,837,000					
Issuance of common stock from exercise of stock options			43,007		12,800		
Net loss						(7,753,700)	
Noncash compensation related to stock options granted					3,097,000		(888,100)
Unrealized loss on investment securities							
Cumulative translation adjustment							
Balances at September 30, 2000 (unaudited)	8,625,920	$46,501,800	2,145,962	$200	$4,792,100	$(24,559,200)	$(1,259,800)

	UNREALIZED LOSS ON INVESTMENT SECURITIES	CUMULATIVE TRANSLATION ADJUSTMENT	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	COMPREHENSIVE LOSS
Balances at December 31, 1996			$ (244,000)	$ (192,500)
Issuance of Series A preferred stock at $2.55 per share, net of issuance costs			--	
Elimination of S Corporation deficit against additional paid in capital upon issuance of Series A preferred stock			--	
Issuance of Series B preferred stock at $4.00 per share, net of issuance costs			--	
Issuance of Series C preferred				

stock at $6.00 per share, net of issuance costs			--	
Issuance of common stock from exercise of stock options			2,300	
Issuance of common stock from exercise of $6.00 stock warrants			1,415,600	
Net loss			(2,981,900)	$(2,981,900)
Cumulative translation adjustment		$(181,500)	(181,500)	(181,500)
Balances at December 31, 1997	--	(181,500)	(1,989,500)	$(3,163,400)
Issuance of Series D preferred stock at $6.75 per share, net of issuance costs			--	
Issuance of common stock from exercise of stock options			900	
Net loss			(6,402,500)	$(6,402,500)
Noncash compensation related to stock options granted			52,700	
Unrealized loss on investment securities	$(43,700)		(43,700)	(43,700)
Cumulative translation adjustment		(32,000)	(32,000)	(32,000)
Balances at December 31, 1998	(43,700)	(213,500)	(8,414,100)	$(6,478,200)
Issuance of common stock from exercise of stock options			2,000	
Net loss			(7,445,300)	$(7,445,300)
Noncash compensation related to stock options granted			105,500	
Unrealized gain on investment securities	22,900		22,900	22,900
Cumulative translation adjustment		291,700	291,700	291,700
Balances at December 31, 1999	(20,800)	78,200	(15,437,300)	$(7,130,700)
Issuance of Series E preferred stock at $7.50 per share, net of issuance costs			--	
Issuance of common stock from exercise of stock options			12,800	
Net loss			(7,753,700)	$(7,753,700)
Noncash compensation related to stock options granted			2,208,900	
Unrealized loss on investment securities	(57,200)		(57,200)	(57,200)
Cumulative translation adjustment		396,300	396,300	396,300
Balances at September 30, 2000 (unaudited)	$(78,000)	$ 474,500	$(20,630,200)	$(7,414,600)

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

ACADIA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1998	1999	1999	2000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net loss	$(2,981,900)	$ (6,402,500)	$(7,445,300)	$(5,906,300)	$ (7,753,700)
Adjustments to reconcile net loss to cash used in operating activities:					
Depreciation and amortization	158,200	509,800	790,800	577,000	731,400
Stock-based compensation		52,700	105,500	42,700	2,208,900
Changes in operating assets and liabilities:					
Accounts receivable	(248,200)	87,500	208,800	208,800	
Prepaid expenses and other current assets	(48,600)	(534,900)	140,700	164,000	(328,700)
Other assets	(306,300)	(16,700)	5,000		
Accounts payable	441,900	(215,000)	(21,100)	(19,000)	150,500
Accrued expenses	121,200	459,900	251,800	179,200	821,800
Deferred revenue	81,600	75,000	(18,300)	106,700	(291,700)
Net cash used in operating activities	(2,782,100)	(5,984,200)	(5,982,100)	(4,646,900)	(4,461,500)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of investment securities		(17,356,700)	(3,586,700)	(2,125,900)	(17,343,500)
Maturities of investment securities		4,515,000	7,883,000	6,700,000	6,545,000
Purchases of property and equipment	(1,646,100)	(1,174,400)	(1,142,500)	(904,300)	(1,241,100)
Net cash (used in) provided by investing activities	(1,646,100)	(14,016,100)	3,153,800	3,669,800	(12,039,600)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of long-term debt	1,203,300	2,140,400	1,987,800	1,133,400	1,719,000
Repayments of long-term debt	(100,400)		(156,000)	(106,900)	(431,900)
Proceeds from issuance of preferred stock, net of issuance costs	14,512,100	10,152,700			21,837,000
Proceeds from issuance of common stock	1,417,900	900	2,000	200	12,800
Net cash provided by financing activities	17,032,900	12,294,000	1,833,800	1,026,700	23,136,900
Effect of exchange rate changes on cash	(192,500)	67,400	(100,100)	(48,500)	(102,000)
Net increase (decrease) in cash and cash equivalents	12,412,200	(7,638,900)	(1,094,600)	1,100	6,533,800
Cash and cash equivalents, beginning of period	5,400	12,417,600	4,778,700	4,778,700	3,684,100
Cash and cash equivalents, end of period	$12,417,600	$ 4,778,700	$ 3,684,100	$ 4,779,800	$ 10,217,900
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION					
Interest paid	$ 4,300	$ 4,000	$ 82,200	$ 56,000	$ 482,400
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES					
Unrealized gain (loss) on investment securities	$ --	$ (43,700)	$ 22,900	$ 23,400	$ (57,200)

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

1. ORGANIZATION AND NATURE OF OPERATIONS

ACADIA Pharmaceuticals Inc. (the "Company"), a Delaware corporation, was incorporated on July 16, 1993, and is a genomics-based drug discovery and development company that efficiently identifies target-specific small molecule drug candidates using its integrated technology platform. The Company's proprietary approach integrates genomics, chemistry and biology to rapidly indentify and validate targets and discover chemistries specific to those targets. The Company has successfully applied its approach to generate a drug discovery pipeline that currently includes six advanced programs as well as a number of earlier stage research projects. ACADIA Pharmaceuticals A/S, a wholly owned subsidiary of the Company based near Copenhagen, Denmark, was established in 1997 to conduct the Company's chemistry research operations.

The Company has not been profitable and has generated substantial operating losses since incorporating in 1993. At September 30, 2000, the Company's accumulated losses were approximately $24.6 million. The Company expects to increase operating expenses over the next several years as it expands its research and development activities and enhances its core technologies. Accordingly, the Company will require significant additional financing in the future to fund operations. The Company does not know whether additional financing will be available when needed, or that, if available, it will obtain financing on favorable terms. If adequate funds are not available or are not available on acceptable terms, the Company's ability to fund its operations, take advantage of opportunities, develop drug candidates and technologies or otherwise respond to competitive pressures could be significantly limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies followed in the preparation of these financial statements are as follows:

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company and ACADIA Pharmaceuticals A/S, its wholly owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

UNAUDITED INTERIM FINANCIAL INFORMATION

The consolidated balance sheet at September 30, 2000, the consolidated statements of operations and cash flows for the nine months ended September 30, 1999 and 2000, and the consolidated statement of convertible preferred stock and stockholders' equity (deficit) and comprehensive loss for the nine months ended September 30, 2000, are unaudited. The unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary to state fairly the financial information set forth therein, in accordance with accounting principles generally accepted in the United States of America.

UNAUDITED PRO FORMA STOCKHOLDERS' EQUITY

The Company's Board of Directors has authorized the filing of a registration statement with the Securities and Exchange Commission to register shares of its common stock in an initial public offering ("IPO"). If the IPO is closed under certain terms, each share of preferred stock outstanding will

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

convert into one share of common stock. Unaudited pro forma stockholders' equity at September 30, 2000 reflects the conversion of all outstanding preferred stock into common stock as if such conversion had occurred at September 30, 2000.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with an initial maturity date at the date of purchase of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value.

INVESTMENT SECURITIES

Investment securities are considered to be available-for-sale and are carried at fair value. Unrealized gains and losses, if any, are reported in a separate component of stockholders' equity (deficit). The cost of investment securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion are included in interest income. Realized gains and losses are also included in interest income. The cost of securities sold is based on the specific identification method.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and depreciated over their estimated useful lives (generally three to seven years) using the straight line method. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the respective leases by use of the straight line method. Maintenance and repair costs are expensed as incurred. When assets are retired or sold, the assets and accumulated depreciation are removed from the respective accounts and any gain or loss is recognized.

REVENUES

Revenues under collaborative agreements are recognized as research activities are performed over the term of the agreements. Upfront license and milestone payments received that are related to future performance under such agreements are deferred and recognized as revenue when earned over the term of the agreement.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred.

CONCENTRATIONS OF RISK

Financial instruments which potentially subject the Company to concentrations of credit risk principally consist of cash, cash equivalents and investment securities. The Company invests its excess cash primarily in marketable debt securities of corporations and financial institutions with strong credit ratings. The Company has established guidelines relative to diversification and maturities to maintain safety and liquidity.

During the nine months ended September 30, 2000, revenues from one party accounted for approximately 96% of total revenues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY TRANSLATION

The functional currency of ACADIA Pharmaceuticals A/S is the local currency. Accordingly, all assets and liabilities of this entity are translated at the current exchange rate at the balance sheet date. Revenue and expense components are translated at weighted average exchange rates in effect during the period. Gains and losses resulting from foreign currency translation are included as a component of stockholders' equity (deficit).

STOCK-BASED COMPENSATION

The Company measures compensation expense for its employee stock-based compensation plan using the intrinsic value method and provides pro forma disclosures of net income (loss) as if a fair value method had been applied in measuring compensation expense. Accordingly, compensation cost for stock awards is measured as the excess, if any, of the fair value for financial reporting purposes of the Company's common stock at the date of grant over the amount an employee must pay to acquire the stock. Compensation cost is amortized over the related vesting periods using an accelerated method in accordance with Financial Accounting Standards Board Interpretation No. 28, ACCOUNTING FOR STOCK APPRECIATION RIGHTS AND OTHER VARIABLE STOCK OPTION OR AWARD PLANS. Accrued compensation costs for unvested awards that are forfeited are reversed against compensation expense or unearned stock-based compensation, as appropriate, in the period of forfeiture.

Stock-based awards issued to nonemployees are accounted for using a fair value method and are remeasured to fair value at each period end until the earlier of the date that performance by the nonemployee is complete or a performance commitment has been obtained.

INCOME TAXES

Current income tax expense or benefit represents the amount of income taxes expected to be payable or refundable for the current year. A deferred income tax asset or liability is computed for the expected future impact of differences between the financial reporting and income tax bases of assets and liabilities and for the expected future tax benefit to be derived from tax credits and loss carryforwards. Deferred income tax expense or benefit represents the net change during the year in the deferred income tax asset or liability. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

USE OF ESTIMATES

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

LONG LIVED ASSETS

The Company assesses potential impairments to its long lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

recoverable. An impairment loss is recognized if the sum of expected future undiscounted cash flows before interest from the use of the asset is less than the net book value of the asset. The amount of the impairment loss, if any, will generally be measured as the difference between the net book value of the assets and their estimated fair values. No such impairment losses have been recorded by the Company.

COMPREHENSIVE INCOME (LOSS)

All components of comprehensive income (loss), including net income (loss), are reported in the financial statements in the period in which they are recognized. Comprehensive income (loss) is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. Accordingly, in addition to reporting net income (loss) under the current rules, the Company is required to display the impact of any fluctuations in its foreign currency translation adjustments and any unrealized gains or losses on its investment securities as components of comprehensive income (loss) and to display an amount representing total comprehensive income (loss) for each period.

NET INCOME (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is computed by dividing income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period increased to include potential dilutive common shares that were outstanding during the period. The dilutive effect of outstanding stock options and warrants is reflected, when dilutive, in diluted earnings (loss) per share by application of the treasury stock method.

The Company has excluded all preferred stock and outstanding stock options and warrants from the calculation of diluted net loss per common share because all such securities are antidilutive for all periods presented. The total number of potential common shares excluded from the calculation of diluted net loss per share, prior to application of the treasury stock method for options and warrants, was 3,770,184, 5,800,478 and 7,319,611 for the years ended December 31, 1997, 1998 and 1999, and 7,293,175 and 8,973,123 for the nine months ended September 30, 1999 and 2000, respectively.

Unaudited pro forma basic and diluted net loss per common share, presented in the statements of operations, has been computed for the year ended December 31, 1999 and for the nine months ended September 30, 2000 as described above, and also gives effect to the assumed conversion of preferred stock which, under certain circumstances, will convert to common stock immediately prior to the completion of the offering contemplated by this prospectus (using the "as if converted" method) from the original date of issuance. The calculation of unaudited pro forma net loss per share for the year ended December 31, 1999 and the nine months ended September 30, 2000 excludes 1,627,026 and 1,747,203 shares, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following table presents the calculation of net loss per share:

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1998	1999	1999	2000
				(UNAUDITED)	
Net loss	$(2,981,900)	$(6,402,500)	$(7,445,300)	$(5,906,300)	$(7,753,700)
Basic and diluted net loss per share	$ (1.74)	$ (3.12)	$ (3.57)	$ (2.83)	$ (3.63)
Weighted average shares used in computing net loss per share, basic and diluted	1,712,055	2,049,307	2,086,977	2,083,369	2,134,084
Unaudited pro forma net loss per share, basic and diluted			$ (0.96)		$ (0.83)
Shares used to compute unaudited pro forma net loss per share:					
Weighted average shares used in computing net loss per share, basic and diluted			2,086,977		2,134,084
Unaudited pro forma adjustment to reflect weighted average effect of assumed conversion of preferred stock			5,692,585		7,225,920
Shares used in computing unaudited pro forma net loss per share, basic and diluted			7,779,562		9,360,004

SEGMENT REPORTING

Statement of Financial Accounting Standards No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION, requires the use of a management approach in identifying segments of an enterprise. Management has determined that the Company operates in one business segment.

RECENTLY ISSUED ACCOUNTING STANDARDS

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), REVENUE RECOGNITION IN FINANCIAL STATEMENTS. The objective of SAB 101 is to provide further guidance on revenue recognition issues in the absence of authoritative literature addressing a specified arrangement or a specific industry. The Company has adopted SAB 101 for all periods presented.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133") ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, which the Company will adopt effective January 1, 2001. SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments imbedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that an entity recognize all

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
derivatives as either assets or liabilities and measure those instruments at fair value. Management does not believe the adoption of SFAS 133 will impact the financial statements as the Company currently does not invest in derivative instruments or engage in hedging activities.

In March 2000, the Financial Accounting Standards Board issued Interpretation No. 44 ("FIN 44"), ACCOUNTING FOR CERTAIN TRANSACTIONS INVOLVING STOCK COMPENSATION. The Company adopted FIN 44 effective July 1, 2000 with respect to specific provisions applicable to new awards, exchanges of awards in a business combination, modifications to outstanding awards and changes in grantee status that occur on or after that date. FIN 44 addresses practice issues related to the application of Accounting Practice Bulletin Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES.

3. INVESTMENT SECURITIES

Investment securities are comprised entirely of marketable debt securities of corporations and financial institutions. The estimated fair value of available-for-sale securities by contractual maturity is as follows:

	DECEMBER 31,		SEPTEMBER 30,
	1998	1999	2000
			(UNAUDITED)
Due within one year	$ 7,177,200	$ 7,535,000	$15,378,200
Due after one year	5,620,800	989,600	3,887,600
	$12,798,000	$ 8,524,600	$19,265,800

The estimated fair value of investment securities at December 31, 1998 and 1999 and at September 30, 2000 was lower than historical cost and, therefore, unrealized losses of $43,700, $20,800 and $78,000, respectively, have been reported as separate components of stockholders' equity (deficit). The Company had no realized gains or losses during the years ended December 31, 1997, 1998 and 1999.

4. BALANCE SHEET COMPONENTS

Property and equipment consist of the following:

	DECEMBER 31,		SEPTEMBER 30,
	1998	1999	2000
			(UNAUDITED)
Machinery and equipment	$1,254,300	$1,586,700	$2,091,600
Computers and software	791,300	1,056,400	1,277,400
Furniture and fixtures	90,500	95,300	94,300
Leasehold improvements	887,700	1,226,300	1,520,800
	3,023,800	3,964,700	4,984,100
Accumulated depreciation and amortization	(724,100)	(1,456,200)	(2,104,000)
	$2,299,700	$2,508,500	$2,880,100

4. BALANCE SHEET COMPONENTS (CONTINUED)

Accrued expenses consist of:

	DECEMBER 31,		SEPTEMBER 30,
	1998	1999	2000
			(UNAUDITED)
Accrued compensation	$ 502,200	$ 453,300	$ 979,400
Accrued professional fees	91,300	67,200	71,300
Other	165,700	183,000	209,600
	$ 759,200	$ 703,500	$1,260,300

5. LONG-TERM DEBT

In February 1997, the Company's Danish subsidiary was granted a loan from The VaekstFonden (The Danish Fund for Industrial Growth, "Growth Fund"). The loan is funded on a quarterly basis over the term of a research project conducted by the subsidiary up to a maximum commitment of approximately $5.3 million. The loan accrues interest at 7.7% per annum, and principal and interest are payable in quarterly installments which are based on a percentage of estimated project related revenues, and it is anticipated that the repayment period will span five years. Should actual revenues fail to materialize or fall short of projections, the terms of the agreement provide that the loan may be forgiven or the repayment schedule revised at the discretion of the Growth Fund. Intellectual property rights resulting from the project are pledged to the Growth Fund but the Company may license rights to third parties, subject to certain conditions. During the nine months ended September 30, 2000, the Company made payments of $244,200 on the loan. At December 31, 1998 and 1999, and at September 30, 2000, $2,806,000, $4,060,200 and $4,397,500, respectively, had been drawn on the loan with interest accrued of $197,900, $256,000 and $345,400, respectively.

In October 1998 and September 2000, the Company entered into equipment financing agreements which, subject to compliance with certain financial covenants and conditions, may be used by the Company to finance up to $1 million and $2.3 million of capital expenditures, respectively. The Company was in compliance with these financial covenants and conditions at December 31, 1999 and September 30, 2000. The agreements provide for equal monthly installments to be paid over a three to four year period for each draw under the financing agreements, including interest at rates ranging from 10.59% to 12.58% per annum. Outstanding borrowings under these agreements are collateralized by the equipment purchased under these financing agreements. At December 31, 1998 and 1999 and at September 30, 2000, the Company had $460,600, $742,200 and $1,217,400 in outstanding borrowings under these agreements, respectively.

5. LONG-TERM DEBT (CONTINUED)

At December 31, 1999, future payments under the Growth Fund loan and equipment financing agreement are as follows:

YEAR ENDED DECEMBER 31,	
2000	$ 626,700
2001	753,900
2002	917,400
2003	1,075,600
2004	1,545,800
2005	139,000
	5,058,400
Less current portion	(626,700)
Long-term portion	$4,431,700

6. COLLABORATIVE RESEARCH AND LICENSING AGREEMENTS

In July 1999, the Company entered into a license and collaboration agreement with Allergan, Inc. to develop and commercialize drugs for glaucoma based on ACADIA's proprietary lead compounds. Under the agreement, the Company will provide its expertise in medicinal chemistry and high throughput pharmacology for a two year period to enable the selection by Allergan of up to two development candidates for clinical development and commercialization. Allergan was granted worldwide rights to products based on these lead compounds for the treatment of ocular disease. In exchange, the Company is eligible to receive up to approximately $19 million for the first development candidate, in the form of up front fees, research support and milestone payments. The Company will also receive royalties on future product sales, if any. Allergan also has the right to select a second development candidate, subject to similar milestone and royalty payments to the Company. Revenue recognized under this agreement totaled $967,000, $404,400 and $1,617,300 during the year ended December 31, 1999 and during the nine months ended September 30, 1999 and 2000, respectively.

In September 1997, the Company established a three year collaboration agreement with Allergan, Inc. to work jointly and exclusively on target validation and discovery efforts on several potential drug targets. Allergan has exclusive development and commercialization rights to all therapeutics, with the exception that the Company retains the development rights to at least one therapeutic indication for each target. This collaboration was extended in September 2000 for an additional two year period. Under the collaboration, the Company receives research funding. The Company is also eligible to receive milestone payments of up to $12.5 million for the first product developed for each target as well as royalties on sales of products, if any, resulting from the collaboration. The agreement provides Allergan certain rights of negotiation in the event of a proposed acquisition of the Company. Revenue recognized under this agreement totaled $273,500, $1,300,000 and $1,271,200 during the years ended December 31, 1997, 1998 and 1999, and $930,000 and $1,031,300 during the nine months ended September 30, 1999 and 2000, respectively. In September 1997, Allergan also made a $6 million equity investment in the Company, acquiring 1,000,000 shares of Series C preferred stock.

7. CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

CONVERTIBLE PREFERRED STOCK

A summary of the Company's convertible preferred stock is as follows:

	SHARES AUTHORIZED			SHARES ISSUED AND OUTSTANDING			PREFERENCE IN LIQUIDATION AT
	DECEMBER 31,			DECEMBER 31,			
	1998	1999	SEPTEMBER 30, 2000	1998	1999	SEPTEMBER 30, 2000	SEPTEMBER 30, 2000
			(UNAUDITED)			(UNAUDITED)	(UNAUDITED)
Series A.....	2,372,548	2,372,548	2,372,548	2,372,548	2,372,548	2,372,548	$ 8,268,300
Series B.....	738,384	738,384	738,384	738,384	738,384	738,384	3,876,500
Series C.....	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	7,800,000
Series D.....	1,908,135	1,908,135	1,908,135	1,581,653	1,581,653	1,581,653	12,900,400
Series E.....			4,000,000			2,933,335	22,916,700
	6,019,067	6,019,067	10,019,067	5,692,585	5,692,585	8,625,920	$55,761,900

CONVERSION

Each share of the Company's Series A, B, D and E preferred stock is convertible in certain circumstances into one share of common stock upon the closing of a qualifying initial public offering ("Qualifying IPO"). The Company's Series C preferred stock automatically converts into one share of common stock, subject to certain antidilution provisions, upon the closing of a Qualifying IPO. A Qualifying IPO is defined as an initial public offering of the Company's common stock pursuant to an effective registration statement under the Securities Act of 1933, resulting in gross proceeds of at least $7.5 million in the case of Series A and B shares, $15 million in the case of Series C and D shares and $20 million in the case of Series E shares, at a price per share of at least $7.50 in the case of Series A and B shares, $12.00 in the case of Series C and D shares and $15.00 in the case of Series E shares. In addition, holders of Series C preferred stock may at any time elect to convert each share into one share of common stock, subject to certain antidilution provisions.

VOTING RIGHTS

With the exception of certain matters, the holders of preferred stock vote together with the holders of common stock as a single class. Holders of preferred stock are entitled to one vote for each share of common stock into which such shares would convert.

DIVIDENDS

The holders of preferred stock are entitled to receive dividends when and if the Company declares a dividend on its common stock, in such amount as they would be entitled to receive if the preferred stock had been converted into common stock. In addition, immediately prior to the effectiveness of a Qualifying IPO, the holders of Series A, B, D and E preferred stock are entitled to anti-dilution protection, if applicable, in the form of a dividend payable in shares, as calculated based upon a formula ("Special Dividend"). At September 30, 2000, no shares were payable under the terms of the Special Dividend.

7. CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

LIQUIDATION

In the event of any liquidation, dissolution or winding up of the Company, the holders of preferred stock are entitled to a preference in relation to holders of the Company's common stock with regard to any distribution as follows: the greater of (i) $2.55 per share for Series A preferred stock, $4.00 per share for Series B preferred stock, $6.00 per share for Series C preferred stock, $6.75 per share for Series D preferred stock and $7.50 per share for Series E preferred stock, plus a rate of return of 10% per annum from the original issue date until the date of payment, or (ii) the amount payable under the Special Dividend, if applicable. The Company's sale of its assets or an acquisition of the Company by another entity may also be deemed a liquidation for purposes of a subsequent distribution of the assets and consideration allocable to the preferred stockholders; therefore, the preferred stock is considered temporary equity as presented in the consolidated balance sheet.

RIGHTS OF REFUSAL

The holders of preferred stock have certain rights of refusal to participate in future equity offerings by the Company and are entitled to certain registration rights with respect to such shares.

WARRANTS

At December 31, 1999, the Company had outstanding warrants to purchase an aggregate of 439,300 shares of the Company's common stock, 405,072 of which were issued in connection with the Series A preferred stock financing and 34,228 of which were issued to certain other stockholders in March 1998. The aggregate fair value of the warrants issued was not material to the Company. The warrants are exercisable at prices ranging from $12.00 to $15.00 per share, with a weighted average exercise price of $13.38 per share and a weighted average remaining contractual life of 1.5 years as they expire at various dates through February 2002, or earlier upon the occurrence of certain events. At September 30, 2000, 237,257 warrants with an exercise price of $12.00 per share remained outstanding and expire in February 2002, or earlier upon the occurrence of certain events.

1997 STOCK OPTION PLAN

The 1997 stock option plan (the "Plan"), as amended, provides for the grant of incentive stock options and nonqualified stock options to employees, officers, directors, consultants and advisors of the Company for up to 2,000,000 shares of common stock. The exercise price of each option is set at fair market value as determined by the Board of Directors and the option's maximum term is ten years. Options granted under the Plan generally vest over a four year period. At December 31, 1999 and September 30, 2000, options to purchase 390,354 and 303,729 shares of common stock, respectively, remain available for grant under the Plan.

7. CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

Stock option transactions under the Plan during the years ending December 31, 1997, 1998 and 1999 and the nine months ended September 30, 2000 are presented below:

	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICES
Balance at December 31, 1996	--	--
Granted	976,990	$0.12
Exercised	(223,370)	$0.01
Canceled/forfeited	(42,271)	$0.18
Balance at December 31, 1997	711,349	$0.15
Granted	527,000	$0.62
Exercised	(84,533)	$0.01
Canceled/forfeited	(291,566)	$0.06
Balance at December 31, 1998	862,250	$0.49
Granted	482,500	$0.85
Exercised	(34,707)	$0.06
Canceled/forfeited	(43,007)	$0.55
Balance at December 31, 1999	1,267,036	$0.64
Granted (unaudited)	232,500	$0.96
Exercised (unaudited)	(43,007)	$0.30
Canceled/forfeited (unaudited)	(145,875)	$0.65
Balance at September 30, 2000 (unaudited)	1,310,654	$0.71

The following table summarizes information about stock options outstanding at September 30, 2000 (unaudited):

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT SEPTEMBER 30, 2000	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT SEPTEMBER 30, 2000	WEIGHTED AVERAGE EXERCISE PRICE
$0.01 - $0.25	129,154	6.4	$0.16	116,869	$0.15
$0.40 - $0.60	450,500	7.4	$0.58	361,438	$0.58
$0.80 - $1.00	731,000	8.9	$0.88	163,292	$0.84
	1,310,654			641,599	

The weighted average fair value of options granted during the years ended December 31, 1997, 1998 and 1999 and the nine months ended September 30, 2000 was approximately $0.03, $0.23, $1.85, and $8.24, respectively.

During the year ended December 31, 1999 and the nine months ended September 30, 1999 and 2000, in connection with the grant of various stock options to employees, the Company recorded deferred stock-based compensation of $470,000, $430,800 and $1,224,300, respectively, representing the difference between the exercise price and the fair market value of the Company's common stock for financial reporting purposes on the date such stock options were granted. Unearned stock-based

7. CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)
compensation is included as a reduction of stockholders' equity (deficit) and is being amortized to expense over the vesting period of the options in accordance with FASB Interpretation No. 28. During the year ended December 31, 1999 and the nine months ended September 30, 1999 and 2000, the Company recorded amortization of unearned stock-based compensation expense of $98,300, $38,300 and $336,200, respectively. Also included in stock-based compensation for years ended December 31, 1998 and 1999 and for the nine months ended September 30, 1999 and 2000 is $52,700, $3,200, $3,200 and $1,769,300, respectively, resulting from the modification of certain option grants.

During the year ended December 31, 1999 and the nine months ended September 30, 1999 and 2000, in connection with the grant of stock options to consultants, the Company recorded stock-based compensation of $4,000, $1,200 and $103,400, respectively. For purposes of determining this compensation expense, the fair value of each option grant is estimated on the measurement date using the Black Scholes option pricing model with the following assumptions used for the year ended December 31, 1999 and the nine months ended September 30, 1999 and 2000: dividend yield of 0.0%; volatility of 100%; a risk free interest rate of 6% and an expected life of ten years for all periods.

PRO FORMA INFORMATION

Pro forma information regarding net income (loss) is required to be disclosed in accordance with Statement of Financial Accounting Standards No. 123, and has been determined as if the Company had accounted for its employee stock options under the fair value methodology.

For purposes of determining compensation expense, the fair value of each option grant is estimated on the grant date using the minimum value option pricing model with the following assumptions used for grants during the years ended December 31, 1997, 1998 and 1999: dividend yield of 0.0% for all years; volatility of 0.0% for all years; a risk free interest rate of 7.7%, 7.7% and 6% for 1997, 1998 and 1999, respectively; and an expected life of six years for all years. Pro forma information follows:

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Actual net loss	$(2,981,900)	$(6,402,500)	$(7,445,300)
Pro forma net loss	$(2,985,900)	$(6,429,500)	$(7,548,000)
Actual net loss per share, basic and diluted	$ (1.74)	$ (3.12)	$ (3.57)
Pro forma net loss per share, basic and diluted	$ (1.74)	$ (3.14)	$ (3.62)

COMMON STOCK RESERVED FOR FUTURE ISSUANCE

At September 30, 2000, a total of 10,019,067 shares of common stock have been reserved for conversion of preferred stock into common stock. In addition, 1,310,654 and 237,257 shares of common stock have been reserved for issuance upon the exercise of stock options and warrants, respectively.

8. 401(K) PLAN

Effective January 1997, the Company established a deferred compensation plan (the "401(k) Plan") pursuant to Section 401(k) of the Internal Revenue Code, whereby substantially all employees

8. 401(K) PLAN (CONTINUED)
are eligible to contribute up to 15% of their pretax earnings, not to exceed amounts allowed under the code. The Company makes contributions to the 401(k) Plan equal to 100% of the employees' pretax contributions up to 5% of their eligible compensation. The Company's total contributions to the 401(k) Plan were $34,400, $89,600, and $118,100 for the years ended December 31, 1997, 1998 and 1999, respectively and $87,000 and $103,800 for the nine months ended September 30, 1999 and 2000, respectively.

9. INCOME TAXES

At December 31, 1999, the Company has both federal and state net operating loss carryforwards of approximately $9,764,900 and $11,882,700, respectively, which begin to expire in 2013 and 2003, respectively. The Company also has foreign net operating loss carryforwards of approximately $6,703,800 which begin to expire in 2003. Upon certain changes in the ownership of the Company, the Company's use of net operating losses may be limited.

The components of the deferred tax asset are as follows:

	DECEMBER 31,	
	1998	1999
Net operating loss carryforwards	$ 3,491,300	$ 6,292,600
Research and development credit carryforwards	208,800	379,900
Other	105,700	54,100
	3,805,800	6,726,600
Valuation allowance	(3,805,800)	(6,726,600)
Net deferred tax asset	$ --	$ --

Based on a number of factors, including the lack of a history of profits and the fact that the Company competes in a developing market that is characterized by rapidly changing technology, management believes that there is sufficient uncertainty regarding the realization of deferred tax assets such that a full valuation allowance has been provided.

9. INCOME TAXES (CONTINUED)

A reconciliation of income taxes to the amount computed by applying the statutory federal income tax rate to the net loss is summarized as follows:

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Amounts computed at statutory federal rate	$ (1,013,600)	$ (2,176,800)	$ (2,531,000)
Permanent differences	14,700	7,900	41,000
Federal research and development credits	(28,700)	(119,300)	(110,000)
Change in valuation allowance of deferred tax assets	1,200,700	2,605,000	2,920,800
State taxes	(108,300)	(317,700)	(395,200)
Other	(64,800)	900	74,400
	$ --	$ --	$ --

10. COMMITMENTS

The Company and its subsidiary lease two office/laboratory facilities and certain equipment under noncancelable operating leases that expire at various dates through October 2005. Under the terms of the facilities leases, the Company is required to pay its proportionate share of property taxes, insurance and normal maintenance costs.

Future minimum payment obligations under noncancelable operating lease arrangements are as follows at December 31, 1999:

YEAR ENDED DECEMBER 31,	
2000	$ 807,600
2001	827,900
2002	840,600
2003	718,800
2004	747,600
Thereafter	611,400
	$4,553,900

Rent expense was $242,400, $648,900, $775,800, $575,700 and $623,700 for the years ended December 31, 1997, 1998 and 1999 and for the nine months ended September 30, 1999 and 2000, respectively.

In August 2000, the Company entered into a facilities operating lease which expires on November 30, 2005. Under the lease, the Company will make total rental payments of $860,100, which includes rent escalation clauses.

11. SUBSEQUENT EVENTS (UNAUDITED)

1997 STOCK OPTION PLAN

In November 2000, the Board of Directors approved an increase in the number of shares available for issuance under the 1997 stock option plan by 700,000. Additionally, in October and November 2000, the Company granted options to purchase 190,000 shares of common stock at a weighted average exercise price of $1.16 per share. The Company will record additional unearned stock-based compensation of approximately $1.3 million for option grants to employees.

COLLABORATIVE RESEARCH AND LICENSING AGREEMENTS

In December 2000, the Company entered into a five year collaborative drug discovery agreement with ArQule, Inc. Under the collaboration, the Company will combine its integrated technology platform with ArQule's Parallel Track Discovery Program to discover novel small molecule drug candidates directed at individual genomic targets. The Company and ArQule will share equally in all future revenues created by the joint discovery programs, including future milestone, royalty and upfront payments resulting from the out licensing of drug candidates, if any, and the companies will each obtain certain rights to pursue independent discovery efforts.

INITIAL PUBLIC OFFERING

In December 2000, the Board of Directors authorized management of the Company to file a registration statement with the Securities and Exchange Commission permitting the Company to sell shares of its common stock to the public. If the initial public offering is closed under certain terms, all of the preferred stock outstanding at September 30, 2000 will convert into shares of common stock.

2000 EQUITY INCENTIVE PLAN

In December 2000, the Board of Directors approved the 2000 equity incentive plan. Adoption of the 2000 equity incentive plan is subject to stockholder approval and effective upon the closing of the initial public offering.

2000 EMPLOYEE STOCK PURCHASE PLAN

In December 2000, the Board of Directors approved the 2000 employee stock purchase plan. Adoption of the 2000 employee stock purchase plan is subject to stockholder approval and effective upon the closing of the initial public offering.

2000 NONEMPLOYEE DIRECTORS' STOCK OPTION PLAN

In December 2000, the Board of Directors approved the 2000 nonemployee directors' stock option plan. Upon adoption, all newly elected or appointed nonemployee directors will be entitled to receive an initial option grant and in subsequent years, all nonemployee directors will be entitled to receive an automatic annual option grant to each eligible director. Adoption of the 2000 nonemployee directors' stock option plan is subject to stockholder approval and effective upon the closing of the initial public offering.

[ACADIA LOGO]

SUBJECT TO COMPLETION, DATED , 2001

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL SECURITIES, AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES, IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

[ACADIA LOGO]

SHARES
COMMON STOCK

ACADIA Pharmaceuticals Inc. is offering shares of its common stock. This is our initial public offering and no public market currently exists for our shares. We have applied for approval for quotation of our common stock on the Nasdaq National Market under the symbol "ACAD." We anticipate that the initial public offering price will be between $ and $ per share.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS.
SEE "RISK FACTORS" BEGINNING ON PAGE 5.

	PER SHARE	TOTAL
Public Offering Price	$	$
Underwriting Discounts and Commissions	$	$
Proceeds to ACADIA Pharmaceuticals Inc	$	$

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED OR DISAPPROVED THESE SECURITIES, OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

ACADIA Pharmaceuticals Inc. has granted the underwriters a 30-day option to purchase up to an additional shares of common stock to cover overallotments.

ROBERTSON STEPHENS INTERNATIONAL U.S. BANCORP PIPER JAFFRAY

THE DATE OF THIS PROSPECTUS IS , 2001

[ACADIA LOGO]

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of common stock being registered. All amounts are estimates except the registration fee, the Nasdaq National Market listing fee and the NASD filing fee.

	AMOUNT TO BE PAID
Registration fee	$ 19,800
NASD fee	8,000
Nasdaq National Market listing fee	95,000
Printing and engraving	170,000
Legal fees and expenses	450,000
Accounting fees and expenses	275,000
Blue sky fees and expenses	5,000
Transfer agent fees	25,000
Miscellaneous	53,200
Total	$1,100,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Under Section 145 of the Delaware General Corporation Law, we have broad powers to indemnify our directors and officers against liabilities they may incur in such capacities, including liabilities under the Securities Act.

The form of the underwriting agreement filed as Exhibit 1.1 to this registration statement provides for indemnification for the underwriters and their controlling persons, on the one hand and of ACADIA and our controlling persons on the other hand, for certain liabilities arising under the Securities Act, the Securities Exchange Act or otherwise.

We maintain directors and officers insurance providing indemnification for certain of our directors, officers, affiliates, partners or employees for certain liabilities.

The indemnification provisions in our Bylaws and the indemnification agreements entered into between us and our directors and executive officers, may be sufficiently broad to permit indemnification of our officers and directors for liabilities arising under the 1933 Act.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

Since January 1, 1997, we have sold and issued the following unregistered securities:

1. On January 23, 1997, we issued an aggregate of 1,523,088 shares of our common stock to one accredited investor upon our reincorporation in Delaware in consideration for 250 shares of common stock issued by our predecessor in Vermont. The 250 shares of the Vermont corporation were issued for an aggregate purchase price of $250.

2. On February 3, 1997, we issued an aggregate of 2,372,548 shares of our Series A preferred stock to six accredited investors for an aggregate purchase price of $6,049,997. Also on February 3, 1997, we issued to the same investors warrants to purchase an aggregate of 237,257 shares of our common stock at an exercise price of $6.00 per share and warrants to purchase an aggregate of 237,257 shares of our common stock at an exercise price of $12.00 per share.

3. On August 12, 1997, we issued an aggregate of 738,384 shares of our Series B preferred stock to six accredited investors for an aggregate purchase price of $2,953,536.

4. On September 24, 1997, we issued 1,000,000 shares of our Series C preferred stock to one accredited investor for a purchase price of $6,000,000.

5. On December 16, 1997, we issued an aggregate of 237,257 shares of our common stock upon the exercise of warrants originally issued on February 3, 1997 to the holders of the warrants. The aggregate exercise price paid by the holders of the warrants was $1,423,542.

6. On March 31, 1998, we issued warrants to purchase an aggregate of 202,043 shares of our common stock with an exercise price of $15.00 per share.

7. On August 26, 1998, we issued an aggregate of 1,581,653 shares of our Series D preferred stock to seven accredited investors for an aggregate purchase price of $10,676,158.

8. On May 5, 2000 and June 8, 2000, we issued an aggregate of 2,933,335 shares of our Series E preferred stock to ten accredited investors for an aggregate purchase price of $22,000,013.

9. At November 30, 2000, we have granted options to purchase an aggregate of 1,880,521 shares of our common stock, including options subsequently cancelled that then became available for new option grants, to directors, employees and consultants under our 1997 stock option plan. The exercise prices for such options range from $0.01 to $1.50 per share. At November 30, 2000, we have issued an aggregate of 397,117 shares of common stock upon the exercise of stock options under our 1997 stock option plan.

The offers, sales and issuances of these securities were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act, and/or Regulation D promulgated thereunder, or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving a public offering or transactions under compensatory benefit plans and contracts relating to compensation as provided under such Rule 701. The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and warrants issued in such transactions. All recipients had adequate access, through employment or other relationships, to information about us.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
1.1(1)	Form of Underwriting Agreement
3.1	Registrant's Amended and Restated Certificate of Incorporation, as currently in effect
3.2(2)	Form of Registrant's Amended and Restated Certificate of Incorporation, to be effective upon the closing of this offering
3.3	Registrant's Restated Bylaws, as currently in effect
3.4	Form of Registrant's Amended and Restated Bylaws, to be effective upon the closing of this offering
4.1	Form of common stock certificate of Registrant
4.2	Amended and Restated Stockholders Agreement, dated May 5, 2000, by and among the Registrant and the stockholders named therein
4.3	Form of Warrant to Purchase Common Stock, dated February 3, 1997

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
5.1(1)	Opinion of Cooley Godward LLP
10.1	Form of Indemnity Agreement for directors and officers
10.2	1997 Stock Option Plan and forms of agreement thereunder
10.3	2000 Equity Incentive Plan and forms of agreement thereunder
10.4	2000 Non-employee Directors' Stock Option Plan and forms of agreement thereunder
10.5	2000 Employee Stock Purchase Plan and initial offering thereunder
10.6	401(k) Plan
10.7	Employment Letter Agreement, dated December 21, 1998, between the Registrant and Uli Hacksell, Ph.D.
10.8	Employment Letter Agreement, dated January 31, 1997, between the Registrant and Mark R. Brann, Ph.D.
10.9	Employment Letter Agreement, dated March 4, 1998, between the Registrant and Thomas H. Aasen
10.10	Promissory Note, dated May 11, 2000, by Uli Hacksell, Ph.D. in favor of the Registrant
10.11	Employment Letter Agreement, dated April 17, 1998, between the Registrant and Leonard R. Borrmann, Pharm.D.
10.12	Separation Agreement and General Release, dated September 20, 2000, between the Registrant and Leonard R. Borrmann, Pharm.D.
10.13	Loan Letter Agreement, dated December 4, 1996, between the Registrant and The Vaekstfonden (The Danish Fund for Industrial Growth)
10.14(3)	Collaborative Research, Development and License Agreement, dated September 24, 1997, by and among the Registrant, Allergan, Inc. and Vision Pharmaceuticals L.P. (now Allergan Sales, Inc.)
10.15(3)	Collaborative Research, Development and License Agreement, dated July 26, 1999, by and among the Registrant and Allergan, Inc., Allergan Pharmaceuticals (Ireland) Limited, Inc. and Allergan Sales, Inc.
10.16(3)	Compound Discovery Collaboration Agreement, dated December 18, 2000, between the Registrant and ArQule, Inc.
10.17(3)	Assignment of Brann Intellectual Property Rights, dated January 29, 1997, by Mark R. Brann in favor of the Registrant
10.18	Standard Industrial/Commercial Single-Tenant Lease-Net, dated August 15, 1997, between the Registrant and R.G. Harris Co.
23.1	Consent of Independent Accountants
23.2	Consent of Counsel (included in Exhibit 5.1)
24.1	Power of Attorney (see page II-5)
27.1	Financial Data Schedule (available in EDGAR format only)

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(1) To be filed by amendment.

(2) As proposed to be filed with the Secretary of State of the State of Delaware prior to the effectiveness of the offering.

(3) This exhibit has been filed separately with the Commission pursuant to an application for confidential treatment. The confidential portions of this exhibit have been omitted and are marked by an asterisk.

(b) FINANCIAL STATEMENT SCHEDULES

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

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

The undersigned Registrant hereby undertakes:

(1) That, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(2) That, for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(3) For the purpose of determining any liability under the Securities Act, each post effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the Securities Act of 1933, the Registrant has duly caused this registration statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California, on this 21st day of December, 2000.

ACADIA PHARMACEUTICALS INC.

By: /s/ ULI HACKSELL

Uli Hacksell
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Uli Hacksell and Thomas H. Aasen, and each of them, as his true and lawful attorneys in fact and agents, with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments (including post effective amendments, exhibits thereto and other documents in connection therewith) to this registration statement and any subsequent registration statement filed by the registrant pursuant to Rule 462(b) of the Securities Act of 1933, as amended, which relates to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys in fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys in fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

SIGNATURE	TITLE	DATE
/s/ ULI HACKSELL Uli Hacksell	Chief Executive Officer and Director (Principal executive officer)	December 21, 2000
/s/ THOMAS H. AASEN Thomas H. Aasen	Vice President, Chief Financial Officer, Treasurer and Secretary (Principal financial and accounting officer)	December 21, 2000
/s/ MARK R. BRANN Mark R. Brann	President, Chief Scientific Officer and Director	December 21, 2000
/s/ LESLIE L. IVERSEN Leslie L. Iversen	Chairman of the Board	December 21, 2000

SIGNATURE	TITLE	DATE
/s/ THOMAS EKLUND Thomas Eklund	Director	December 21, 2000
/s/ ARNE J.GILLIN Arne J. Gillin	Director	December 21, 2000
/s/ CARL L. GORDON Carl L. Gordon	Director	December 21, 2000
/s/ LESTER J. KAPLAN Lester J. Kaplan	Director	December 21, 2000
/s/ POVL KROGSGAARD-LARSEN Povl Krogsgaard-Larsen	Director	December 21, 2000
/s/ TORSTEN RASMUSSEN Torsten Rasmussen	Director	December 21, 2000

EXHIBIT INDEX

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(1) To be filed by amendment.

(2) As proposed to be filed with the Secretary of State of the State of Delaware prior to the effectiveness of the offering.

(3) This exhibit has been filed separately with the Commission pursuant to an application for confidential treatment. The confidential portions of this exhibit have been omitted and are marked by an asterisk.

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
ACADIA PHARMACEUTICALS INC.

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

FIRST: The name of the Corporation is: ACADIA Pharmaceuticals Inc.

SECOND: The Corporation's original Certificate of Incorporation was filed with the Secretary of State on January 16, 1997 under the name Receptor Technologies, Inc.

THIRD: The Amended and Restated Certificate of Incorporation of this Corporation, in the form attached hereto as Exhibit A, has been duly adopted by the Board of Directors and stockholders in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware. At least 66 2/3% of each of the outstanding Series A, Series B, Series C and Series D Preferred Stock of the Company, each voting as a separate class, and at least 50% of the outstanding Common Stock and Series A, Series B, Series C and Series D Preferred Stock of the Company, voting as a separate class, approved this Restated Certificate of Incorporation by written consent in accordance with Section 228 of the General Corporation Law of the State of Delaware and written notice of such was given by the Corporation in accordance with said Section 228.

FOURTH: The Amended and Restated Certificate of Incorporation so adopted reads in full as set forth in Exhibit A attached hereto and is hereby incorporated by reference.

IN WITNESS WHEREOF, ACADIA Pharmaceuticals Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by its Chief Executive Officer this 28th day of April, 2000.

ACADIA PHARMACEUTICALS INC.

By: /s/ Leonard R. Borrmann

Leonard R. Borrmann,
Chief Executive Officer

EXHIBIT A

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
ACADIA PHARMACEUTICALS INC.

I.

The name of this Corporation is ACADIA PHARMACEUTICALS INC.

II.

The address of its registered office in the State of Delaware is Corporation Service Company, 1013 Centre Road, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

III.

The nature of the business or purposes to be conducted or promoted by the Corporation is as follows:

To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware

IV.

The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) 14,218,712 shares of Common Stock, $0.0001 par value per share ("Common Stock") and (ii) 10,019,067 shares of Preferred Stock, $0.01 par value per share ("Preferred Stock").

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

A. COMMON STOCK

1. GENERAL. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors upon any issuance of the Preferred Stock of any series.

2. VOTING. Subject to Section C.3. of this Article IV, the holders of the Common Stock are entitled to one vote for each share held at all meetings of stockholders (and written actions in lieu of meetings). There shall be no cumulative voting. The number of

authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding or issuable upon the exercise or conversion of any securities exercisable for or convertible into Common Stock) by the affirmative vote of the holders of majority of the stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of Delaware.

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

4. LIQUIDATION. Upon the dissolution or liquidation of the Corporation, whether voluntary or involuntary, holders of Common Stock will be entitled to receive all assets of the Corporation available for distribution to its stockholders, subject to any preferential rights of any then outstanding Preferred Stock.

B. PREFERRED STOCK.

Preferred Stock may be issued from time to time in one or more series, each of such series to have such terms as stated or expressed herein and in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors of the Corporation as hereinafter provided. Any shares of Preferred Stock which may be redeemed, purchased or acquired by the Corporation may be reissued except as otherwise provided by law. Different series of Preferred Stock shall not be construed to constitute different classes of shares for the purposes of voting by classes unless expressly provided.

C. SERIES PREFERRED STOCK.

An aggregate of 2,372,548 shares of the authorized shares of Preferred Stock of the Corporation are hereby designated "Series A Preferred Stock;" an aggregate of 738,384 shares of the authorized shares of Preferred Stock are hereby designated "Series B Preferred Stock"; an aggregate of 1,000,000 shares of the authorized shares of Preferred Stock are hereby designated "Series C Preferred Stock;" an aggregate of 1,908,135 shares of the authorized shares of Preferred Stock are hereby designated "Series D Preferred Stock"; and an aggregate of 4,000,000 shares of Preferred Stock are hereby designated as the "Series E Preferred Stock." The Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series D Preferred Stock and the Series E Preferred Stock are collectively referred to herein as the "Series Preferred Stock" with the following rights, preferences, powers, privileges and restrictions, qualifications and limitations.

1. DIVIDENDS.

a. The Corporation shall not declare or pay any distributions (as defined below) on shares of Common Stock until the holders of the Series Preferred Stock then outstanding shall have first received, or simultaneously receive, a distribution on each outstanding share of Series Preferred Stock in an amount at least equal to the product of (i) the per share amount, if any, of the dividends or other distributions to be declared, paid or set aside for the Common Stock, multiplied by (ii) the number of whole shares of Common Stock into which such share of Preferred Stock would then (a) with respect to the Series A, Series B, Series

D Preferred Stock and Series E Preferred Stock, be reclassified had the payment of the Special Dividend (as defined in subsection c. below) been declared and paid and had the expiry of the Series Preferred Stock preferences occurred immediately prior to the declaration and payment of such distribution, and (b) with respect to Series C Preferred Stock be convertible into.

b. For purposes of this Section C.1., unless the context requires otherwise, "distribution" shall mean the transfer of cash or property without consideration, whether by way of dividend or otherwise, payable other than in Common Stock or other securities of the Corporation, or the purchase or redemption of shares of the Corporation (other than repurchases of Common Stock held by employees, officers or directors of, or consultants to, the Corporation upon termination of their employment or services pursuant to agreements providing for such repurchase at a price equal to the original issue price of such shares and other than redemptions in liquidation or dissolution of the Corporation) for cash or property, including any such transfer, purchase or redemption by a subsidiary of this Corporation.

c. The Corporation shall immediately prior to the effectiveness of a public offering described in Section C.5.a. below, declare and pay on the Series Preferred Stock a "Special Dividend," payable as follows:

(a) with respect to the Series A Preferred Stock, payable in shares of Series A Preferred Stock, equal to X = [A * B] - A, where

(1) A equals the aggregate number of shares of Series A Preferred Stock outstanding immediately prior to the declaration of the Special Dividend;

(2) B equals $2.55 divided by the then current Series A Adjustment Factor (as defined below); and

(3) X equals the number of shares of Series A Preferred Stock to be issued in the dividend.

(b) with respect to the Series B Preferred Stock, payable in shares of Series B Preferred Stock, equal to X = [A * B] - A, where

(1) A equals the aggregate number of shares of Series B Preferred Stock outstanding immediately prior to the declaration of the Special Dividend;

(2) B equals $4.00 divided by the then current Series B Adjustment Factor (as defined below); and

(3) X equals the number of shares of Series B Preferred Stock to be issued in the dividend.

d. The Corporation shall immediately prior to the effectiveness of a public offering described in Section C.5.c. below, declare and pay on the Series D Preferred

Stock a "Special Dividend," payable in shares of Series D Preferred Stock, equal to X = [A * B] - A, where

(i) A equals the aggregate number of shares of Series D Preferred Stock outstanding immediately prior to the declaration of the Special Dividend;

(ii) B equals $6.75 divided by the then current Series D Adjustment Factor (as defined below); and

(iii) X equals the number of shares of Series D Preferred Stock to be issued in the dividend.

e. The Corporation shall immediately prior to the effectiveness of a public offering described in Section C.5.d. below, declare and pay on the Series E Preferred Stock a "Special Dividend," payable in shares of Series E Preferred Stock, equal to X = [A * B] - A, where

(i) A equals the aggregate number of shares of Series E Preferred Stock outstanding immediately prior to the declaration of the Special Dividend;

(ii) B equals $7.50 divided by the then current Series E Adjustment Factor (as defined below); and

(iii) X equals the number of shares of Series E Preferred Stock to be issued in the dividend.

The Special Dividend payable with respect to the Series A Preferred Stock is referred to herein as the Special Series A Dividend, the Special Dividend payable with respect to the Series B Preferred Stock is referred to herein as the Special Series B Dividend, the Special Dividend payable with respect to the Series D Preferred Stock is referred to herein as the Special Series D Dividend and the Special Dividend payable with respect to the Series E Preferred Stock is referred to herein as the Special Series E Dividend. Any fraction of a share of Series Preferred Shares shall be adjusted upward to the nearest full number of shares and no fraction of a share shall be payable in cash.

2. LIQUIDATION, DISSOLUTION OR WINDING UP; CERTAIN MERGERS, CONSOLIDATIONS AND ASSET SALES.

a. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the corporation, the holders of shares of Series Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders before any payment shall be made to the holders of Common Stock or any other class or series of stock ranking on liquidation junior to the Series Preferred Stock (such Common Stock and other stock being collectively referred to as "Junior Stock") by reason of their ownership thereof, an amount equal to the greater of (i) (A) with respect to the Series A Preferred Stock, $2.55 per share, with respect to the Series B Preferred Stock, $4.00 per share, with respect to the Series C Preferred Stock, $6.00 per share, with respect to the Series D Preferred Stock, $6.75 per share, and with respect to the Series E Preferred Stock, $7.50 per

share (in each case, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares), plus any dividends declared but unpaid thereon, plus (B) a rate of return on the amount determined under the foregoing clause (A) equal to 10% per annum from the Original Issue Date (as defined below) corresponding to such Series Preferred Stock until the date of payment thereof to the holders of the Series Preferred Stock or (ii) such amount per share as would have been payable had the Special Dividend been declared and paid and had each such share been reclassified or converted, as the case may be, into Common Stock pursuant to Section C.5 immediately prior to such liquidation, dissolution or winding up. If upon any such liquidation, dissolution or winding up of the Corporation the remaining assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series Preferred Stock the full amount to which they shall be entitled, then the holders of shares of Series Preferred Stock shall share ratably in any distribution of such remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares be paid in full.

b. Upon completion of the distribution provided for in Subsection 2.a. above, all of the assets remaining in the Corporation, if any, shall be distributed pro rata among the holders of the Common Stock, based upon the number of shares of Common Stock held by such holder.

c. In the event of any merger or consolidation of the Corporation into or with another corporation (except one in which the holders of capital stock of the Corporation immediately prior to such merger or consolidation continue to hold at least 80% by voting power of the capital stock of the surviving corporation), or the sale of all or substantially all the assets of the Corporation, if the holders of at least a majority of either (i) the then outstanding shares of Series A, B, D and E Preferred Stock taken together as single class or (ii) the then outstanding shares of Series C Preferred Stock so elect by giving written notice thereof to the Corporation at least three days before the effective date of such event, then such merger, consolidation or asset sale shall be deemed to be a liquidation of the Corporation with respect to all of the Series Preferred Stock, and all consideration payable to the holders of shares of Series Preferred Stock (in the case of a merger or consolidation), or all consideration payable to the Corporation and allocable to the holders of shares of Series Preferred Stock, together with all other available assets of the Corporation which are allocable to the holders of shares of Series Preferred Stock (in the case of an asset sale), shall be distributed to the holders of shares of Series Preferred Stock in accordance with Subsection 2.a. above. The Corporation shall promptly provide to the holders of shares of Series Preferred Stock such information concerning the terms of such merger, consolidation or asset sale and the value of the assets of the Corporation as may reasonably be requested by the holders of Series Preferred Stock in order to assist them in determining whether to make such an election. If the holders of the Series Preferred Stock make such an election, the Corporation shall use its best efforts to amend the agreement or plan of merger or consolidation to adjust the rate at which the shares of capital stock of the Corporation are converted into or exchanged for cash, new securities or other property to give effect to such election. The amount deemed distributed to the holders of Series Preferred Stock upon any such merger or consolidation shall be the cash or the value of the property, rights or securities distributed to such holders by the acquiring person, firm or other entity. The value of such

property, rights or other securities shall be determined in good faith by the Board of Directors of the Corporation. Upon the distribution of assets to the holders of Series Preferred Stock making the election under this Subsection 2.c., the shares of Series Preferred Stock held by such holders shall be deemed surrendered and shall be canceled. If no notice of the election permitted by this Subsection 2.c. is given, the provisions of Subsection 4.f. shall apply.

3. VOTING.

a. Each holder of outstanding shares of Series Preferred Stock shall be entitled at any meeting of stockholders, or pursuant to an action by written consent in lieu of a meeting, to the number of votes equal to the number of whole shares of Common Stock into which the shares of Series Preferred Stock held by such holder would be reclassified had the issuance of the Special Dividend and the expiry of the preferences or the conversion, as the case may be, of the Series Preferred Stock pursuant to Section C.5. herein occurred immediately prior to the record date for such meeting of stockholders of the Corporation (and written actions of stockholders in lieu of meetings) with respect to any and all matters presented to the stockholders of the Corporation for their action or consideration. Except as provided by law or by the provisions of Subsections 3.b. through 3.e. below, holders of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock shall vote together with the holders of Common Stock as a single class.

b. Subject to Section C.5. herein, the Corporation shall not amend, alter or repeal the preferences, special rights or other powers of any series of the Series Preferred Stock so as to affect adversely any series of Series Preferred Stock, without the written consent or affirmative vote of holders of at least two-thirds (2/3) of the then outstanding shares of (i) Series A, B, D and E Preferred Stock taken together as a single class and (ii) Series C Preferred Stock, given in writing or by vote at a meeting, each consenting or voting (as the case may be) separately as a class, including but not limited to any of the following:

(i) authorizing any shares of capital stock with preference or priority over any series of the Series Preferred Stock or, except with respect to shares authorized for and issued to Corporate Partners (defined below) as provided in Subsection 3.c. below, on a parity with, any series of the Series Preferred Stock as to voting or the right to receive either dividends or amounts distributable upon liquidation, dissolution or winding up of the Corporation;

(ii) any sale, conveyance, or other disposition of or encumbrance (other than pursuant to a credit arrangement in the ordinary course of business) of all or substantially all of the Corporation's property or business or merging into or consolidating with any other corporation (other than a wholly owned subsidiary corporation) or effecting any transaction or series of related transactions in which more than 50% of the voting power of the Corporation is disposed of or effecting any reorganization or recapitalization of the Corporation, in each case involving a transaction in which the value of the Corporation immediately prior to the effective date thereof (determined based on the aggregate cash consideration paid to the Corporation and its stockholders on such effective date in respect of such transaction) (the "Company Valuation") is less than $42.6 million;

(iii) increasing the authorized number of shares of any series of Series Preferred Stock or, except with respect to shares authorized for and issued to Corporate Partners as provided in Subsection 3.c. below, the total number of shares of Preferred Stock; or

(iv) except with respect to shares authorized for and issued to Corporate Partners as provided in Subsection 3.c. below or a change in the authorized number of shares of Common Stock necessary in connection with any adjustment pursuant to the antidilution protections or Special Dividend provisions hereof, increasing the authorized number of shares of Common Stock.

c. Subject to Section C.5. herein, the Corporation shall not amend, alter or repeal the preferences, special rights or other powers of any series of the Series Preferred Stock so as to affect adversely any series of Series Preferred Stock, without the written consent or affirmative vote of holders of at least two-thirds (2/3) of the then outstanding shares of Series A, B, C, D and E Preferred Stock taken together as a single class, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class, including but not limited to any of the following:

(i) authorizing any shares of capital stock on a parity with any series of the Series Preferred Stock as to voting or the right to receive either dividends or amounts distributable upon liquidation, dissolution or winding up of the Corporation, which shares are authorized for and issued to a Corporate Partner;

(ii) any sale, conveyance, or other disposition of or encumbrance (other than pursuant to a credit arrangement in the ordinary course of business) of all or substantially all of the Corporation's property or business or merging into or consolidating with any other corporation (other than a wholly owned subsidiary corporation) or effecting any transaction or series of related transactions in which more than 50% of the voting power of the Corporation is disposed of or effecting any reorganization or recapitalization of the Corporation, in each case at a Company Valuation of at least $42.6 million; or

(iii) increasing the authorized number of shares of Preferred Stock, which shares are authorized for and issued to a Corporate Partner; or

(iv) increasing the authorized number of shares of Common Stock, which shares are authorized for issuance upon conversion of shares issued to a Corporate Partner.

For purposes of this Section C.3, the term "Corporate Partner" shall mean a third party with whom the Corporation has entered into a strategic relationship pursuant to a written BONA FIDE collaboration agreement involving payments to the Company and diligence obligations by such third party.

d. The Corporation shall not, without the written consent or affirmative vote of the holders of at least sixty-seven percent (67%) of the then outstanding shares of Series C Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class, increase the maximum number of directors constituting the Board of Directors to a number in excess of nine (9).

e. The holders of the Series C Preferred Stock, voting together as a separate class, shall be entitled to elect one (1) director of the Corporation. The holders of the Series E Preferred Stock, voting together as a separate class, shall be entitled to elect one (1) director of the Corporation. The holders of the Series Preferred Stock together with the holders of Common Stock shall be entitled to elect up to seven (7) directors of the Corporation. At any meeting (or in a written consent in lieu thereof) held for the purpose of electing directors, the presence in person or by proxy (or the written consent) of the holders of a majority of the shares of the Series C Preferred Stock then outstanding shall constitute a quorum of the Series C Preferred Stock for the election of the director to be elected solely by the holders of the Series C Preferred Stock and the presence in person or by proxy (or the written consent) of the holders of a majority of the shares of the Series E Preferred Stock then outstanding shall constitute a quorum of the Series E Preferred Stock for the election of the director to be elected solely by the holders of the Series E Preferred Stock. A vacancy in any directorship elected by the holders of the Series C Preferred Stock shall be filled only by vote or written consent of the holders of the Series C Preferred Stock, a vacancy in any directorship elected by the holders of the Series E Preferred Stock shall be filled only by vote or written consent of the holders of the Series E Preferred Stock and a vacancy in any directorship elected by the holders of the Series Preferred and the Common Stock shall be filled only by vote or written consent of such holders. A director elected by the holders of Series C Preferred Stock may be removed without cause only by vote of the holders of a majority of the outstanding shares of Series C Preferred Stock, a director elected by the holders of Series E Preferred Stock may be removed without cause only by vote of the holders of a majority of the outstanding shares of Series E Preferred Stock and a director elected by the holders of the Series Preferred and the Common Stock may be removed without cause only by vote of the holders of a majority of the outstanding shares of the Series Preferred and the Common Stock taken together as a single class.

4. ADJUSTMENT FACTOR

The Corporation shall at all times calculate an adjustment factor (the "Adjustment Factor"). The Adjustment Factor with respect to the Series A Preferred Stock shall initially be $2.55 (the "Series A Adjustment Factor"); the Adjustment Factor with respect to the Series B Preferred Stock shall initially be $4.00 (the "Series B Adjustment Factor"); the Adjustment Factor with respect to the Series C Preferred Stock shall initially be $6.00 (the "Series C Adjustment Factor"); the Adjustment Factor with respect to the Series D Preferred Stock shall initially be $6.75 (the "Series D Adjustment Factor") and the Adjustment Factor with respect to the Series E Preferred Stock shall initially be $7.50 (the "Series E Adjustment Factor"). Such initial Adjustment Factor shall be subject to adjustment as provided below.

a. ADJUSTMENTS TO ADJUSTMENT FACTOR FOR DILUTING ISSUES:

(i) SPECIAL DEFINITIONS. For purposes of this Section 4, the following definitions shall apply:

(a) "OPTION" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities, excluding options or warrants described in subsection 4.a.(i)(d)(4) below.

(b) "ORIGINAL ISSUE DATE" with respect to each series of Series Preferred Stock shall mean the date on which such series of Series Preferred Stock was first issued.

(c) "CONVERTIBLE SECURITIES" shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock.

(d) "ADDITIONAL SHARES OF COMMON STOCK" shall mean all shares of Common Stock issued (or, pursuant to Subsection 4.a(iii) below, deemed to be issued) by the Corporation after the Original Issue Date, other than shares of Common Stock issued or issuable:

(1) upon conversion of any Convertible Securities outstanding on the Original Issue Date, or upon exercise of any Option outstanding on the Original Issue Date (including Options issued on such Date);

(2) as a dividend or distribution on Series Preferred Stock or in connection with the reclassification or conversion, as the case may be, of the Series Preferred Stock pursuant to Section C.5. herein;

(3) by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock that is covered by Subsection 4.b. or 4.c. below;

(4) to employees or directors of, or consultants to, the Corporation pursuant to a plan or arrangement adopted by the Board of Directors of the Corporation;

(5) in connection with bona fide strategic transactions involving the Company and other entities, including (i) joint ventures, manufacturing, marketing or distribution arrangements, or (ii) collaboration or technology transfer arrangements; provided that each such transaction and the issuance of shares pursuant thereto has been approved by the Company's Board of Directors and the arrangement involves due diligence obligations (if applicable);

(6) upon the exercise of warrants to purchase Common Stock at an exercise price of $12.00 per share for an aggregate 237,257 shares, issued by the Company to certain of its stockholders on February 3, 1997; or

(7) upon the exercise of warrants to purchase Common Stock at an exercise price of $15.00 per share for an aggregate 202,043 shares, issued by the Company to certain of its stockholders on March 31, 1998.

(ii) NO ADJUSTMENT OF ADJUSTMENT FACTOR. No adjustment in the Adjustment Factor shall be made under this Section 4.a unless (a) the consideration per share (determined pursuant to Subsection 4.a(v)) for an Additional Share of Common Stock issued or deemed to be issued by the Corporation is less than the applicable Adjustment Factor with

respect to the applicable series of Series Preferred Stock in effect on the date of, and immediately prior to, the issue of such Additional Shares of Common Stock, and (b) prior to such issuance, the Corporation did not receive written consent from the holders of all the then outstanding shares of the applicable series of Series Preferred Stock otherwise subject to such adjustment that no such adjustment shall be made as the result of the issuance of Additional Shares of Common Stock.

(iii) DEEMED ISSUANCE OF ADDITIONAL SHARES OF COMMON STOCK. If the Corporation at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that Additional Shares of Common Stock shall not be deemed to have been issued unless the consideration per share (determined pursuant to Subsection 4.a(v) hereof) of such Additional Shares of Common Stock would be less than the applicable Adjustment Factor in effect on the date of and immediately prior to such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Shares of Common Stock are deemed to be issued:

(a) No further adjustment in the Adjustment Factor shall be made upon the subsequent issue of Convertible Securities or shares of Common Stock upon the exercise of such Options or conversion or exchange of such Convertible Securities;

(b) If such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase in the consideration payable to the Corporation, upon the exercise, conversion or exchange thereof, the Adjustment Factor computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase becoming effective, be recomputed to reflect such increase insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities;

(c) Upon the expiration or termination of any unexercised Option, the Adjustment Factor shall not be readjusted, but the Additional Shares of Common Stock deemed issued as the result of the original issue of such Option shall not be deemed issued for the purposes of any subsequent adjustment of the Adjustment Factor;

(d) In the event of any change in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any Option or Convertible Security, including, but not limited to, a change resulting from the anti-dilution provisions thereof, the Adjustment Factor then in effect shall forthwith be readjusted to such Adjustment Factor as would have been obtained had the adjustment which was made upon the

issuance of such Option or Convertible Security not exercised or converted prior to such change been made upon the basis of such change; and

(e) No readjustment pursuant to clause (b) or (d) above shall have the effect of increasing the Adjustment Factor to an amount which exceeds the lower of (i) the Adjustment Factor on the original adjustment date, or (ii) the Adjustment Factor that would have resulted from any issuance of Additional Shares of Common Stock between the original adjustment date and such readjustment date.

In the event the Corporation, after the Original Issue Date, amends the terms of any Options or Convertible Securities (whether such Options or Convertible Securities were outstanding on the Original Issue Date or were issued after the Original Issue Date), then such Options or Convertible Securities, as so amended, shall be deemed to have been issued after the Original Issue Date and the provisions of this Subsection 4.a. shall apply.

(iv) ADJUSTMENT OF ADJUSTMENT FACTOR UPON ISSUANCE OF ADDITIONAL SHARES OF COMMON STOCK. In the event the Corporation shall at any time after the Original Issue Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Subsection 4.a(iii), but excluding shares issued as a stock split or combination as provided in Subsection 4.b or upon a dividend or distribution as provided in Subsection 4.c), without consideration or for a consideration per share less than the applicable Adjustment Factor in effect on the date of and immediately prior to such issue, then and in such event, such Adjustment Factor shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) determined by multiplying such Adjustment Factor by a fraction, (A) the numerator of which shall be (1) the number of shares of Common Stock outstanding immediately prior to such issue plus (2) the number of shares of Common Stock which the aggregate consideration received or to be received by the Corporation for the total number of Additional Shares of Common Stock so issued would purchase at such Adjustment Factor; and (B) the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of such Additional Shares of Common Stock so issued; PROVIDED THAT, (i) for the purpose of this subsection 4.a(iv), all shares of Common Stock issuable upon exercise or conversion of options or Convertible Securities outstanding immediately prior to such issue shall be deemed to be outstanding, and (ii) the number of shares of Common Stock deemed issuable upon exercise or conversion of such outstanding options and Convertible Securities shall not give effect to any adjustments to the exercise price or conversion rate of such options or Convertible Securities resulting from the issuance of Additional Shares of Common Stock that is the subject of this calculation.

(v) DETERMINATION OF CONSIDERATION. For purposes of this Subsection 4.a, the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(a) CASH AND PROPERTY: Such consideration shall:

(1) insofar as it consists of cash, be computed at the aggregate of cash received by the Corporation, excluding amounts paid or payable for accrued interest;

(2) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors; and

(3) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of such Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (1) and (2) above, as determined in good faith by the Board of Directors.

(b) OPTIONS AND CONVERTIBLE SECURITIES. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Subsection 4.a.(iii), relating to Options and Convertible Securities, shall be determined by dividing:

(x) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(y) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(vi) MULTIPLE CLOSING DATES. In the event the Corporation shall issue on more than one date Additional Shares of Common Stock which are comprised of shares of the same series or class of Preferred Stock, and such issuance dates occur within a period of no more than 120 days, then the Adjustment Factor shall be adjusted only once on account of such issuances, with such adjustment to occur upon the final such issuance and to give effect to all such issuances as if they occurred on the date of the final such issuance.

b. ADJUSTMENT FOR STOCK SPLITS AND COMBINATIONS. If the Corporation shall at any time or from time to time after the Original Issue Date effect a subdivision of the outstanding Common Stock, the Adjustment Factors then in effect immediately before that subdivision shall be proportionately decreased. If the Corporation shall at any time or from time to time after the Original Issue Date combine the outstanding shares of Common Stock, the Adjustment Factors then in effect immediately before the combination shall be proportionately increased. Any adjustment under this paragraph shall become effective at the close of business on the date the subdivision or combination becomes effective.

c. ADJUSTMENT FOR CERTAIN DIVIDENDS AND DISTRIBUTIONS. In the event the Corporation at any time, or from time to time after the Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to

receive, a dividend or other distribution payable in additional shares of Common Stock, then and in each such event the Adjustment Factors then in effect shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Adjustment Factors then in effect by a fraction:

(i) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(ii) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution;

provided, however if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Adjustment Factor shall be recomputed accordingly as of the close of business on such record date and thereafter the Adjustment Factor shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions.

d. ADJUSTMENTS FOR OTHER DIVIDENDS AND DISTRIBUTIONS. In the event the Corporation at any time or from time to time after the Original Issue Date for the Series Preferred Stock shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in securities of the Corporation other than shares of Common Stock, then and in each such event provision shall be made so that the holders of the Series Preferred Stock shall receive upon the issuance of the Special Dividend in addition to the number of shares of Series Preferred Stock receivable thereupon, the amount of securities of the Corporation that they would have received had the issuance of the Special Dividend occurred and the preferences of the Series Preferred Stock expired or converted, as the case may be, pursuant to Section C.5. herein immediately before the record date of such event and had they thereafter, during the period from the date of such event to and including the date of issue of the Special Dividend, retained such securities receivable by them as aforesaid during such period, giving application to all adjustments called for during such period under this paragraph with respect to the rights of the holders of the Series Preferred Stock.

e. ADJUSTMENT FOR RECLASSIFICATION, EXCHANGE, OR SUBSTITUTION. If the Common Stock shall be changed into the same or a different number of shares of any class or classes of stock, whether by capital reorganization, reclassification, or otherwise (other than a subdivision or combination of shares or stock dividend provided for above, or a reorganization, merger, consolidation, or sale of assets provided for below), then and in each such event upon the expiry of the preferences or conversion, as the case may be, of the Series Preferred Stock pursuant to Section C.5. herein each such share of Series Preferred Stock shall have the rights, privileges and obligations of the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification, or other change, by holders of the number of shares of Common Stock into which such shares of Series Preferred Stock have been transformed had the issue of the Special Dividend and the expiry of the preferences or conversion, as the case may be, of the Series Preferred Stock pursuant to Section C.5. herein

occurred immediately prior to such reorganization, reclassification, or change, all subject to further adjustment as provided herein.

f. ADJUSTMENT FOR MERGER OR REORGANIZATION, ETC. In case of any consolidation or merger of the Corporation with or into another corporation or the sale of all or substantially all of the assets of the Corporation to another corporation (other than a consolidation, merger or sale which is covered by Subsection 2.c.), each holder of shares of Series Preferred Stock will be entitled to receive in the merger, consolidation or sale the kind and amount of shares of stock or other securities to which such holder would be entitled if (x), with respect to the holders of Series A, Series B, Series D and Series E Preferred Stock, the Special Dividend had been declared and paid immediately before the effective date of such merger, consolidation or sale; and (y) such holder was, on the effective date of such merger, consolidation or sale, the holder of that number of shares of Common Stock into which the holder's shares of Series Preferred Stock are convertible or the number of shares of Common Stock equal to the sum of the number of its Series Preferred Stock and the number of shares of Series Preferred Stock it would have received pursuant to the Special Dividend, as the case may be.

g. NO IMPAIRMENT. The Corporation will not, by amendment of this Certificate of Incorporation or through any reorganization, 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 the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the holders of the Series Preferred Stock against impairment.

h. CERTIFICATE AS TO ADJUSTMENTS. Upon the occurrence of each adjustment or readjustment of the Adjustment Factor pursuant to this Section 4, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Series Preferred Stock, furnish or cause to be furnished to such holder a similar certificate setting forth (i) such adjustments and readjustments, (ii) the applicable Adjustment Factor then in effect, and (iii) the number of shares of Series Preferred Stock and the amount, if any, of other property which then would be received upon the declaration and payment of the Special Dividend.

i. NOTICE OF RECORD DATE. In the event:

(i) that the Corporation declares a dividend (or any other distribution) on its Common Stock payable in Common Stock or other securities of the Corporation;

(ii) that the Corporation subdivides or combines its outstanding shares of Common Stock;

(iii) of any reclassification of the Common Stock of the Corporation (other than a subdivision or combination of its outstanding shares of Common Stock or a stock dividend or stock distribution thereon), or of any consolidation or merger of the Corporation into or with another corporation, or of the sale of all or substantially all of the assets of the Corporation; or

(iv) of the involuntary or voluntary dissolution, liquidation or winding up of the Corporation;

then the Corporation shall cause to be filed at its principal office or at the office of the transfer agent of the Series Preferred Stock, and shall cause to be mailed to the holders of the Series Preferred Stock at their last addresses as shown on the records of the Corporation or such transfer agent, at least ten days prior to the date specified in (a) below or twenty days before the date specified in (b) below, a notice stating

(a) the record date of such dividend, distribution, subdivision or combination, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, subdivision or combination are to be determined, or

(b) the date on which such reclassification, consolidation, merger, sale, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, dissolution or winding up.

5. EXPIRY OF PREFERENCES OF SERIES A, B, D AND E PREFERRED STOCK; CONVERSION OF SERIES C PREFERRED STOCK.

a. EXPIRY OF PREFERENCES OF SERIES A AND B PREFERRED STOCK. Upon the closing of the sale of shares of Common Stock, at a price of at least $7.50 per share (subject to appropriate adjustment for stock splits, stock dividends, combinations and other similar recapitalizations affecting such shares), in a public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Act"), resulting in at least $7,500,000 of gross proceeds to the Corporation, (i) each and every preference or senior right of the Series A and B Preferred Stock relative to the Common Stock, including without limitation as set forth in Sections C.1, C.2, C.3 and C.4 herein, shall expire and be of no further force or effect and (ii) the Corporation may reclassify all shares of Series A and Series B Preferred Stock having rights and privileges on a parity with the Common Stock as Common Stock whereupon the number of authorized shares of Preferred Stock shall be automatically reduced by a number of shares of Preferred Stock that had been designated as Series A and B Preferred Stock, and all provisions included under the caption "Series Preferred Stock", and all references to the Series Preferred Stock, shall be of no further force or effect with respect to the Series A and B Preferred Stock.

(i) All holders of record of shares of Series A and B Preferred Stock shall be given written notice of the effective date or the expiry of the preferences of the

Series A and B Preferred Stock, no less than 60 days in advance thereof. Such notice shall be sent by first class or registered mail, postage prepaid, to each record holder of Series A and B Preferred Stock at such holder's address last shown on the records of the transfer agent for the Series A and B Preferred Stock (or the records of the Corporation, if it serves as its own transfer agent). The notice shall include a calculation of the Special Dividend in detail sufficient to permit the holders of Series A and B Preferred Stock to verify the conformity of the amount of the dividend to the terms hereof. Within 30 days of receipt of such notice, the Board of Directors shall forward to each holder of Series A and B Preferred Stock a certificate for the number of shares of Series A and B Preferred Stock to which such holder is entitled pursuant to the Special Dividend. Upon receipt of such shares, each holder of shares of Series A and B Preferred Stock may surrender his or its certificate or certificates for all such shares to the Corporation at the place designated in such notice, and shall thereafter at the option of such holder, receive either (i) the certificate(s) for such shares duly endorsed to evidence the expiry of any preference rights, or (ii) certificates for a comparable number of shares of Common Stock. After the expiry of the preferences of Series A and B Preferred Stock the Corporation may demand, in connection with the reclassification of such shares pursuant to Section C.5.a. herein, that all holders of certificates for Series A and B Preferred Stock so expired surrender to the Corporation their certificate or certificates for Series A and B Preferred Stock, the Corporation shall cause to be issued and delivered to such holder, a certificate or certificates for a comparable number of full shares of Common Stock.

(ii) All certificates evidencing shares of Series A and B Preferred Stock, from and after the expiry of the preferences of the Series A and B Preferred Stock, shall be deemed to represent shares of Common Stock for all purposes, notwithstanding the failure of the holder or holders thereof to surrender such certificates on or prior to such date. The Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized Series A and B Preferred Stock accordingly.

b. CONVERSION OF SERIES C PREFERRED STOCK. The holders of the Series C Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(i) OPTIONAL CONVERSION. Each share of Series C Preferred Stock shall be convertible at the option of the holder thereof, without payment of additional consideration at any time, at the office of the Corporation or any transfer agent for the Series C Preferred Stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing $6.00 by the Series C Adjustment Factor then in effect for such share; PROVIDED, HOWEVER, that the Adjustment Factor for the Series C Preferred Stock shall be subject to adjustment as set forth in subsection C.4.

(ii) AUTOMATIC CONVERSION. Each share of Series C Preferred Stock shall automatically be converted into the number of shares of Common Stock into which such share of Series C Preferred Stock is then convertible pursuant to Section 5.b.(i): (1) in the event that the holders of not less than sixty-seven percent (67%) of the outstanding Series C Preferred Stock consent to such conversion, or (2) upon the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Act, covering the offer and sale by the Corporation of Common Stock to the public at an aggregate

offering price of not less than $15,000,000 (prior to underwriters' discounts and expenses), and at a public offering price not less than $12.00 per share, subject to adjustment for stock splits, stock dividends, reorganizations and the like with respect to the Common Stock.

(iii) MECHANICS OF CONVERSION. No fractional shares of Common Stock shall be issued upon conversion of the Series C Preferred Stock. In lieu of any fractional share, the Corporation shall pay cash equal to such fraction multiplied by the then current fair market value of a share of Common Stock as determined in good faith by the Board of Directors of the Corporation. Before any holder of Series C Preferred Stock shall be entitled to convert the same into shares of Common Stock, it shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Series C Preferred Stock, and shall give written notice to the Corporation at such office that it elects to convert the same (except that no such written notice of election to convert shall be necessary in the event of an automatic conversion pursuant to Section 5.b.(ii)). The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Series C Preferred Stock a certificate or certificates, registered in such names as specified by the holder, for the number of shares of Common Stock to which such holder shall be entitled as aforesaid, and a check payable to the holder in the amount of any amounts payable for fractional shares and any declared and unpaid dividends on the converted Series C Preferred Stock. 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 the Series C 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 on such date (except that in the event of an automatic conversion pursuant to Section 5.b.(ii)(1), such conversion shall be deemed to have been made at the close of business on the date fixed in the vote approving such automatic conversion and in the event of automatic conversion pursuant to Section 5.b.(ii)(2), such conversion shall be deemed to have been made immediately prior to the closing of the offering referred to in Section 5.b.(ii)(2). If the conversion is in connection with an underwritten offer of securities registered pursuant to the Act, the conversion may, at the option of any holder tendering Series C Preferred Stock for conversion, be conditioned upon the closing with the underwriter of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive the Common Stock issuable upon such conversion of Series C Preferred Stock shall not be deemed to have converted such Series C Preferred Stock until immediately prior to the closing of such sale of securities. If such conversion is in connection with a merger, consolidation or sale of assets which would be treated as a liquidation, dissolution or winding up of the Corporation in accordance with and for purposes of Section C.2., the conversion may, at the option of the holder tendering Series C Preferred Stock for conversion, be conditioned upon the consummation of such transaction, in which event the person(s) entitled to receive the Common Stock issuable upon such conversion of Series C Preferred Stock shall not be deemed to have converted such Series C Preferred Stock until immediately prior to the consummation of such transaction.

(iv) 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 Series C 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 Series C 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 Series C Preferred Stock in addition to such other remedies as shall be available to the holder of such Series C 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.

c. EXPIRY OF PREFERENCES OF SERIES D PREFERRED STOCK. Upon the closing of the sale of shares of Common Stock, at a price of at least $12.00 per share (subject to appropriate adjustment for stock splits, stock dividends, combinations and other similar recapitalizations affecting such shares), in a public offering pursuant to an effective registration statement under the Act, resulting in at least $15,000,000 of gross proceeds to the Corporation, (i) each and every preference or senior right of the Series D Preferred Stock relative to the Common Stock, including without limitation as set forth in Sections C.1, C.2, C.3 and C.4 herein, shall expire and be of no further force or effect and (ii) the Corporation may reclassify all shares of Series D Preferred Stock having rights and privileges on a parity with the Common Stock as Common Stock whereupon the number of authorized shares of Preferred Stock shall be automatically reduced by a number of shares of Preferred Stock that had been designated as Series D Preferred Stock, and all provisions included under the caption "Series Preferred Stock", and all references to the Series Preferred Stock, shall be of no further force or effect with respect to the Series D Preferred Stock.

(i) All holders of record of shares of Series D Preferred Stock shall be given written notice of the effective date or the expiry of the preferences of the Series D Preferred Stock, no less than 60 days in advance thereof. Such notice shall be sent by first class or registered mail, postage prepaid, to each record holder of Series D Preferred Stock at such holder's address last shown on the records of the transfer agent for the Series D Preferred Stock (or the records of the Corporation, if it serves as its own transfer agent). The notice shall include a calculation of the Special Dividend in detail sufficient to permit the holders of Series D Preferred Stock to verify the conformity of the amount of the dividend to the terms hereof. Within 30 days of receipt of such notice, the Board of Directors shall forward to each holder of Series D Preferred Stock a certificate for the number of shares of Series D Preferred Stock to which such holder is entitled pursuant to the Special Dividend. Upon receipt of such shares, each holder of shares of Series D Preferred Stock may surrender his or its certificate or certificates for all such shares to the Corporation at the place designated in such notice, and shall thereafter at the option of such holder, receive either (i) the certificate(s) for such shares duly endorsed to evidence the expiry of any preference rights, or (ii) certificates for a comparable number of shares of Common Stock. After the expiry of the preferences of Series D Preferred Stock the Corporation may demand, in connection with the reclassification of such shares pursuant to Section C.5.c. herein, that all holders of certificates for Series D Preferred Stock so expired surrender to the Corporation their certificate or certificates for Series D Preferred Stock,

the Corporation shall cause to be issued and delivered to such holder, a certificate or certificates for a comparable number of full shares of Common Stock.

(ii) All certificates evidencing shares of Series D Preferred Stock, from and after the expiry of the preferences of the Series D Preferred Stock, shall be deemed to represent shares of Common Stock for all purposes, notwithstanding the failure of the holder or holders thereof to surrender such certificates on or prior to such date. The Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized Series D Preferred Stock accordingly.

d. EXPIRY OF PREFERENCES OF SERIES E PREFERRED STOCK. Upon the closing of the sale of shares of Common Stock, at a price of at least $15.00 per share (subject to appropriate adjustment for stock splits, stock dividends, combinations and other similar recapitalizations affecting such shares), in a public offering pursuant to an effective registration statement under the Act, resulting in at least $20,000,000 of gross proceeds to the Corporation, (i) each and every preference or senior right of the Series E Preferred Stock relative to the Common Stock, including without limitation as set forth in Sections C.1, C.2, C.3 and C.4 herein, shall expire and be of no further force or effect and (ii) the Corporation may reclassify all shares of Series E Preferred Stock having rights and privileges on a parity with the Common Stock as Common Stock whereupon the number of authorized shares of Preferred Stock shall be automatically reduced by a number of shares of Preferred Stock that had been designated as Series E Preferred Stock, and all provisions included under the caption "Series Preferred Stock", and all references to the Series Preferred Stock, shall be of no further force or effect with respect to the Series E Preferred Stock.

(i) All holders of record of shares of Series E Preferred Stock shall be given written notice of the effective date or the expiry of the preferences of the Series E Preferred Stock, no less than 60 days in advance thereof. Such notice shall be sent by first class or registered mail, postage prepaid, to each record holder of Series E Preferred Stock at such holder's address last shown on the records of the transfer agent for the Series E Preferred Stock (or the records of the Corporation, if it serves as its own transfer agent). The notice shall include a calculation of the Special Dividend in detail sufficient to permit the holders of Series E Preferred Stock to verify the conformity of the amount of the dividend to the terms hereof. Within 30 days of receipt of such notice, the Board of Directors shall forward to each holder of Series E Preferred Stock a certificate for the number of shares of Series E Preferred Stock to which such holder is entitled pursuant to the Special Dividend. Upon receipt of such shares, each holder of shares of Series E Preferred Stock may surrender his or its certificate or certificates for all such shares to the Corporation at the place designated in such notice, and shall thereafter at the option of such holder, receive either (i) the certificate(s) for such shares duly endorsed to evidence the expiry of any preference rights, or (ii) certificates for a comparable number of shares of Common Stock. After the expiry of the preferences of Series E Preferred Stock the Corporation may demand, in connection with the reclassification of such shares pursuant to Section C.5.c. herein, that all holders of certificates for Series E Preferred Stock so expired surrender to the Corporation their certificate or certificates for Series E Preferred Stock, the Corporation shall cause to be issued and delivered to such holder, a certificate or certificates for a comparable number of full shares of Common Stock.

(ii) All certificates evidencing shares of Series E Preferred Stock, from and after the expiry of the preferences of the Series E Preferred Stock, shall be deemed to represent shares of Common Stock for all purposes, notwithstanding the failure of the holder or holders thereof to surrender such certificates on or prior to such date. The Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized Series E Preferred Stock accordingly.

V.

In furtherance of and not in limitation of powers conferred by statute, it is further provided:

1. Election of directors need not be by written ballot.

2. The Board of Directors is expressly authorized to adopt, amend or repeal the By-Laws of the Corporation.

VI.

Except to the extent that the General Corporation Law of Delaware prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment.

VII.

A. ACTIONS, SUITS AND PROCEEDINGS OTHER THAN BY OR IN THE RIGHT OF THE CORPORATION. The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that he is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) (all such persons being referred to hereafter as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of NOLO CONTENDERE or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to

believe that his conduct was unlawful. Notwithstanding anything to the contrary in this Article, except as set forth in Section G below, the Corporation shall not indemnify an Indemnitee seeking indemnification in connection with a proceeding (or part thereof) initiated by the Indemnitee unless the initiation thereof was approved by the Board of Directors of the Corporation. Notwithstanding anything to the contrary in this Article, the Corporation shall not indemnify an Indemnitee to the extent such Indemnitee is reimbursed from the proceeds of insurance, and in the event the Corporation makes any indemnification payments to an Indemnitee and such Indemnitee is subsequently reimbursed from the proceeds of insurance, such Indemnitee shall promptly refund such indemnification payments to the Corporation to the extent of such insurance reimbursement.

B. ACTIONS OR SUITS BY OR IN THE RIGHT OF THE CORPORATION. The Corporation shall indemnify any Indemnitee who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and, to the extent permitted by law, amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses (including attorneys' fees) which the Court of Chancery of Delaware shall deem proper.

C. INDEMNIFICATION FOR EXPENSES OF SUCCESSFUL PARTY. Notwithstanding the other provisions of this Article, to the extent that an Indemnitee has been successful, on the merits or otherwise, in defense of any action, suit or proceeding referred to in Sections A and B of this Article, or in defense of any claim, issue or matter therein, or on appeal from any such action, suit or proceeding, he shall be indemnified against all expenses (including attorneys' fees) actually and reasonably incurred by him or on his behalf in connection therewith. Without limiting the foregoing, if any action, suit or proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to the Indemnitee, (ii) an adjudication that the Indemnitee was liable to the Corporation, (iii) a plea of guilty or NOLO CONTENDERE by the Indemnitee, (iv) an adjudication that the Indemnitee did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and (v) with respect to any criminal proceeding, an adjudication that the Indemnitee had reasonable cause to believe his conduct was unlawful, the Indemnitee shall be considered for the purposes hereof to have been wholly successful with respect thereto.

D. NOTIFICATION AND DEFENSE OF CLAIM. As a condition precedent to his right to be indemnified, the Indemnitee must notify the Corporation in writing as soon as practicable of any

action, suit, proceeding or investigation involving him for which indemnity will or could be sought. With respect to any action, suit, proceeding or investigation of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to the Indemnitee. After notice from the Corporation to the Indemnitee of its election so to assume such defense, the Corporation shall not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with such claim, other than as provided below in this Section D. The Indemnitee shall have the right to employ his own counsel in connection with such claim, but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the Corporation, (ii) counsel to the Indemnitee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the Corporation and the Indemnitee in the conduct of the defense of such action or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel for the Indemnitee shall be at the expense of the Corporation, except as otherwise expressly provided by this Article. The Corporation shall not be entitled, without the consent of the Indemnitee, to assume the defense of any claim brought by or in the right of the Corporation or as to which counsel for the Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above.

E. ADVANCE OF EXPENSES. Subject to the provisions of Section F below, in the event that the Corporation does not assume the defense pursuant to Section D of this Article of any action, suit, proceeding or investigation of which the Corporation receives notice under this Article, any expenses (including attorneys' fees) incurred by an Indemnitee in defending a civil or criminal action, suit, proceeding or investigation or any appeal therefrom shall be paid by the Corporation in advance of the final disposition of such matter; PROVIDED, HOWEVER, that the payment of such expenses incurred by an Indemnitee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the Corporation as authorized in this Article. Such undertaking shall be accepted without reference to the financial ability of the Indemnitee to make such repayment.

F. PROCEDURE FOR INDEMNIFICATION. In order to obtain indemnification or advancement of expenses pursuant to Section A, B, C or E of this Article, the Indemnitee shall submit to the Corporation a written request, including in such request such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification or advancement of expenses. Any such indemnification or advancement of expenses shall be made promptly, and in any event within 60 days after receipt by the Corporation of the written request of the Indemnitee, unless with respect to requests under Section A, B or E the Corporation determines within such 60-day period that the Indemnitee did not meet the applicable standard of conduct set forth in Section A or B, as the case may be. Such determination shall be made in each instance by (a) a majority vote of the directors of the Corporation consisting of persons who are not at the time parties to the action, suit or proceeding in questions ("disinterested directors"), whether or not a quorum, (b) a majority vote of a quorum of the outstanding shares of stock of all

classes entitled to vote for directors, voting as a single class, which quorum shall consist of stockholders who are not at that time parties to the action, suit or proceeding in question, (c) independent legal counsel (who may, to the extent permitted by law, be regular counsel to the Corporation), or (d) a court of competent jurisdiction.

G. REMEDIES. The right to indemnification or advances as granted by this Article shall be enforceable by the Indemnitee in any court of competent jurisdiction if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within the 60-day period, referred to above in Section F. Unless otherwise required by law, the burden of proving that the Indemnitee is not entitled to indemnification or advancement of expenses under this Article shall be on the Corporation. Neither the failure of the Corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because the Indemnitee has met the applicable standard of conduct, nor an actual determination by the Corporation pursuant to Section F that the Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the Indemnitee has not met the applicable standard of conduct. The Indemnitee's expenses (including attorneys' fees) incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such proceeding shall also be indemnified by the Corporation.

H. SUBSEQUENT AMENDMENT. No amendment, termination or repeal of this Article or the relevant provisions of the General Corporation Law of Delaware or any other applicable laws shall affect or diminish in any way the rights of any Indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

I. OTHER RIGHTS. The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which an Indemnitee seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), agreement or vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in any other capacity while holding office for the Corporation, and shall continue as to an Indemnitee who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of the Indemnitee. Nothing contained in this Article shall be deemed to prohibit, and the Corporation is specifically authorized to enter into, agreements with officers and directors providing indemnification rights and procedures different from those set forth in this Article. In addition, the Corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to other employees or agents of the Corporation or other persons serving the Corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article.

J. PARTIAL INDEMNIFICATION. If an Indemnitee is entitled under any provision of this Article to indemnification by the Corporation for some or a portion of the expenses (including attorneys' fees), judgments, fines or amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any action, suit, proceeding or investigation and any appeal therefrom but not, however, for the total amount thereof, the Corporation shall

nevertheless indemnify the Indemnitee for the portion of such expenses (including attorneys' fees), judgments, fines or amounts paid in settlement to which the Indemnitee is entitled.

K. INSURANCE. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) against any expense, liability or loss incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of Delaware.

L. MERGER OR CONSOLIDATION. If the Corporation is merged into or consolidated with another corporation and the Corporation is not the surviving corporation, the surviving corporation shall assume the obligations of the Corporation under this Article with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the date of such merger or consolidation.

M. SAVINGS CLAUSE. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnitee as to any expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or in the right of the Corporation, to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

N. DEFINITIONS. Terms used herein and defined in Section 145(h) and Section 145(i) of the General Corporation Law of Delaware shall have the respective meanings assigned to such terms in such Section 145(h) and Section 145(i).

O. SUBSEQUENT LEGISLATION. If the General Corporation Law of Delaware is amended after adoption of this Article to expand further the indemnification permitted to Indemnitees, then the Corporation shall indemnify such persons to the fullest extent permitted by the General Corporation Law of Delaware, as so amended.

VIII.

The 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 this Certificate of Incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

[FORM OF POST-IPO CHARTER]

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
ACADIA PHARMACEUTICALS INC.

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

FIRST: The name of the Corporation is: ACADIA Pharmaceuticals Inc.

SECOND: The Corporation's original Certificate of Incorporation was filed with the Secretary of State on January 16, 1997 under the name Receptor Technologies, Inc.

THIRD: The Amended and Restated Certificate of Incorporation of this Corporation, in the form attached hereto as Exhibit A, has been duly adopted by the Board of Directors and stockholders in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware. At least two-thirds of each of the outstanding Series A, Series B, Series C, Series D and Series E Preferred Stock of the Corporation, each voting as a separate class, at least two-thirds of the outstanding Series A, Series B, Series D and Series E Preferred Stock of the Corporation, voting as a separate class, and at least 50% of the outstanding Common Stock and Series A, Series B, Series C, Series D and Series E Preferred Stock of the Corporation, voting as a separate class, approved this Restated Certificate of Incorporation by written consent in accordance with Section 228 of the General Corporation Law of the State of Delaware and written notice of such was given by the Corporation in accordance with said Section 228.

FOURTH: The Amended and Restated Certificate of Incorporation so adopted reads in full as set forth in Exhibit A attached hereto and is hereby incorporated by reference.

IN WITNESS WHEREOF, ACADIA Pharmaceuticals Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by its Chief Executive Officer this ____ day of _____, 2001.

ACADIA PHARMACEUTICALS INC.

By:

Uli Hacksell, Ph.D.,
Chief Executive Officer

EXHIBIT A

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF ACADIA PHARMACEUTICALS INC.

I.

The name of this Corporation is ACADIA PHARMACEUTICALS INC.

II.

The address of its registered office in the State of Delaware is Corporation Service Company, 1013 Centre Road, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

III.

The nature of the business or purposes to be conducted or promoted by the Corporation is as follows:

To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware (the "DGCL").

IV.

A. This Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the corporation is authorized to issue is Fifty-Five Million (55,000,000) shares. Fifty Million (50,000,000) shares shall be Common Stock, each having a par value of one-hundredth of one cent ($.0001). Five Million (5,000,000) shares shall be Preferred Stock, each having a par value of one-hundredth of one cent ($.0001).

B. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized, by filing a certificate pursuant to the DGCL, to fix or alter from time to time the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions of any wholly unissued series of Preferred Stock, and to establish from time to time the number of shares constituting any such series or any of them; and to increase or decrease the number of shares of any series subsequent to the issuance of shares 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 decreased in accordance with the foregoing sentence, 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.

C. Each outstanding share of Common Stock shall entitle the holder thereof to one vote on each matter properly submitted to the stockholders of the Corporation for their vote; provided, however, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation (including any certificate of designation filed with respect to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series of Preferred Stock are entitled, either separately or together as a class with the holders of one or more other series of Preferred Stock, to vote thereon by law or pursuant to this Certificate of Incorporation (including any certificate of designation filed with respect to any series of Preferred Stock).

V.

For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

A. BOARD OF DIRECTORS.

1. POWERS AND NUMBERS OF DIRECTORS. The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be fixed exclusively by one or more resolutions adopted by the Board of Directors and not inconsistent with the Certificate of Incorporation of the Corporation.

2. BOARD OF DIRECTORS. Subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, following the closing of the initial public offering pursuant to an effective registration statement under the Act, covering the offer and sale of Common Stock to the public (the "Initial Public Offering"), the directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

Notwithstanding the foregoing provisions of this section, each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

3. REMOVAL OF DIRECTORS.

a. Subject to the rights of any series of Preferred Stock to elect additional directors under specified circumstances, following the closing of the Initial Public Offering, neither the Board of Directors nor any individual director may be removed without cause.

b. Subject to any limitation imposed by law, any individual director or directors may be removed with cause by the affirmative vote of the holders of a majority of the voting power of all then-outstanding shares of capital stock of the corporation entitled to vote generally at an election of directors.

4. VACANCIES.

a. Subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors, shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders, except as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified.

b. If at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in offices as aforesaid, which election shall be governed by Section 211 of the DGCL.

B. BYLAWS.

1. Subject to paragraph (h) of Section 42 of the Bylaws and subject to the rights of the holders of any series of Preferred Stock, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the voting stock of the Corporation entitled to vote. The Board of Directors shall also have the power to adopt, amend, or repeal Bylaws.

2. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

3. No action shall be taken by the stockholders of the Corporation except at an annual or special meeting of stockholders called in accordance with the Bylaws or by written

consent of stockholders in accordance with the Bylaws prior to the closing of the Initial Public Offering and following the closing of the Initial Public Offering no action shall be taken by the stockholders by written consent.

4. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

VI.

A. The liability of the directors for monetary damages shall be eliminated to the fullest extent under applicable law.

B. Any repeal or modification of this Article VI shall be prospective and shall not affect the rights under this Article VI in effect at the time of the alleged occurrence of any act or omission to act giving rise to liability or indemnification.

VII.

A. The 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, except as provided in paragraph B. of this Article VII, and all rights conferred upon the stockholders herein are granted subject to this reservation.

B. Notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the Corporation required by law, this Certificate of Incorporation or any certificate of designation filed with respect to a series of Preferred Stock, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or repeal Articles V, VI and VII.

BY-LAWS

OF

ACADIA PHARMACEUTICALS INC.

(FORMERLY RECEPTOR TECHNOLOGIES, INC.)

BY-LAWS

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BY-LAWS

OF

ACADIA PHARMACEUTICALS INC.

ARTICLE 1

STOCKHOLDERS

1.1 PLACE OF MEETINGS. All meetings of stockholders shall be held at such place within or without the State of Delaware as may be designated from time to time by the Board of Directors or the President or, if not so designated, at the registered office of the corporation.

1.2 ANNUAL MEETING. The annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly be brought before the meeting shall be held on a date to be fixed by the Board of Directors or the President (which date shall not be a legal holiday in the place where the meeting is to be held) at the time and place to be fixed by the Board of Directors or the President and stated in the notice of the meeting. If no annual meeting is held in accordance with the foregoing provisions, the Board of Directors shall cause the meeting to be held as soon thereafter as convenient. If no annual meeting is held in accordance with the foregoing provisions, a special meeting may be held in lieu of the annual meeting, and any action taken at that special meeting shall have the same effect as if it had been taken at the annual meeting, and in such case all references in these By-laws to the annual meeting of the stockholders shall be deemed to refer to such special meeting.

1.3 SPECIAL MEETINGS. Special meetings of stockholders may be called at any time by the President or by the Board of Directors. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

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

1.5 VOTING LIST. The officer who has charge of the stock ledger of the corporation shall prepare, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, at a

place within the city where the meeting is to be held. Upon request, a copy of such list will be provided by mail or facsimile to any stockholder within 3 days of a request therefor. The list shall also be produced and kept at the time and place of the meeting during the whole time of the meeting, and may be inspected by any stockholder who is present.

1.6 QUORUM. Except as otherwise provided by law, the Certificate of Incorporation or these By-laws, the holders of a majority of the shares of the capital stock of the corporation issued and outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business.

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

1.8 VOTING AND PROXIES. Each stockholder shall have one vote for each share of stock entitled to vote held of record by such stockholder, unless otherwise provided in the Certificate of Incorporation. Each stockholder of record entitled to vote at a meeting of stockholders, or to express consent or dissent to corporate action in writing without a meeting, may vote or express such consent or dissent in person or may authorize another person or persons to vote or act for him by written proxy executed by the stockholder or his authorized agent and delivered to the Secretary of the corporation. No such proxy shall be voted or acted upon after three years from the date of its execution, unless the proxy expressly provides for a longer period.

1.9 ACTION AT MEETING. When a quorum is present at any meeting, the holders of shares of stock representing a majority of the votes cast on a matter (or if there are two or more classes of stock entitled to vote as separate classes, then in the case of each such class, the holders of shares of stock of that class representing a majority of the votes cast on a matter) shall decide any matter to be voted upon by the stockholders at such meeting, except when a different vote is required by express provision of law, the Certificate of Incorporation or these By-Laws. When a quorum is present at any meeting, any election by stockholders shall be determined by a plurality of the votes cast on the election.

1.10 ACTION WITHOUT MEETING. Any action required or permitted to be taken at any annual or special meeting of stockholders of the corporation may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote on such action were present and voted. Prompt notice of the taking of corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE 2

DIRECTORS

2.1 GENERAL POWERS. The business and affairs of the corporation shall be managed by or under the direction of a Board of Directors, who may exercise all of the powers of the corporation except as otherwise provided by law or the Certificate of Incorporation. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law, may exercise the powers of the full Board until the vacancy is filled.

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

2.3 ENLARGEMENT OF THE BOARD. The number of directors may be increased at any time and from time to time by the stockholders or by a majority of the directors then in office.

2.4 TENURE. Each director shall hold office until the next annual meeting and until his successor is elected and qualified, or until his earlier death, resignation or removal.

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

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

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

2.8 SPECIAL MEETINGS. Special meetings of the Board of Directors may be held at any time and place, within or without the State of Delaware, designated in a call by the Chairman of

the Board, President, two or more directors, or by one director in the event that there is only a single director in office.

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

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

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

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

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

2.14 REMOVAL. Except as otherwise provided by the General Corporation Law of Delaware, any one or more or all of the directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors, except that the directors elected by the holders of a particular class or series of stock may be removed without cause only by vote of the holders of a majority of the outstanding shares of such class or series.

2.15 COMMITTEES. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or

members of the committee present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors and subject to the provisions of the General Corporation Law of the State of Delaware, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation and may authorize the seal of the corporation to be affixed to all papers which may require it. Each such committee shall keep minutes and make such reports as the Board of Directors may from time to time request. Except as the Board of Directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these By-laws for the Board of Directors.

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

ARTICLE 3

OFFICERS

3.1 ENUMERATION. The officers of the corporation shall consist of a Chief Executive Officer, President, a Secretary, a Treasurer and such other officers with such other titles as the Board of Directors shall determine, including a Chairman of the Board, a Vice Chairman of the Board, and one or more Vice Presidents, Assistant Treasurers, and Assistant Secretaries. The Board of Directors may appoint such other officers as it may deem appropriate.

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

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

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

3.5 RESIGNATION AND REMOVAL. Any officer may resign by delivering his written resignation to the corporation at its principal office or to the President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

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

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

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

3.7 CHAIRMAN OF THE BOARD AND VICE-CHAIRMAN OF THE BOARD. The Board of Directors may appoint a Chairman of the Board and may designate the Chairman of the Board as Chief Executive Officer. If the Board of Directors appoints a Chairman of the Board, he shall perform such duties and possess such powers as are assigned to him by the Board of Directors. If the Board of Directors appoints a Vice Chairman of the Board, he shall, in the absence or disability of the Chairman of the Board, perform the duties and exercise the powers of the Chairman of the Board and shall perform such other duties and possess such other powers as may from time to time be vested in him by the Board of Directors.

3.8 CHIEF EXECUTIVE OFFICER. The Board of Directors may designate a chief executive officer who shall have general supervision over the property, business, and affairs of the Company and perform all duties incident to such office, subject to the direction of the Board of Directors.

3.9 PRESIDENT. The President shall have such duties and authority as shall be assigned by the Board of Directors. In the absence of the Chairman or the Chief Executive Officer, the President shall preside at all meetings of the stockholders and, if he is a director, at all meetings of the Board of Directors. Unless the Board of Directors has designated a Chief Executive Officer, the President shall be the Chief Executive Officer of the corporation. The President shall perform such other duties and shall have such other powers as the Board of Directors may from time to time prescribe.

3.10 VICE PRESIDENTS. Any Vice President shall perform such duties and possess such powers as the Board of Directors or the President may from time to time prescribe. In the event of the absence, inability or refusal to act of the President, the Vice President (or if there shall be more than one, the Vice Presidents in the order determined by the Board of Directors) shall perform the duties of the President and when so performing shall have all the powers of and be subject to all the restrictions upon the President. The Board of Directors may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other title selected by the Board of Directors.

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

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

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

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

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

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

ARTICLE 4

CAPITAL STOCK

4.1 ISSUANCE OF STOCK. Unless otherwise voted by the stockholders and subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the corporation or the whole or any part of any unissued balance

of the authorized capital stock of the corporation held in its treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board of Directors in such manner, for such consideration and on such terms as the Board of Directors may determine.

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

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

If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of each certificate representing shares of such class or series of stock, provided that in lieu of the foregoing requirements there may be set forth on the face or back of each certificate representing shares of such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests a copy of the full text of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

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

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

indemnity as the Board of Directors may require for the protection of the corporation or any transfer agent or registrar.

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

If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day before the day on which notice is given, or, if notice is waived, at the close of business on the day before the day on which the meeting is held. The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is properly delivered to the corporation. The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating to such purpose.

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

ARTICLE 5

GENERAL PROVISIONS

5.1 FISCAL YEAR. Except as from time to time otherwise designated by the Board of Directors, the fiscal year of the corporation shall begin on the first day of January in each year and end on the last day of December in each year.

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

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

5.4 VOTING OF SECURITIES. Except as the directors may otherwise designate, the President or Treasurer may waive notice of, and act as, or appoint any person or persons to act as, proxy or attorney-in-fact for this corporation (with or without power of substitution) at, any

meeting of stockholders or shareholders of any other corporation or organization, the securities of which may be held by this corporation.

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

5.6 CERTIFICATE OF INCORPORATION. All references in these By-laws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the corporation, as amended and in effect from time to time.

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

(1) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum;

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

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

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

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

5.9 PRONOUNS. All pronouns used in these By-laws shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

5.10 AFFECT OF STOCKHOLDERS AGREEMENT. Notwithstanding anything to the contrary set forth herein or in the Certificate of Incorporation (as amended from time to time), in the event of any conflict or inconsistency between the provisions of the By Laws or the Certificate of Incorporation, on the one hand, and the provisions of that certain Stockholders Agreement dated February __, 1997, (the "Stockholders Agreement"), by and among the Company and certain of its stockholders, the provisions of the Stockholders Agreement shall control.

ARTICLE 6

AMENDMENTS

6.1 BY THE BOARD OF DIRECTORS. These By-laws may be altered, amended or repealed or new by-laws may be adopted by the affirmative vote of a majority of the directors present at any regular or special meeting of the Board of Directors at which a quorum is present.

6.2 BY THE STOCKHOLDERS. These By-laws may be altered, amended or repealed or new by-laws may be adopted by the affirmative vote of the holders of a majority of the shares of the capital stock of the corporation issued and outstanding and entitled to Vote at any regular meeting of stockholders, or at any special meeting of stockholders, provided notice of such alteration, amendment, repeal or adoption of new by-laws shall have been stated in the notice of such special meeting.

ACADIA PHARMACEUTICALS INC.

AMENDMENT TO BY-LAWS

5.10 EFFECT OF STOCKHOLDERS AGREEMENT. Notwithstanding anything to the contrary set forth herein or in the Certificate of Incorporation, as amended (as may be further amended from time to time), in the event of any conflict or inconsistency between the provisions of the By-Laws or the Certificate of Incorporation, as amended, on the one hand, and the provisions of that certain Amended and Restated Stockholders Agreement dated August 12, 1997, (the "Stockholders Agreement"), by and among the Company and certain of its stockholders, the provisions of the Stockholders Agreement shall control.

BYLAWS

OF

ACADIA PHARMACEUTICALS INC.

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ACADIA PHARMACEUTICALS INC.

ARTICLE I

OFFICES

SECTION 1. REGISTERED OFFICE. The registered office of the corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle.

SECTION 2. OTHER OFFICES. The corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II

CORPORATE SEAL

SECTION 3. CORPORATE SEAL. The corporate seal shall consist of a die bearing the name of the corporation and the inscription, "Corporate Seal-Delaware." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE III

STOCKHOLDERS' MEETINGS

SECTION 4. PLACE OF MEETINGS. Meetings of the stockholders of the corporation shall be held at such place, either within or without the State of Delaware, as may be designated from time to time by the Board of Directors, or, if not so designated, then at the office of the corporation required to be maintained pursuant to Section 2 hereof.

SECTION 5. ANNUAL MEETINGS.

(a) The annual meeting of the stockholders of the corporation, for the purpose of election of directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors. Nominations of persons for election to the Board of Directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders: (i) pursuant to the corporation's notice of meeting of stockholders; (ii) by or at the direction of the Board of Directors; or (iii) by any stockholder of the corporation who was a

stockholder of record at the time of giving of notice provided for in the following paragraph, who is entitled to vote at the meeting and who complied with the notice procedures set forth in Section 5.

(b) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 5(a) of these Bylaws, (i) the stockholder must have given timely notice thereof in writing to the Secretary of the corporation, (ii) such other business must be a proper matter for stockholder action under the Delaware General Corporation Law ("DGCL"), (iii) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the corporation with a Solicitation Notice (as defined in this Section 5(b)), such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of the corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the corporation's voting shares reasonably believed by such stockholder or beneficial owner to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice, and (iv) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Section 5. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth: (A) as to each person whom the stockholder proposed to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation's books,

and of such beneficial owner, (ii) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder and such beneficial owner, and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of the proposal, at least the percentage of the corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

(c) Notwithstanding anything in the second sentence of Section 5(b) of these Bylaws to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the corporation at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 5 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the corporation.

(d) Only such persons who are nominated in accordance with the procedures set forth in this Section 5 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 5. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposal or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

(e) Notwithstanding the foregoing provisions of this Section 5, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholders' meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation proxy statement pursuant to Rule 14a-8 under the 1934 Act.

(f) For purposes of this Section 5, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act.

SECTION 6. SPECIAL MEETINGS.

(a) Special meetings of the stockholders of the corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, or (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total

number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption).

(b) If a special meeting is properly called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board of Directors, the Chief Executive Officer, or the Secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The Board of Directors shall determine the time and place of such special meeting, which shall be held not less than thirty-five (35) nor more than one hundred twenty (120) days after the date of the receipt of the request. Upon determination of the time and place of the meeting, the officer receiving the request shall cause notice to be given to the stockholders entitled to vote, in accordance with the provisions of Section 7 of these Bylaws. If the notice is not given within one hundred (100) days after the receipt of the request, the person or persons properly requesting the meeting may set the time and place of the meeting and give the notice. Nothing contained in this paragraph (b) shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

(c) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the corporation who is a stockholder of record at the time of giving notice provided for in these Bylaws who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 6(c). In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice required by Section 5(b) of these Bylaws shall be delivered to the Secretary at the principal executive offices of the corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

SECTION 7. NOTICE OF MEETINGS. Except as otherwise provided by law or the Certificate of Incorporation, written notice of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, date and hour and purpose or purposes of the meeting. Notice of the time, place and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting

is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

SECTION 8. QUORUM. At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, in all matters other than the election of directors, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Where a separate vote by a class or classes or series is required, except where otherwise provided by the statute or by the Certificate of Incorporation or these Bylaws, a majority of the outstanding shares of such class or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter and, except where otherwise provided by the statute or by the Certificate of Incorporation or these Bylaws, the affirmative vote of the majority (plurality, in the case of the election of directors) of the votes cast by the holders of shares of such class or classes or series shall be the act of such class or classes or series.

SECTION 9. ADJOURNMENT AND NOTICE OF ADJOURNED MEETINGS. Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the chairman of the meeting or by the vote of a majority of the shares casting votes. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 10. VOTING RIGHTS. For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date, as provided in Section 12 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Every person entitled to vote shall have the right to do so either in person or by an agent or agents authorized by a proxy granted in accordance with Delaware law. An agent so appointed need not be a stockholder. No proxy shall be voted after three (3) years from its date of creation unless the proxy provides for a longer period.

SECTION 11. JOINT OWNERS OF STOCK. If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one (1) votes, his act binds all; (b) if more than one (1) votes, the act of the majority so voting binds all; (c) if more than one (1) votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in the DGCL, Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of subsection (c) shall be a majority or even-split in interest.

SECTION 12. LIST OF STOCKHOLDERS. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not specified, at the place where the meeting is to be held. The list shall be produced and kept at the time and place of meeting during the whole time thereof and may be inspected by any stockholder who is present.

SECTION 13. ACTION WITHOUT MEETING.

(a) Unless otherwise provided in the Certificate of Incorporation, any action required by statute to be taken at any annual or special meeting of the stockholders, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

(b) Every written consent shall bear the date of signature of each stockholder who signs the consent, and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered to the corporation in the manner herein required, written consents signed by a sufficient number of stockholders to take action are delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

(c) Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented

in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of stockholders to take action were delivered to the corporation as provided in Section 228 (c) of the DGCL. If the action which is consented to is such as would have required the filing of a certificate under any section of the DGCL if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written consent has been given in accordance with Section 228 of the DGCL.

(d) Notwithstanding the foregoing, no such action by written consent may be taken following the closing of the initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "1933 Act"), covering the offer and sale of Common Stock of the corporation (the "Initial Public Offering").

SECTION 14. ORGANIZATION.

(a) At every meeting of stockholders, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or, if the President is absent, a chairman of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary, or, in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

ARTICLE IV

DIRECTORS

SECTION 15. NUMBER AND TERM OF OFFICE. The authorized number of directors of the corporation shall be fixed in accordance with the Certificate of Incorporation. Directors need not be stockholders unless so required by the Certificate of Incorporation. If for any reason, the directors shall not have been elected at an annual meeting, they may be elected as soon thereafter

as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws.

SECTION 16. POWERS. The powers of the corporation shall be exercised, its business conducted and its property controlled by the Board of Directors, except as may be otherwise provided by statute or by the Certificate of Incorporation.

SECTION 17. CLASSES OF DIRECTORS. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, following the closing of the Initial Public Offering, the directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

Notwithstanding the foregoing provisions of this section, each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

SECTION 18. VACANCIES.

(a) Unless otherwise provided in the Certificate of Incorporation, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Section 18 in the case of the death, removal or resignation of any director.

(b) If at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the

directors chosen by the directors then in offices as aforesaid, which election shall be governed by Section 211 of the DGCL.

SECTION 19. RESIGNATION. Any director may resign at any time by delivering his written resignation to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office for the unexpired portion of the term of the Director whose place shall be vacated and until his successor shall have been duly elected and qualified.

SECTION 20. MEETINGS.

(a) ANNUAL MEETINGS. The annual meeting of the Board of Directors shall be held immediately before or after the annual meeting of stockholders and at the place where such meeting is held. No notice of an annual meeting of the Board of Directors shall be necessary and such meeting shall be held for the purpose of electing officers and transacting such other business as may lawfully come before it.

(b) REGULAR MEETINGS. Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may be held at any time or date and at any place within or without the State of Delaware which has been designated by the Board of Directors and publicized among all directors. No formal notice shall be required for regular meetings of the Board of Directors.

(c) SPECIAL MEETINGS. Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairman of the Board, the President or any two of the directors.

(d) TELEPHONE MEETINGS. Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(e) NOTICE OF MEETINGS. Notice of the time and place of all meetings of the Board of Directors shall be orally or in writing, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means, during normal business hours, at least twenty-four (24) hours before the date and time of the meeting, or sent in writing to each director by first class mail, charges prepaid, at least three (3) days before the date of the meeting. Notice of any meeting may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends the meeting for

the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

(f) WAIVER OF NOTICE. The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present shall sign a written waiver of notice. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

SECTION 21. QUORUM AND VOTING.

(a) Unless the Certificate of Incorporation requires a greater number and except with respect to indemnification questions arising under Section 43 hereof, for which a quorum shall be one-third of the exact number of directors fixed from time to time in accordance with the Certificate of Incorporation, a quorum of the Board of Directors shall consist of a majority of the exact number of directors fixed from time to time by the Board of Directors in accordance with the Certificate of Incorporation; PROVIDED, HOWEVER, at any meeting whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws.

SECTION 22. ACTION WITHOUT MEETING. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and such writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

SECTION 23. FEES AND COMPENSATION. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor.

SECTION 24. COMMITTEES.

(a) EXECUTIVE COMMITTEE. The Board of Directors may appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and provided in the resolution of the Board of

Directors shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopting, amending or repealing any bylaw of the corporation.

(b) OTHER COMMITTEES. The Board of Directors may, from time to time, appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.

(c) TERM. Each member of a committee of the Board of Directors shall serve a term on the committee coexistent with such member's term on the Board of Directors. The Board of Directors, subject to any requirements of any outstanding series of preferred Stock and the provisions of subsections (a) or (b) of this Bylaw, may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(d) MEETINGS. Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 25 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any director who is a member of such committee, upon written notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of written notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends such special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. A majority of the authorized number of members of any such committee shall

constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

SECTION 25. ORGANIZATION. At every meeting of the directors, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President (if a director), or if the President is absent, the most senior Vice President (if a director), or, in the absence of any such person, a chairman of the meeting chosen by a majority of the directors present, shall preside over the meeting. The Secretary, or in his absence, any Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

ARTICLE V

OFFICERS

SECTION 26. OFFICERS DESIGNATED. The officers of the corporation shall include, if and when designated by the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer, the President, one or more Vice Presidents, the Secretary, the Chief Financial Officer, the Treasurer and the Controller, all of whom shall be elected at the annual organizational meeting of the Board of Directors. The Board of Directors may also appoint one or more Assistant Secretaries, Assistant Treasurers, Assistant Controllers and such other officers and agents with such powers and duties as it shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors.

SECTION 27. TENURE AND DUTIES OF OFFICERS.

(a) GENERAL. All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

(b) DUTIES OF CHAIRMAN OF THE BOARD OF DIRECTORS. The Chairman of the Board of Directors, when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairman of the Board of Directors shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time. If there is no President, then the Chairman of the Board of Directors shall also serve as the Chief Executive Officer of the corporation and shall have the powers and duties prescribed in paragraph (c) of this Section 28.

(c) DUTIES OF PRESIDENT. The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. Unless some other officer has been elected Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision,

direction and control of the business and officers of the corporation. The President shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time.

(d) DUTIES OF VICE PRESIDENTS. The Vice Presidents may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. The Vice Presidents shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(e) DUTIES OF SECRETARY. The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties given him in these Bylaws and other duties commonly incident to his office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time. The President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(f) DUTIES OF CHIEF FINANCIAL OFFICER. The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. The President may direct the Treasurer or any Assistant Treasurer, or the Controller or any Assistant Controller to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Treasurer and Assistant Treasurer and each Controller and Assistant Controller shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

SECTION 28. DELEGATION OF AUTHORITY. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

SECTION 29. RESIGNATIONS. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not

be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer.

SECTION 30. REMOVAL. Any officer may be removed from office at any time, either with or without cause, by the affirmative vote of a majority of the directors in office at the time, or by the unanimous written consent of the directors in office at the time, or by any committee or superior officers upon whom such power of removal may have been conferred by the Board of Directors.

ARTICLE VI

EXECUTION OF CORPORATE INSTRUMENTS AND VOTING OF SECURITIES OWNED BY THE CORPORATION

SECTION 31. EXECUTION OF CORPORATE INSTRUMENTS. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the corporation.

All checks and drafts drawn on banks or other depositaries on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

SECTION 32. VOTING OF SECURITIES OWNED BY THE CORPORATION. All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the Board of Directors, the Chief Executive Officer, the President, or any Vice President.

ARTICLE VII

SHARES OF STOCK

SECTION 33. FORM AND EXECUTION OF CERTIFICATES. Certificates for the shares of stock of the corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman of the Board of Directors, or the President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary, certifying the number of shares owned by him in the corporation. Any or all

of the signatures on the certificate may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue. Each certificate shall state upon the face or back thereof, in full or in summary, all of the powers, designations, preferences, and rights, and the limitations or restrictions of the shares authorized to be issued or shall, except as otherwise required by law, set forth on the face or back a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional, or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this section or otherwise required by law or with respect to this section a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Except as otherwise expressly provided by law, the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

SECTION 34. LOST CERTIFICATES. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or destroyed certificate or certificates, or his legal representative, to agree to indemnify the corporation in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed.

SECTION 35. TRANSFERS.

(a) Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and upon the surrender of a properly endorsed certificate or certificates for a like number of shares.

(b) The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

SECTION 36. FIXING RECORD DATES.

(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which

record date shall, subject to applicable law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; PROVIDED, HOWEVER, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) Prior to the Initial Public Offering, in order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

SECTION 37. REGISTERED STOCKHOLDERS. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other

claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VIII

OTHER SECURITIES OF THE CORPORATION

SECTION 38. EXECUTION OF OTHER SECURITIES. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 34), may be signed by the Chairman of the Board of Directors, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or Treasurer or an Assistant Treasurer; PROVIDED, HOWEVER, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or an Assistant Treasurer of the corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

ARTICLE IX

DIVIDENDS

SECTION 39. DECLARATION OF DIVIDENDS. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation and applicable law, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation and applicable law.

SECTION 40. DIVIDEND RESERVE. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE X

FISCAL YEAR

SECTION 41. FISCAL YEAR. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

ARTICLE XI

INDEMNIFICATION

SECTION 42. INDEMNIFICATION OF DIRECTORS, EXECUTIVE OFFICERS, OTHER OFFICERS, EMPLOYEES AND OTHER AGENTS.

(a) DIRECTORS AND EXECUTIVE OFFICERS. The corporation shall indemnify its directors and executive officers (for the purposes of this Article XI, "executive officers" shall have the meaning defined in Rule 3b-7 promulgated under the 1934 Act) to the fullest extent not prohibited by the DGCL or any other applicable law; PROVIDED, HOWEVER, that the corporation may modify the extent of such indemnification by individual contracts with its directors and executive officers; and, PROVIDED, FURTHER, that the corporation shall not be required to indemnify any director or executive officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation, (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the DGCL or any other applicable law or (iv) such indemnification is required to be made under subsection (d).

(b) EMPLOYEES AND OTHER AGENTS. The corporation shall have power to indemnify its other officers, employees and other agents as set forth in the DGCL or any other applicable law. The Board of Directors shall have the power to delegate the determination of whether indemnification shall be given to any such person except executive officers to such officers or other persons as the Board of Directors shall determine.

(c) EXPENSES. The corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or executive officer, of the corporation, or is or was serving at the request of the corporation as a director or executive officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director or executive officer in connection with such proceeding upon receipt of an undertaking by or on behalf of such person to repay said amounts if it should be determined ultimately that such person is not entitled to be indemnified under this Section 42 or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this Section 42, no advance shall be made by the corporation to an executive officer of the corporation (except by reason of the fact that such executive officer is or was a director of the

corporation in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to the proceeding, or (ii) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

(d) ENFORCEMENT. Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and executive officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the director. Any right to indemnification or advances granted by this Section 42 to a director or executive officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his claim. In connection with any claim for indemnification, the corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the DGCL or any other applicable law for the corporation to indemnify the claimant for the amount claimed. In connection with any claim by a director or an executive officer of the corporation (except in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such executive officer is or was a director of the corporation) for advances, the corporation shall be entitled to raise a defense as to any such action clear and convincing evidence that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation, or with respect to any criminal action or proceeding that such person acted without reasonable cause to believe that his conduct was lawful. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the DGCL or any other applicable law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

(e) NON-EXCLUSIVITY OF RIGHTS. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any applicable statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the Delaware General Corporation Law, or by any other applicable law.

(f) SURVIVAL OF RIGHTS. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) INSURANCE. To the fullest extent permitted by the DGCL or any other applicable law, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Section 42.

(h) AMENDMENTS. Any repeal or modification of this Section 42 shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(i) SAVING CLAUSE. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and executive officer to the full extent not prohibited by any applicable portion of this Section 42 that shall not have been invalidated, or by any other applicable law. If this Section 42 shall be invalid due to the application of the indemnification provisions of another jurisdiction, then the corporation shall indemnify each director and executive officer to the full extent under any other applicable law.

(j) CERTAIN DEFINITIONS. For the purposes of this Bylaw, the following definitions shall apply:

(1) The term "proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(2) The term "expenses" shall be broadly construed and shall include, without limitation, court costs, attorneys' fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(3) The term the "corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Section 42 with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(4) References to a "director," "executive officer," "officer," "employee," or "agent" of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as, respectively, a director, executive officer, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(5) References to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Section 42.

ARTICLE XII

NOTICES

SECTION 43. NOTICES.

(a) NOTICE TO STOCKHOLDERS. Whenever, under any provisions of these Bylaws, notice is required to be given to any stockholder, it shall be given in writing, timely and duly deposited in the United States mail, postage prepaid, and addressed to his last known post office address as shown by the stock record of the corporation or its transfer agent.

(b) NOTICE TO DIRECTORS. Any notice required to be given to any director may be given by the method stated in subsection (a), or by overnight delivery service, facsimile, telex or telegram, except that such notice other than one which is delivered personally shall be sent to such address as such director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known post office address of such director.

(c) AFFIDAVIT OF MAILING. An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected, specifying the name and address or the names and addresses of the stockholder or stockholders, or director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall in the absence of fraud, be prima facie evidence of the facts therein contained.

(d) TIME NOTICES DEEMED GIVEN. All notices given by mail or by overnight delivery service, as above provided, shall be deemed to have been given as at the time of mailing, and all notices given by facsimile, telex or telegram shall be deemed to have been given as of the sending time recorded at time of transmission.

(e) METHODS OF NOTICE. It shall not be necessary that the same method of giving notice be employed in respect of all directors, but one permissible method may be

employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(f) FAILURE TO RECEIVE NOTICE. The period or limitation of time within which any stockholder may exercise any option or right, or enjoy any privilege or benefit, or be required to act, or within which any director may exercise any power or right, or enjoy any privilege, pursuant to any notice sent him in the manner above provided, shall not be affected or extended in any manner by the failure of such stockholder or such director to receive such notice.

(g) NOTICE TO PERSON WITH WHOM COMMUNICATION IS UNLAWFUL. Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(h) NOTICE TO PERSON WITH UNDELIVERABLE ADDRESS. Whenever notice is required to be given, under any provision of law or the Certificate of Incorporation or Bylaws of the corporation, to any stockholder to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve-month period, have been mailed addressed to such person at his address as shown on the records of the corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the corporation a written notice setting forth his then current address, the requirement that notice be given to such person shall be reinstated. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the DGCL, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to this paragraph.

ARTICLE XIII

AMENDMENTS

SECTION 44. AMENDMENTS. Subject to paragraph (h) of Section 42 of the Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the voting stock of the corporation entitled to vote. The Board of Directors shall also have the power to adopt, amend, or repeal Bylaws.

ARTICLE XIV

LOANS TO OFFICERS

SECTION 45. LOANS TO OFFICERS. The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a Director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in these Bylaws shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

ARTICLE XV

TRANSFERS OF COMMON STOCK

SECTION 46. PROHIBITION OF TRANSFERS. No holder of Common Stock (other than Common Stock acquired upon conversion of Preferred Stock) of the Company shall or transfer any shares of Common Stock of the Company except in accordance with this Article XV.

SECTION 47. EXEMPT TRANSFERS. The prohibition of transfers set forth in Section 47 above shall not apply to (a) any pledge made by a holder of Common Stock pursuant to a bona fide secured loan transaction, (b) any transfer by a holder of Common Stock to his ancestors or descendants or spouse or to a trustee for their benefit, (c) any transfer by a holder of Common Stock to his own individual retirement account, (d) any transfer by a holder of Common Stock for estate planning purposes, (e) any bona fide gift by a holder of Common Stock, or (f) any sale or transfer of Common Stock which was issued upon conversion of Preferred Stock. Any such transfer referred to in this Section 47 shall be hereinafter referred to as a "Permitted Transfer."

SECTION 48. NOTICE. In the event any holder of Common Stock (other than Common Stock acquired upon conversion of Preferred Stock) of the Company (the "Selling Common Stockholder") proposes to transfer, other than a Permitted Transfer, or proposes to accept one or more bona fide offers (collectively, a "Common Stock Purchase Offer') from any persons to purchase shares of Common Stock from the Selling Common Stockholder, then the Selling Common Stockholder shall promptly notify the Company of the terms and conditions of such Common Stock Purchase Offer.

SECTION 49. RIGHT OF FIRST REFUSAL. The Company or its assignee shall have the right, exercisable upon written notice to the Selling Common Stockholder within fifteen (15) days after receipt of the notice required under Section 47 above (the "Company Notice"), to purchase from the Selling Common Stockholder some or all of the shares of Common Stock offered pursuant to and under the same terms and conditions specified in such Common Stock Purchase Offer. The right of the Company shall be subject to the following terms and conditions:

(a) In the event the Company elects to acquire the Common Stock as specified in the notice required under Section 47 above, the Company shall so notify the Selling Common Stockholder and settlement thereof shall be made in cash within five (5) days after the Selling Common Stockholder receives notice of the Company's election to purchase such Common Stock; provided, however, that if the terms of payment set forth in the Company Notice were other than cash against delivery or promissory notes payable over time, the Company shall pay the fair market value of such Common Stock as determined by the Company's Board of Directors, which determination shall be final. The Selling Common Stockholder shall deliver his stock certificate(s) to the Company with a duly executed assignment thereof (in blank) on or prior to such settlement date for transfer to the Company.

(b) If the Company elects not to purchase, or is unable to purchase, some or all of the Shares specified in the Company Notice, the Selling Common Stockholder may sell the Common Stock, subject to the restrictions set forth in the Co-Sale Agreement entered into by and among the Company and certain holders of the Company's Stock and Preferred Stock, to any person named in the Company Notice upon terms and conditions no more favorable to the purchasers than the terms specified in such notice, provided that such sale or transfer is consummated within sixty (60) days from the date of the Company Notice, and provided, further, that any such sale is in accordance with all the terms and conditions hereof. Notwithstanding the foregoing, the Selling Common Stockholder may not transfer Shares to any party whom the Company reasonably determines is a competitor or potential competitor of the Company or to any party whom the Company's Board of Director reasonably believes would have an adverse effect upon the Company is such party were to become a shareholder of the Company.

SECTION 50. EXPIRATION. The restrictions on transfer set forth in this Article XV shall expire upon the closing of the Initial Public Offering.

NUMBER *_____*

INCORPORATED UNDER
THE LAWS OF THE STATE OF DELAWARE
ON JANUARY 16, 1997

SHARES *_____*

ACADIA PHARMACEUTICALS INC.
COMMON STOCK

[SEAL]

THIS CERTIFIES THAT _____ IS THE REGISTERED HOLDER OF _____ (_____) SHARES OF THE COMMON STOCK OF ACADIA PHARMACEUTICALS INC. TRANSFERABLE ONLY ON THE BOOKS OF THE CORPORATION BY THE HOLDER HEREOF, IN PERSON OR BY DULY AUTHORIZED ATTORNEY, UPON SURRENDER OF THIS CERTIFICATE PROPERLY ENDORSED OR ASSIGNED.

A STATEMENT OF THE RIGHTS, PREFERENCES, PRIVILEGES AND RESTRICTIONS GRANTED TO OR IMPOSED UPON THE RESPECTIVE CLASSES OR SERIES OF SHARES OF STOCK OF THE CORPORATION AND UPON HOLDERS THEREOF AS ESTABLISHED BY THE CERTIFICATE OF INCORPORATION, AND THE NUMBER OF SHARES CONSTITUTING EACH SERIES AND THE DESIGNATIONS THEREOF, MAY BE OBTAINED BY ANY STOCKHOLDER UPON REQUEST AND WITHOUT CHARGE AT THE PRINCIPAL OFFICE OF THE CORPORATION.

IN WITNESS WHEREOF, THE CORPORATION HAS CAUSED THIS CERTIFICATE TO BE SIGNED BY ITS DULY AUTHORIZED OFFICERS THIS _____ DAY OF _____ 20__.

_____
THOMAS H. AASEN
SECRETARY

_____
MARK R. BRANN
PRESIDENT

[SEAL]

SHARES
EACH

FOR VALUE RECEIVED, _____HEREBY SELL, ASSIGN AND TRANSFER UNTO _____
_____
_____, SHARES OF THE COMMON STOCK OF THE WITHIN NAMED CORPORATION, REPRESENTED BY THE WITHIN CERTIFICATE AND DO HEREBY IRREVOCABLY CONSTITUTE AND APPOINT_____ ATTORNEY TO TRANSFER THE SAID SHARES OF SAID COMMON STOCK ON THE BOOKS OF THE SAID CORPORATION, PURSUANT TO THE PROVISIONS OF THE BY-LAWS THEREOF, WITH FULL POWERS OF SUBSTITUTION IN THE PREMISES.

DATED_____A.D.

_____

IN PRESENCE OF:

_____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST STRICTLY CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR AND WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

ACADIA PHARMACEUTICALS INC.

AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

MAY 5, 2000

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ACADIA PHARMACEUTICALS INC.

AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

THIS AMENDED AND RESTATED STOCKHOLDERS AGREEMENT is entered into as of May 5, 2000, by and among ACADIA PHARMACEUTICALS INC., a Delaware corporation (the "Company"), those individuals and entities identified on the signature page hereof as the "Existing Institutional Stockholders" (individually, each an "Existing Institutional Stockholder" and collectively, the "Existing Institutional Stockholders"), MARK R. BRANN (the "Founding Stockholder") and the entities identified on the signature page hereof as the "New Institutional Stockholders" (individually, each a "New Institutional Stockholder" and collectively, the "New Institutional Stockholders"). Each of the Existing Institutional Stockholders and New Institutional Stockholders are sometimes referred to herein as an "Institutional Stockholder" or collectively as "Institutional Stockholders." Each of the Institutional Stockholders and the Founding Stockholder are sometimes referred to as "Stockholder" and are collectively referred to as the "Stockholders."

RECITALS

A. The parties to this Agreement are the Company and certain holders of the issued and outstanding capital stock of the Company.

B. The Company, the Founding Stockholder and the First Institutional Stockholders entered into a Stockholders Agreement, dated as of February 3, 1997 (the "First Stockholders Agreement") in connection with the purchase and sale of Series A Preferred Stock of the Company.

C. On August 12, 1997 the parties to the First Stockholders Agreement and the Partnership amended the First Stockholders Agreement (the "First Amended Stockholders Agreement") in connection with the purchase and sale of the Series B Preferred Stock of the Company.

D. On September 24, 1997, the parties to the First Amended Stockholders Agreement amended the First Amended Stockholders Agreement (the "Second Amended Stockholders Agreement") in connection with the Company's sale of Series C Preferred Stock to Vision Pharmaceuticals L.P.

E. On August 26, 1998, the Parties to this Agreement other than the New Institutional Investors amended the Second Amended Stockholders Agreement (the "Third Amended Stockholders Agreement") in connection with the purchase and sale of the Series D Preferred Stock of the Company.

F. In connection with the issuance and sale of Series E Preferred Stock by the Company, the parties to the Third Amended Stockholders Agreement and the New Institutional Investors wish to amend and restate the Third Amended Stockholders Agreement.

G. Certain of the Existing Institutional Stockholders own shares of Series A Preferred Stock of the Company, certain of the Existing Institutional Stockholders own shares of Series B Preferred Stock of the Company, certain of the Existing Institutional Stockholders own Shares of Series D Preferred Stock of the Company, and certain of the Existing Institutional Stockholders and New Institutional Stockholders own shares of Series E Preferred Stock of the Company. Certain of the Stockholders also hold warrants to purchase Common Stock of the Company. The Founding Stockholder and certain of the Existing Institutional Stockholders own shares of Common Stock.

H. The Stockholders believe that it is in the best interests of the Company and the Stockholders to (i) provide that Stock shall be transferable only upon compliance with the terms hereof; (ii) provide certain registration rights to the Existing Institutional Stockholders and the New Institutional Stockholders; and (iii) set forth their agreements on certain other matters.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

Capitalized terms used herein shall have those meanings ascribed to them in Article 10 of this Agreement.

ARTICLE 2

RIGHT OF FIRST REFUSAL

2.1 GENERALLY. Subject to Section 2.7 below, the Company shall not issue, sell or exchange, agree to issue, sell or exchange, or reserve or set aside for issuance, sale or exchange, (i) any Stock, (ii) any other equity securities of the Company, (iii) any option, warrant or other right to subscribe for, purchase or otherwise acquire any equity securities of the Company, or (iv) any debt securities convertible into capital stock of the Company (collectively, unless excluded by Section 2.7 below, the "Offered Securities"), unless in each such case the Company shall have first complied with this Agreement. The Company shall deliver to each Stockholder a written notice of any proposed or intended issuance, sale or exchange of Offered Securities (the "Offer"), which Offer shall (i) identify and describe the Offered Securities, (ii) describe the price and other terms upon which they are to be issued, sold or exchanged, and the number or amount of the Offered Securities to be issued, sold or exchanged, (iii) identify the persons or entities to which or with which the Offered Securities are to be offered, issued, sold or exchanged, and (iv) offer to issue and sell to or exchange with such Stockholder (A) such portion of the Offered Securities as the aggregate number of shares of the Common Stock of such Stockholder (treating, for this purpose, any outstanding convertible capital stock on an "as converted" basis and, with respect to any outstanding Preferred Stock, taking into account that number of shares of Preferred Stock to which that Stockholder would be entitled following the declaration and issuance of the "Special Dividend" as set forth in the Certificate) bears to the total number of shares of Common Stock outstanding (after giving effect to such conversion and dividend) (the "Basic Amount"), and (B) any additional portion of the Offered Securities as such Stockholder

shall indicate it will purchase or acquire should the other Stockholders subscribe for less than their Basic Amounts (the "Undersubscription Amount"), PROVIDED that the Undersubscription Amount shall be subject to reduction as set forth in Section 2.2 below. Each Stockholder shall have the right, for a period of forty-five (45) days following delivery of the Offer, to purchase or acquire, at a price and upon other terms specified in the Offer, the number of Offered Securities described above. The Offer by its term shall remain open and irrevocable for such forty-five (45) day period.

2.2 ACCEPTANCE. To accept an Offer, in whole or in part, a Stockholder must deliver a written notice to the Company prior to the end of the forty-five (45) day period of the Offer, setting forth the portion of the Stockholder's Basic Amount that the Stockholder elects to purchase and, if the Stockholder shall elect to purchase all of its Basic Amount, the Undersubscription Amount (if any) that the Stockholder elects to purchase (the "Notice of Acceptance"). If the Basic Amounts subscribed for by all Stockholders are less than the total Offered Securities, then any Stockholder who has set forth Undersubscription Amounts in its Notice of Acceptance shall be entitled to purchase, in addition to the Basic Amounts subscribed for, all Undersubscription Amounts it has subscribed for; PROVIDED, HOWEVER, that should the Undersubscription Amounts subscribed for exceed the difference between the Offered Securities and the Basic Amounts subscribed for (the "Available Undersubscription Amount"), each Stockholder who has subscribed for any Undersubscription Amount shall be entitled to purchase only that portion of the Available Undersubscription Amount as the Undersubscription Amount subscribed for by such Stockholder bears to the total Undersubscription Amounts subscribed for by all Stockholders, subject to rounding by the Board of Directors to the extent it reasonably deems necessary.

2.3 SALE BY COMPANY. In the event that Notices of Acceptance are not given by Stockholders in respect of all the Offered Securities, the Company shall have up to 120 days from the expiration of the period set forth in Section 2.1 above to issue, sell or exchange all or any part of such Offered Securities as to which a Notice of Acceptance has not been given by the Stockholders (the "Refused Securities"), but only to one or more of the offerees or purchasers described in the Offer and only upon terms and conditions (including, without limitation, unit prices and interest rates) which are not more favorable, in the aggregate, to the acquiring person or persons or less favorable to the Company than these set forth in the Offer.

2.4 DECREASE IN SHARES SOLD. In the event the Company shall propose to sell less than all the Refused Securities (any such sale to be in the manner and on the terms specified in Section 2.3 above), then each Stockholder may, at its sole option and in its sole discretion, reduce the number or amount of the Offered Securities specified in its Notice of Acceptance to an amount that shall be not less than the number or amount of the Offered Securities that the Stockholders elected to purchase pursuant to Section 2.2 above multiplied by a fraction, (i) the numerator of which shall be the reduced number or amount of Offered Securities the Company proposes to issue, sell or exchange (including Offered Securities to be issued or sold to Stockholders pursuant to Section 2.2 above prior to such reduction) and (ii) the denominator of which shall be the amount of all Offered Securities. In the event that any Stockholder so elects to reduce the number or amount of Offered Securities specified in its Notice of Acceptance, the Company may not issue, sell or exchange more than the reduced number or amount of the

Offered Securities unless and until such securities have again been offered to the Stockholders in accordance with Section 2.1 above.

2.5 PURCHASE OF SHARES. Upon the closing of the issuance, sale or exchange of all or less than all the Refused Securities, the Stockholders shall acquire from the Company, and the Company shall issue to the Stockholders, the number or amount of Offered Securities specified in the Notices of Acceptance, as reduced pursuant to Section 2.4 above if the Stockholders have so elected, upon the terms and conditions specified in the Offer. The purchase by the Stockholders of any Offered Securities is subject in all cases to the preparation, execution and delivery by the Company and each Stockholder of a purchase agreement relating to such Offered Securities reasonably satisfactory in form and substance to each Stockholder and their respective counsel.

2.6 SHARES NOT SOLD. Any Offered Securities not acquired by the Stockholders or other persons in accordance with Section 2.3 above may not be issued, sold or exchanged until they are again offered to the Stockholders under the procedures specified in this Agreement.

2.7 EXCLUSIONS FROM FIRST REFUSAL RIGHT. The rights of the Stockholders under Sections 2.1 through 2.6, inclusive, shall not apply to, and the securities described shall not be deemed "Offered Securities" for:

(a) Common Stock issued as a stock dividend to holders of Common Stock or upon any subdivision or combination of shares of Common Stock;

(b) the issuance of any shares of Stock to holders of Preferred Stock, pursuant to the provisions of the Certificate;

(c) the issuance of shares of Common Stock, or options exercisable therefor, including options outstanding on the date of this Agreement (as such number may be proportionately adjusted in the event of any stock splits, stock dividends, recapitalization or similar events occurring on or after the date of this Agreement) issued or issuable to employees, officers or directors of, or consultants or advisers to the Company pursuant to stock purchase or stock option plans or similar arrangements approved by the Board of Directors;

(d) the issuance of Common Stock pursuant to the exercise of Warrants outstanding as of the date hereof;

(e) securities issued solely in consideration for the acquisition (whether by merger or otherwise) by the Company or any of its subsidiaries of all or substantially all of the stock or assets of any other entity;

(f) shares of Common Stock sold by the Company in an underwritten public offering pursuant to an effective registration statement under the Securities Act, resulting in at least Seven Million Five Hundred Thousand United States Dollars (US$7,500,000) of gross proceeds to the Company at a minimum price of seven dollars and 50 cents ($7.50) per share (subject to appropriate adjustment for stock splits, stock dividends, recapitalizations and other similar events) (a "Qualifying IPO");

(g) securities issued in connection with bona fide strategic transactions involving the Company and other entities, including (i) joint ventures, manufacturing, marketing or distribution arrangements or (ii) collaboration or technology transfer arrangements; PROVIDED that each such strategic transaction and the issuance of shares pursuant thereto, has been approved by the Board of Directors and the arrangement involves diligence obligations (if applicable);

(h) securities issued in connection with the Company entering into an equipment leasing arrangement or debt financing from a bank or similar financial institution; PROVIDED, HOWEVER, that such issuances shall not exceed or be exercisable for or convertible into more than an aggregate of 25,000 shares of capital stock of the Company (subject to appropriate adjustment for stock splits, stock dividends, recapitalizations and other similar events); or

(i) shares of Series E Preferred Stock purchased under the Series E Stock Purchase Agreement.

2.8 APPLICABILITY OF THIS AGREEMENT TO OFFERED SECURITIES. No issuance or sale of Offered Securities shall be valid unless the purchaser of such Securities shall have executed and delivered a counterpart of this Agreement. Offered Securities issued, sold or exchanged pursuant to this Agreement, including those to which Section 2.7(a), (b), (d) and (e) of this Agreement is applicable, shall be subject to the terms of this Agreement, PROVIDED, HOWEVER, that shares of Common Stock which are the subject to the Company's 1997 Stock Option Plan shall not be subject to this Agreement.

ARTICLE 3

RESTRICTIONS ON TRANSFER

3.1 GENERALLY. Any sale or other disposition of any of the shares of Stock by a Stockholder, other than according to the terms of this Agreement, shall be void and transfer no right, title or interest in or to any of such shares of Stock to the purported transferee. Moreover, no transfers shall be valid unless and until the transferee shall have executed and delivered a counterpart of this Agreement.

3.2 [INTENTIONALLY OMITTED].

3.3 PERMITTED TRANSFERS. Subject to Section 3.1 of this Agreement, (a) a Stockholder may sell, assign or transfer, without compliance with Sections 3.4 through 3.6 of this Agreement, any or all of his shares of Stock to an Affiliate of such Stockholder or to his spouse or children or to a trust established for the benefit of his spouse, children or himself, or dispose of them under his will or pursuant to a judicial decree or order (PROVIDED that, in each such case, the Company receives written notice of such transfer, that this Agreement shall be binding upon each such transferee and, prior to the completion of such transfer, each transferee or his or her legal representative shall have executed documents assuming the obligations of the transferring Stockholder under this Agreement with respect to the transferred shares). Notwithstanding the foregoing, in the event of any sale, assignment or transfer pursuant to this Section 3.3 the transferor and the transferee(s) shall be jointly and severally liable as one

Stockholder pursuant to this Agreement. The pledge of any shares of Stock shall be permitted only with the approval of the Board of Directors, in its sole discretion.

3.4 OFFER FOR SALE; NOTICE OF PROPOSED SALE. If any Stockholder (the "Transferring Party") desires to sell, transfer or otherwise dispose of any of his shares of Stock, or of any interest in such shares of Stock, whether voluntarily or by operation of law, in any transaction other than pursuant to Section 3.3 of this Agreement, such Transferring Party shall first deliver written notice of such desire to do so (the "Notice") to the other Stockholders and the Company (such other Stockholders referred to herein as the "Non-Transferring Parties"), in each case in the manner prescribed in Section 11.6 of this Agreement. The Notice shall specify: (i) the name and address of the party to which the Transferring Party proposes to sell or otherwise dispose of the Stock or interest in the Stock (the "Offerer"), (ii) the number of shares of Stock the Transferring Party proposes to sell or otherwise dispose of (the "Shares Proposed for Transfer"), (iii) the consideration per share of Stock offered by the Offerer to the Transferring Party for the proposed sale, transfer or disposition, and (iv) all other material terms and conditions of the proposed transaction. The Notice shall be accompanied by a copy of the offer from the Offerer to the Transferring Party or such other evidence of the offer that is reasonably satisfactory to the Transferring Parties.

3.5 OPTION TO PURCHASE.

(a) The Stockholders and the Company shall have the option to purchase all but not less than all of the Shares Proposed for Transfer. The Stockholders shall have the first option (the "First Option") to purchase all or any part of the Shares Proposed for Transfer for the consideration per share and on the terms and conditions specified in the Notice. The First Option must be exercised no later than forty-five (45) days after such Notice is deemed under Section 11.6 hereof to have been delivered. The Stockholders shall have a right to purchase the Shares Proposed for Transfer on a pro rata basis according to the number of shares of Stock owned by such Stockholders. Such option shall be exercised by delivery of written notice to the Secretary of the Company.

(b) In the event options to purchase have been exercised by the Non-Transferring Parties with respect to some but not all of the Shares Proposed for Transfer, those Non-Transferring Parties who have exercised their options within the forty-five (45) day period specified in Section 3.5(a) shall have an additional option, for a period of fifteen (15) days next succeeding the expiration of such forty-five (45) day period, to purchase all or any part of the balance of such Shares Proposed for Transfer on the terms and conditions set forth in the Notice, which option shall be exercised by the delivery of written notice to the Secretary of the Company. In the event there are two or more such Non-Transferring Parties that choose to exercise the last-mentioned option for a total number of shares of Stock in excess of the number available, the shares of Stock available for each such Non-Transferring Party's option shall be allocated pro rata based on the number of shares of Stock owned by the Non-Transferring Parties so electing.

(c) In the event the Non-Transferring Parties do not exercise their option with respect to all of the Shares Proposed for Transfer within such fifteen (15) day period, the Company may elect within eight (8) days succeeding the expiration of such fifteen (15) day

period, to purchase the Shares Proposed for Transfer not purchased by the Stockholders (the "Remaining Shares"). In such case the Company shall deliver written notice of such purchase to the Transferring Party.

(d) If the options to purchase the Shares Proposed for Transfer are exercised in full by the Non-Transferring Parties and/or the Company, the Secretary of the Company shall immediately notify all of the exercising Non-Transferring Parties of that fact.

(e) In the event the Non-Transferring Parties and/or the Company duly exercise their option to purchase the Shares Proposed for Transfer, the closing of such purchase shall take place at the offices of the Company on a single date agreed to among such purchasers, which date shall be not later than sixty (60) days after the expiration of the applicable relevant period pursuant to Section 3.5(a)-(c) above.

(f) To the extent that the consideration proposed to be paid by the Offerer for the Shares Proposed for Transfer consists of property other than cash or a promissory note, the consideration required to be paid by the Company and/or the Non-Transferring Parties exercising their option to purchase may consist of cash equal to the value of such property, as determined in good faith by agreement of the Transferring Party and the Company and/or the Non-Transferring Parties acquiring such Shares Proposed for Transfer. In the event that the parties are not able to determine the value of such property, the value of such property shall be determined by a panel of three appraisers whose decision shall be final and binding on the parties hereto. The Transferring Party shall choose one appraiser; the Company and/or the Non-Transferring Parties acquiring such Shares Proposed for Transfer shall choose the second appraiser; and the two so selected shall select and designate a third appraiser. The value of the property shall be equal to the average of the values determined by the three appraisers.

(g) Notwithstanding anything to the contrary herein, neither the Company nor any of the Non-Transferring Parties shall have any right to purchase any of the Shares Proposed for Transfer hereunder unless the Company and/or the Non-Transferring Parties exercise their option or options to purchase all of the Shares Proposed for Transfer.

(h) Notwithstanding anything to the contrary set forth herein, in the event the Stockholder proposing to transfer its shares is an Institutional Stockholder, the Company's right to purchase any or all of the Shares Proposed for Transfer shall be conditioned upon the receipt by the proposed selling Stockholder of either a satisfactory ruling from the relevant taxing authority or a satisfactory option of legal counsel by such Stockholder to the effect that the tax treatment of the proceeds on the sale of the Shares Proposed for Transfer is not materially more adverse to the Stockholder if such shares of Stock are purchased by the Company than would be the case if such shares of Stock were purchased by the Offerer.

3.6 SALE TO OFFERER; CLOSING. If the Company and/or the Non-Transferring Parties do not exercise their options to purchase all of the Shares Proposed for Transfer within the periods described in this Agreement (the "Option Period"), then all options of the Company and the Non-Transferring Parties to purchase such Shares Proposed for Transfer, whether exercised or not, shall terminate and, subject to the provisions in Section 3.1, the Transferring Party may sell, on the terms and conditions set forth in the Notice, the Shares Proposed for Transfer to the Offerer,

PROVIDED that the transaction contemplated by the Notice shall be consummated not later than ninety (90) days after the expiration of the Option Period.

3.7 CO-SALE RIGHTS. Upon the proposed occurrence of a Co-Sale Transaction, any one or more of the Stockholders may demand that the effectiveness of the Co-Sale Transaction be conditioned upon the right of such Stockholder(s) to sell to the Person acquiring shares of Stock or other securities of the Company (the "Co-Sale Purchaser") all or any part of such Stockholder(s)' shares of Stock and other securities of the Company (a "Co-Sale"), PROVIDED that such Stockholder(s) deliver(s) written notice to the Stockholder transferring shares of Stock or other Company securities to the Co-Sale Purchaser of such demand stating the number and kind of shares of Stock and other securities it so wishes to sell within forty-five (45) days after having received notice from the Transferring Party that a proposed sale of shares of Stock would constitute a Co-Sale Transaction. The price for such Stockholder(s)' shares of Stock and other securities of the Company shall be equal to the per share price to be paid in the Co-Sale Transaction PROVIDED, HOWEVER, that any such Stockholder and/or Transferring Party may demand that proceeds from the Co-Sale Transaction be reallocated among such Stockholders and the Transferring Party such that such Stockholders and the Transferring Party shall be entitled to receive such portion of the proceeds as if the proceeds were distributed pursuant to Section C.2.a. of Article IV of the Certificate and PROVIDED FURTHER that such Stockholders and/or Transferring Party who tenders securities which represent the right to purchase shares shall be entitled to receive as consideration therefor the value of such shares (determined on the basis of the terms and conditions applicable to the Co-Sale Transaction taking into account the reallocation of the purchase price as aforesaid) purchasable on the basis thereof less the exercise price, if any, of the applicable security. The closing of the Co-Sale shall take place concurrently with the sale by the Transferring Party to the Co-Sale Purchaser. If the Co-Sale Purchaser is unwilling or unable to purchase all of the shares of Stock and other securities such Stockholder(s) desire(s) to sell, neither the Company nor any Stockholder, including the Transferring Party, shall enter into the Co-Sale Transaction. The occurrence of a Co-Sale Transaction other than in connection with the purchase of all of such Stockholder(s) tendered shares of Stock and other securities shall be an Event of Default under this Agreement.

3.8 TREATMENT OF SALE PROCEEDS. The proceeds of any sale made by any Transferring Party without compliance with the provisions of this Article 3 shall be deemed to be held in constructive trust in such amount as would have been due to the Stockholders desiring to sell shares of Stock or other securities if the Transferring Party had complied with this Agreement.

ARTICLE 4

COME-ALONG OBLIGATIONS

4.1 GENERALLY. Each of the Stockholders (the "Participating Sellers") hereby agrees, if requested by a Significant Number of Stockholders (the Stockholders constituting such Significant Number of Stockholders are hereinafter referred to as the "Come-Along Stockholders"), to sell all of his or her shares of Stock and other securities of the Company to any other Person (the "Proposed Buyer") in the manner and on the terms set forth in this Article 4 in connection with the sale by the Come-Along Stockholders to the Proposed Buyer of all of

the shares and other securities of the Company of the Come-Along Stockholders. Notwithstanding the foregoing, the provisions of this Article 4 shall not apply if the Proposed Buyer is an Affiliate of any Stockholder which comprises a part of the Come-Along Stockholders.

4.2 NOTICE. A "Come-Along Notice" shall be delivered by a Stockholder which is a part of the Come-Along Stockholders on behalf of all such Stockholders to the Participating Sellers. The Come-Along Notice shall set forth the principal terms of the proposed purchase (the "Come-Along Transaction") insofar as it relates to the shares of Stock and other securities of the Company, the purchase price, the name and address of the Proposed Buyer and the other principal terms of the proposed Come-Along Transaction. The price for such Participating Sellers' shares of Stock and other securities of the Company shall be equal to the per share price applicable to the Come-Along Transaction, PROVIDED, HOWEVER, that any Stockholder may demand that the proceeds from the Come-Along Transaction be reallocated among the Stockholders such that the Stockholders shall be entitled to receive such portion of the proceeds as if the proceeds were distributed pursuant to Section C.2.a. of Article IV of the Certificate and PROVIDED FURTHER that such Stockholders who tender securities which represent the right to purchase shares shall be entitled to receive as consideration therefor the value of such shares (determined on the basis of the terms and conditions applicable to the Come-Along Transaction taking into account the reallocation of the purchase price as aforesaid) purchasable on the exercise thereof less the exercise price, if any, of the applicable security.

4.3 CLOSING.

(a) If the Come-Along Stockholders consummate the Come-Along Transaction, the Participating Sellers shall be bound and obligated to sell all of their shares of Stock and other securities of the Company in the Come-Along Transaction on the same terms and conditions as the Come-Along Stockholders sell their shares of Stock and other securities of the Company (including, without limitation, an agreement to be liable, on a pro rata basis in accordance with the proceeds received, in respect of any representations, warranties and indemnities reasonably given in the Come-Along Transaction by the Come-Along Stockholders). The Stockholders agree that they will also take such actions and execute such documents and instruments as shall be necessary or desirable in order to consummate the Come-Along Transaction expeditiously. If at the end of the one hundred eightieth (180th) day following the date of the Come-Along Notice the Come-Along Transaction has not been completed, the Come-Along Stockholders shall be released from their obligations under the Come-Along Notice, the Come-Along Notice shall be null and void, and it shall be necessary for a separate Come-Along Notice to have been furnished and the terms and provisions of this Article 4 separately complied with, in order to consummate a Come-Along Transaction pursuant to this Article 4. All costs and expenses incurred by the Come-Along Stockholders in connection with any proposed Come-Along Transaction as to which a Come-Along Notice shall have been properly given (whether or not consummated), including without limitation all attorneys' fees and disbursements, all accounting fees and disbursements and all finders' or brokerage fees or commissions, shall be paid by the Company.

(b) Notwithstanding any other provision of this Agreement, in the event the consideration to be paid in exchange for shares of Stock and other securities of the Company in

the proposed Come-Along Transaction includes any securities and the receipt thereof by a Participating Seller would require under applicable law (i) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities or (ii) the provision to any participant in the Come-Along Transaction of any information other than such information as would be required under Regulation D promulgated under the Securities Act in an offering made pursuant to said Regulation D solely to "accredited investors" as defined in said Regulation D, the Stockholders comprising the Come-Along Stockholders shall have no obligation to cause such Participating Seller to receive as to each share and other securities of the Company the same amount and kind of securities as the Come-Along Stockholders to the extent of such receipt of securities, unless the Come-Along Stockholders shall have elected to cause such requirements to have been complied with to the extent necessary to permit such Participating Seller to receive such securities. The Participating Seller shall be entitled to receive, in lieu thereof, against surrender of the shares and other securities of the Company (in accordance with the last paragraph of this Section 4.3 which would have otherwise been transferred by such Participating Seller to the Proposed Buyer in the Come-Along Transaction, an amount in cash equal to the fair market value of the securities which such Participating Seller would otherwise have received (as determined in good faith by the Board of Directors in its sole discretion). In the event such requirements have been complied with to the extent necessary to permit such Participating Seller to receive such securities, the Participating Seller shall execute such documents and instruments, and take such other actions (including without limitation, if required by the Come-Along Stockholders, agreeing to be represented, without cost to the Participating Seller, during the course of such Come-Along Transaction by a "purchaser representative" (as defined in Regulation D) in connection with evaluating the merits and risks of the prospective investment and acknowledging that he was so represented), as the Proposed Buyer or the Company shall reasonably request in order to permit such requirements to have been complied with; PROVIDED, HOWEVER, that such actions shall not include any expenditure of funds by the Participating Seller, it being understood that payment by the Participating Seller of the fees and disbursements of any counsel the Participating Seller may elect to retain shall be deemed not to constitute a required expenditure of funds for purposes of this provision.

(c) At the closing of any Come-Along Transaction under this Article 4, the Participating Sellers shall deliver the shares of Stock and other securities of the Company to be sold by them, duly endorsed for transfer with signature guaranteed, free and clear of any liens, against delivery of the applicable purchase price.

4.4 STOCK OPTIONS. The parties agree that in connection with the Company's issuance of stock options pursuant to its 1997 Stock Option Plan the Company shall impose, to the extent permissible by law, obligations similar to the provisions in Sections 4.1, 4.2 and 4.3 on the holders of such stock options.

ARTICLE 5

EVENTS OF DEFAULT

5.1 EVENTS OF DEFAULT. The following events shall be Events of Default under this Agreement:

(a) The Company shall fail to perform or comply in any material respect with any of its covenants and agreements in this Agreement, or under the Certificate or By-Laws and the failure has not been cured within the Cure Period (a "Company Default").

(b) Any Stockholder shall fail to perform or comply in any material respect with any of its covenants and agreements in this Agreement, and the failure has not been cured within the Cure Period (a "Stockholder Default").

5.2 REMEDIES ON DEFAULT. Upon the occurrence of a Company Default or a Stockholder Default, notice of default shall promptly be given to the defaulting party. The defaulting party shall have a period of thirty (30) days from the date of receipt of such notice (the "Cure Period") in which to cure such default, which it shall in good faith attempt to do. If the Event of Default shall be continuing at the end of the Cure Period, the non-defaulting parties shall have available to them all remedies that may be available to them in law or in equity. In addition, if the default is a Company Default or a Stockholder Default by the Founding Stockholder, then upon request by any Stockholder not in default, such Stockholders not in default shall be entitled to appoint to the Board of Directors that number of directors as shall enable directors appointed by such Stockholders not in default to approve a Significant Action. Each Stockholder agrees that it will take any action necessary (including but not limited to the grant of proxies or the voting of shares of Stock) requested of it to effect the intention of this provision.

5.3 NOTICE OF DEFAULT. When any Event of Default shall have occurred, the Company shall give written notice thereof to each Stockholder within 5 business days after the date that is the earlier of (i) the date that the Company knows of, or (ii) the date that the Company receives written notice of, such Event of Default. When in the judgment of any Stockholder an Event of Default has occurred, the Stockholder shall give written notice thereof to the Company PROVIDED that the failure to give such notice shall not be a waiver of the rights of the Stockholder.

5.4 SPECIFIC ENFORCEMENT. The parties hereto agree that a remedy at law would not be adequate if a Company Default or a Stockholder Default by the Founding Stockholder shall have occurred and be continuing. Unless such Default shall have been waived, the Stockholders not in default may proceed to enforce their rights under this Article 5 by a suit in equity or an action at law, including without limitation, a suit for specific performance or injunctive relief. It is agreed that if one or more Stockholder(s) not in default prevail in such an action, such prevailing Stockholder(s) shall be entitled to receive from the Company all reasonable fees, costs and expenses incurred by it, including without limitation, reasonable fees and expenses of counsel.

5.5 REMEDIES NOT WAIVED. No course of dealing between the Company and any Stockholder and no delay in exercising any right, power or remedy conferred hereunder, shall operate as a waiver of such right, power or remedy or otherwise prejudice the exercise thereof.

ARTICLE 6

GOVERNANCE

6.1 COMPOSITION OF THE BOARD.

(a) Each Stockholder agrees to take any and all action necessary (including, without limitation, the voting of all shares of Stock owned or held by such Stockholder or over which such Stockholder has voting control, the execution and delivery of proxies and actions in writing, and the calling or joining in the calling of special stockholder meetings) to cause eight Stockholder designees to be elected to the Board of Directors as follows: (i) one member designated by BankInvest ("BI"), (ii) one member designated by Dansk Kapitalanlaeg Aktieselskab ("DK"), (iii) one member jointly designated by Lonmodtagernes Dyrtidsfond ("LD") and Kommunernes Pensionsforsikring A/S ("KP"), (iv) one member designated by ABN AMRO Ventures B.V., (v) one member designated by the holders of a majority of the Series E Preferred Stock and (vi) three members designated by the Founding Stockholder (PROVIDED that one of the Founding Stockholder's designees shall be the Chief Executive Officer of the Company).

(b) The Stockholders acknowledge that pursuant to Article IV, Section C.3.e of the Certificate, the holders of the Company's Series C Preferred Stock are entitled to elect one director in addition to the directors elected pursuant to Section 6.1(a) of this Agreement.

(c) Any director who is elected to the Board of Directors pursuant to a designation under Section 6.1(a) above may be removed from the Board of Directors during or upon the completion of such director's term by (and only by) the Stockholder having made the designation. Upon the occurrence of a vacancy in the Board of Directors occasioned by the resignation, retirement, death, disability or removal, or the expiration of the term, of a director designated under Section 6.1(a) above, the Stockholder having designated such director shall be entitled to designate the successor thereto and the name of the individual so designated shall be promptly submitted to the Stockholders for election by the most expeditious means practicable, and the Stockholders agree to cause the election of such new designee.

(d) The Board of Directors shall elect, from among the directors of the Company, other than directors designated by the Founding Stockholder, a chairman of the Board of Directors (the "Chairman"). The Chairman shall chair all meetings of the Board of Directors and have any other duties assigned to him by the Board of Directors.

(e) The parties agree that given the nature of the Major Institutional Stockholders, to the extent permitted by applicable law, any directors appointed pursuant to Section 6.1(a)(i), (ii), (iii), (iv) or (v) above shall not have a duty to offer to the Company business opportunities of which such director becomes aware and which falls within the scope of the business conducted by the Stockholder by whom such director was designated.

(f) Any director appointed pursuant to Section 6.1(a)(i), (ii), (iii), (iv) or (v) will be entitled to indemnification to the full extent provided by the Certificate and the Corporation law.

6.2 FREQUENCY, QUORUM AND VOTING. Regular meetings of the Board of Directors shall take place no less than four (4) times per year, I.E. one regular meeting in each calendar quarter. Unless otherwise agreed by all directors, at least two (2) board meetings per year shall be held in Denmark and at least two (2) board meetings per year shall be held in the United States.

6.3 NOTICE OF MEETINGS. The Company shall provide all directors and any Board Observer with not less than thirty (30) days' notice of all regular meetings of the Board of Directors, and shall provide such directors with a detailed agenda of the items to be discussed at such meeting (PROVIDED that a revised agenda and related materials may be provided to such persons less than 30 days before the meeting). Compliance with such notice provision may be waived in writing by a director. Any waiver shall be applicable only to one meeting of the Board of Directors.

6.4 SPECIAL MEETINGS. Special meetings of the Board of Directors may be called, on not less than eight (8) days' notice by not fewer than two directors, at least one of whom shall have been appointed pursuant to Sections 6.1(a)(i), (ii), (iii), (iv) or (v) and at least one of whom shall have been appointed pursuant to Section 6.1(a)(vi). The Chairman shall use all reasonable efforts to communicate in advance of any special meeting with directors who are unable to attend such meeting to elicit their views on actions proposed to be taken at the special meeting. Compliance with the notice provision in this paragraph may be waived in writing by a director. Any waiver shall be applicable only to one meeting of the Board of Directors.

6.5 COMPOSITION OF COMMITTEES. Every committee of the Board of Directors shall include at least one director designated pursuant to Sections 6.1(a)(i), (ii), (iii), (iv) or (v).

6.6 GOVERNANCE OF SUBSIDIARIES. The Stockholders agree that the board of directors of each subsidiary of the Company shall be appointed to reasonably reflect the interests of the Stockholders. Any Major Stockholder may require that the board of directors of any subsidiary of the Company be comprised of a number of directors equal to the number of directors of the Company. In such event, the directors of such subsidiary shall be appointed in the manner provided herein with respect to the designation of the Board of Directors.

6.7 STOCKHOLDERS' OBLIGATIONS TO TAKE CERTAIN ACTIONS. Each Stockholder covenants and agrees that to the extent the effectuation of any Significant Action requires any act of any Stockholder, such Stockholder will take any action requested of it by the Board of Directors (including the execution of proxies, consents, documents or certificates) necessary or helpful to effect the Significant Action that has been approved as provided for herein.

6.8 LIMITATION ON DIRECTORS' ACTIONS. Without the consent of all of the directors who have no interest in any transaction proposed between the Company and a director or a Stockholder, no director who has an interest in any such transaction and no director who is a designee of a Stockholder who has an interest in such a transaction, shall vote upon such transaction. For purposes of this Section 6.8, the term "transaction" shall not include the decision to employ or to terminate the employment of an individual, except where the termination is for cause as defined in the relevant employment agreement, if any.

ARTICLE 7

AFFIRMATIVE COVENANTS OF THE COMPANY

The Company hereby covenants and agrees with the Institutional Stockholders as follows:

7.1 MATERIAL CHANGES AND LITIGATION. The Company shall promptly notify the Major Institutional Stockholders of any material adverse change in the business, assets or condition, financial or otherwise, of the Company, of any defaults by the Company under any material contract(s) to which the Company is a party, and of any litigation or governmental proceeding or investigation brought or, to the best of the Company's knowledge, threatened against the Company, the Founding Stockholder, any officer, director, key employee or principal stockholder of the Company which, if adversely determined, would materially adversely affect the Company or its business, prospects, assets or condition, financial or otherwise.

7.2 TRANSACTIONS WITH AFFILIATES. The Company shall promptly disclose to the Institutional Stockholders the existence of any transaction or arrangement of which the Company has knowledge with or for the benefit of a Stockholder, officer or director of the Company or any Affiliate or a member of the immediate family of the foregoing. In addition, the Company shall require the prompt disclosure to the Company of any arrangement or transaction involving any such person. The Company shall not knowingly enter into an arrangement or transaction with any such person except in conformity with Article 8 hereof.

7.3 BOARD OBSERVER. The Company will permit any Stockholder who owns at least five hundred thousand (500,000) shares of capital stock in the Company, taking into account shares of Preferred Stock issuable upon declaration of the Special Dividend, to appoint one observer to the Board of Directors (a "Board Observer"). The Board Observer shall be entitled to attend all meetings of the Board of Directors and to receive such notice and other information with respect to such meetings as are delivered to the directors of the Company. The Company shall not be obligated to reimburse the expenses incurred by the Board Observer.

7.4 CORPORATE EXISTENCE. The Company shall maintain at all times its existence as a corporation incorporated and in good standing under the laws of the State of Delaware, and shall file all necessary documentation, tax returns, reports and related information required to maintain such existence.

7.5 FINANCIAL STATEMENTS AND OTHER INFORMATION.

(a) The Company shall deliver to each Institutional Stockholder:

(i) within 120 days after the end of each fiscal year of the Company, an audited balance sheet of the Company as at the end of such year and audited statements of operations and of cash flows of the Company for such year, certified by a "Big Five" certified public accountant firm selected by the Company, and prepared in accordance with generally accepted accounting principles; and

(ii) within 45 days after the end of each fiscal quarter of the Company, an unaudited balance sheet of the Company as at the end of such quarter, and unaudited

statements of operations and of cash flows of the Company for such fiscal quarter and for the current fiscal year to the end of such fiscal quarter.

(b) The Company shall deliver to each Major Institutional Stockholder:

(i) within 30 days after the end of each month, an unaudited balance sheet of the Company as at the end of such month and unaudited statements of income and of cash flows of the Company for such month and for the current fiscal year to the end of such month, setting forth in comparative form the Company's projected financial statement for the corresponding periods for the current fiscal year;

(ii) as soon as available, but in any event within 30 days before commencement of each new fiscal year, a three-year rolling business plan and a budget (including a capital expenditures budget) for the new fiscal year.

(iii) with reasonable promptness, such other notices, information and data with respect to the Company as the Company delivers to the holders of its Common Stock, and such other information and data as such Major Institutional Stockholder may from time to time reasonably request.

(c) Financial statements shall be prepared on a consolidated basis if the Company then has any majority-owned subsidiaries. The financial statements delivered pursuant to clause (ii) of paragraph (a) and clause (i) of paragraph (b) shall be accompanied by a certificate of the chief financial officer of the Company stating that such statements have been prepared in accordance with generally accepted accounting principles consistently applied (except as noted) and fairly present the financial condition and results of operations of the Company at the date thereof and for the periods covered thereby.

7.6 INSPECTION OF BOOKS AND RECORDS. The Company shall permit each Stockholder holding more than five hundred thousand (500,000) shares of capital stock, taking into account shares of Preferred Stock issuable upon declaration of the Special Dividend, or any authorized representative thereof, to visit and inspect the properties of the Company, including corporate and financial records, and to discuss its business and finances with officers of the Company, during normal business hours following reasonable notice and as often as may be reasonably requested, PROVIDED that such Stockholder executes and delivers a confidentiality agreement in form and substance reasonably satisfactory to the Company prior to any such visit and inspection.

7.7 PAYMENT OF TAXES. The Company shall pay all income, franchise, real property, sales and other taxes, assessments and levies (whether federal, state or local) promptly when due.

7.8 INSURANCE. Until February 3, 2002, the Company shall maintain term life insurance upon the life of Mark R. Brann in the amount of Five Million United States Dollars (US $5,000,000), with the proceeds payable to the Company.

7.9 PATENTS AND INTELLECTUAL PROPERTY. The Company shall maintain a policy governing the development, use, licensing and protection of its patents and intellectual property.

7.10 NONDISCLOSURE AGREEMENTS. The Company shall require all persons now or hereafter employed by the Company, whether as employees or consultants, and who have access to confidential and proprietary information of the Company to enter into nondisclosure and assignment of inventions agreements in such form as may be approved by the Board of Directors.

7.11 EXPENSES AND COMPENSATION OF DIRECTORS.

(a) The Company shall promptly reimburse in full each director of the Company for all reasonable out-of-pocket expenses incurred in attending each meeting of the Board of Directors or any committee thereof, including, without limitation, reasonable travel and lodging expenses.

(b) The Company shall pay to members of the Board of Directors who are not employees of the Company annual compensation for their services pursuant to a compensation arrangement approved by the Board of Directors.

7.12 RESERVATION OF COMMON STOCK. The Company shall reserve and maintain a sufficient number of shares of Common Stock for issuance pursuant to its obligations set forth in the Certificate, and/or issuable upon the exercise of the Warrants.

7.13 INTERNATIONAL INVESTMENT AND TRADE IN SERVICES SURVEY ACT. The Company shall use its best efforts to file on a timely basis all reports required to be filed by it under 22 U.S.C Section 3104, or any similar statute, relating to a foreign person's direct or indirect investment in the Company.

7.14 COPENHAGEN LEAD DISCOVERY PROJECT. The Company agrees to use its best efforts to develop the Copenhagen Project and to fully utilize proceeds of the Loan Commitment for that purpose.

7.15 NOTICE OF CERTAIN BREACHES. The Company covenants and agrees that it will promptly (but in any event within five (5) business days from the Company becoming aware of such event) notify the Institutional Stockholders of any event which alone or with the passage of time or the giving of notice would constitute a breach of any representation or warranty made by the Company or the Founding Stockholder in the Series E Stock Purchase Agreement.

7.16 BUDGETS. The Company agrees that at least 30 days prior to the commencement of each fiscal year it shall submit to its Board of Directors a budget for the ensuing fiscal year.

7.17 CONDUCT OF BUSINESS. The Company covenants and agrees with the Institutional Investors that it shall, and shall require its officers and employees to, conduct the business of the Company in accordance with the business plan and budget approved by the Board of Directors, and otherwise in accordance with applicable law, rules and regulations and with the highest professional and ethical standards.

7.18 PRESERVATION OF SHARES. The Company shall at all times when the Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued Preferred Stock, for the purpose of declaring and issuing a Special Dividend, such number of its

duly authorized shares of Preferred Stock as shall from time to time be sufficient to declare and issue the Special Dividend in accordance with the Certificate.

ARTICLE 8

NEGATIVE COVENANTS

The Company shall not take any Significant Action without the prior approval of the Specified Majority of the Board of Directors. Notwithstanding the foregoing, the prior approval of the Specified Majority of Directors shall not be required for the Company to pay the expenses incurred by it in connection with the transactions contemplated by the Series E Stock Purchase Agreement.

ARTICLE 9

REGISTRATION RIGHTS

9.1 REQUIRED REGISTRATIONS.

(a) At any time after the earlier of January 15, 2001 or the Company's Initial Public Offering, an Institutional Stockholder or Stockholders holding in the aggregate at least 40% of the Registrable Shares may request, in writing, that the Company effect the registration on Form S-1 or Form S-2 (or any successor form) of the Registrable Shares owned by such Institutional Stockholder or Stockholders having an aggregate offering price of at least $7,500,000 (based on the then current market price or fair value). If the holders initiating the registration intend to distribute the Registrable Shares by means of an underwriting, they shall so advise the Company in their request. In the event such registration is underwritten, the right of other Institutional Stockholders to participate shall be conditioned on such Stockholders' participation in such underwriting. Upon receipt of any such request, the Company shall promptly give written notice of such proposed registration to all Institutional Stockholders. Such Stockholder shall have the right, by giving written notice to the Company within 30 days after the Company provides its notice, to elect to have included in such registration such of their Registrable Shares as such Institutional Stockholders may request in such notice of election; PROVIDED that if the underwriter (if any) managing the offering determines that, because of marketing factors, all of the Registrable Shares requested to be registered by all Institutional Stockholders may not be included in the offering, then all Institutional Stockholders who have requested registration shall participate in the registration pro rata based upon the number of Registrable Shares which they have requested to be so registered. If the underwriter has not limited the number of Registrable Shares to be underwritten, the Company may include securities for its own account (or for the account of other stockholders) in such registration if the underwriter so agrees and if the number of Registrable Shares that would otherwise have been included in such registration and underwriting will not thereby be limited. Thereupon, the Company shall, as expeditiously as possible, use its best efforts to effect the registration on Form S-1 or Form S-2 (or any successor form) of all Registrable Shares which the Company has been requested to so register.

(b) At any time after the Company becomes eligible to file a Registration Statement on Form S-3 (or any successor form relating to secondary offerings), an Institutional Stockholder or Stockholders holding in the aggregate at least 25% of the Registrable Shares may request the Company, in writing, to effect the registration on Form S-3 (or such successor form), of Registrable Shares having an aggregate offering price of at least $500,000 (based on the then current public market price). Upon receipt of any such request, the Company shall promptly give written notice of such proposed registration to all the Institutional Stockholders. Such stockholders shall have the right, by giving written notice to the Company within 30 days after the Company provides its notice, to elect to have included in such registration such of their Registrable Shares as such Institutional Stockholders may request in such notice of election; PROVIDED that if the underwriter (if any) managing the offering determines that, because of marketing factors, all of the Registrable Shares requested to be registered by all Institutional Stockholders may not be included in the offering, then all such Stockholders who have requested registration shall participate in the registration pro rata based upon the number of Registrable Shares which they have requested to be so registered. If the underwriter has not limited the number of Registrable Shares to be underwritten, the Company may include securities for its own account (or for the account of other stockholders) in such registration if the underwriter so agrees and if the number of Registrable Shares that would otherwise have been included in such registration and underwriting will not thereby be limited. Thereupon, the Company shall, as expeditiously as possible, use its best efforts to effect the registration on Form S-3 (or such successor form) of all Registrable Shares which the Company has been requested to so register.

(c) The Company shall not be required to effect more than two registrations pursuant to paragraph (a) above or more than three registrations pursuant to paragraph (b) above. In addition, the Company shall not be required to effect any registration (other than on Form S-3 or any successor form relating to secondary offerings) within six months after the effective date of any other Registration Statement of the Company.

(d) If at the time of any request to register Registrable Shares pursuant to this Section 9.1, the Company is engaged or has fixed plans to engage within 30 days of the time of the request in a registered public offering as to which the Institutional Stockholders may include Registrable Shares pursuant to Section 9.2 or is engaged in any other activity which, in the good faith determination of the Board of Directors, would be adversely affected by the requested registration to the material detriment of the Company, then the Company may at its option direct that such request be delayed for a period not in excess of six months from the effective date of such offering or the date of commencement of such other material activity, as the case may be, such right to delay a request may not be exercised by the Company more than once in any two-year period.

9.2 INCIDENTAL REGISTRATION.

(a) Whenever the Company proposes to file a Registration Statement (other than pursuant to Section 9.1) at any time and from time to time, it will, prior to such filing, give written notice to all Institutional Stockholders of its intention to do so and, upon the written request of an Institutional Stockholder or Stockholders given within 20 days after the Company provides such notice (which request shall state the intended method of disposition of such Registrable Shares), the Company shall use its best efforts to cause all Registrable Shares which

the Company has been requested by such Institutional Stockholder or Stockholders to register to be registered under the Securities Act to the extent necessary to permit their sale or other disposition in accordance with the intended methods of distribution specified in the request of such Institutional Stockholder or Stockholders; PROVIDED that the Company shall have the right to postpone or withdraw any registration effected pursuant to this Section 9.2 without obligation to any Stockholder.

(b) In connection with any registration under this Section 9.2 involving an underwriting, the Company shall not be required to include any Registrable Shares in such registration unless the holders thereof accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it (PROVIDED that such terms must be consistent with this Agreement). If in the opinion of the managing underwriter it is appropriate because of marketing factors to limit the number of Registrable Shares to be included in the offering, then the Company shall be required to include in the registration only that number of Registrable Shares, if any, which the managing underwriter believes should be included therein; PROVIDED that no persons or entities other than the Company, the Institutional Stockholders and persons or entities holding registration rights shall be permitted to include securities in the offering. If the number of Registrable Shares to be included in the offering in accordance with the foregoing is less than the total number of shares which the holders of Registrable Shares have requested to be included, then the holders of Registrable Shares who have requested registration and other holders of securities entitled to include them in such registration shall participate in the registration pro rata based on their total ownership of shares of Common Stock (giving effect to the conversion into Common Stock of all securities convertible thereinto).

9.3 REGISTRATION PROCEDURES. If and whenever the Company is required by the provisions of this Agreement to use its best efforts to effect the registration of any of the Registrable Shares under the Securities Act, the Company shall:

(a) promptly file with the Commission a Registration Statement with respect to such Registrable Shares and use its best efforts to cause that Registration Statement to become effective;

(b) as expeditiously as possible prepare and file with the Commission any amendments and supplements to the Registration Statement and the prospectus included in the Registration Statement as may be necessary to keep the Registration Statement effective, in the case of a firm commitment underwritten public offering, until each underwriter has completed the distribution of all securities purchased by it and, in the case of any other offering, until the earlier of the sale of all Registrable Shares covered thereby or 120 days after the effective date thereof;

(c) as expeditiously as possible furnish to each selling Institutional Stockholder such reasonable numbers of copies of the prospectus and the Registration Statement, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as the selling Institutional Stockholder may reasonably request in order to facilitate the public sale or other disposition of the Registrable Shares owned by the selling Institutional Stockholder;

(d) as expeditiously as possible use its best efforts to register or qualify the Registrable Shares covered by the Registration Statement under the securities or Blue Sky laws of such states as the selling Institutional Stockholders shall reasonably request, and do any and all other acts and things that may be necessary or desirable to enable the selling Institutional Stockholders to consummate the public sale or other disposition in such states of the Registrable Shares owned by the selling Institutional Stockholder; PROVIDED, HOWEVER, that the Company shall not be required in connection with this paragraph (d) to qualify as a foreign corporation or execute a general consent to service of process in any jurisdiction; and

(e) furnish to each prospective selling Institutional Stockholder a signed counterpart of (i) an opinion of counsel for the Company delivered to the underwriters, dated the effective date of the Registration Statement, and (ii) to selling Institutional Stockholders from the independent auditors of the Company, a "comfort" letter delivered to the underwriters and signed by the independent auditors who have certified the Company's financial statements included in the Registration Statement, covering substantially the same matter with respect to events subsequent to the date of the financial statements, as are customarily covered (at the time of such registration) in opinions of issuer's counsel and in "comfort" letters delivered to the underwriters in underwritten public offerings of securities.

If the Company has delivered preliminary or final prospectuses to the selling Institutional Stockholders and after having done so the prospectus is amended to comply with the requirements of the Securities Act, the Company shall promptly notify the selling Institutional Stockholders and, if requested, the selling Institutional Stockholders shall immediately cease making offers of Registrable Shares and return all prospectuses to the Company. The Company shall promptly provide the selling Institutional Stockholders with revised prospectuses and, following receipt of the revised prospectuses, the selling Institutional Stockholders shall be free to resume making offers of the Registrable Shares.

9.4 ALLOCATION OF EXPENSES. The Company will pay all Registration Expenses of all registrations under this Agreement; PROVIDED, HOWEVER, that if a registration under Section 9.1 is withdrawn at the request of the Institutional Stockholders requesting such registration (other than as a result of information concerning the business or financial condition of the Company which is made known to the Institutional Stockholders after the date on which such registration was requested) and if the requesting Institutional Stockholders elect, by majority vote of the securities registered for such Institutional Stockholders, not to have such registration counted as a registration requested under Section 9.1, the requesting Institutional Stockholders shall pay the Registration Expenses of such registration pro rata in accordance with the number of their Registrable Shares included in such registration. For purposes of this Section 9.4, the term "Registration Expenses" shall mean all expenses reasonably incurred by the Company in complying with this Agreement, including, without limitation, all registration and filing fees, exchange listing fees, printing expenses, fees and expenses of counsel for the Company and the fees and expenses of one counsel selected by the selling Institutional Stockholders to represent the selling Institutional Stockholders, state Blue Sky fees and expenses, and the expense of any special audits incident to or required by any such registration, but excluding underwriting discounts, selling commissions and the fees and expenses of selling Institutional Stockholders' own counsel (other than the counsel selected to represent all selling Institutional Stockholders).

9.5 INDEMNIFICATION AND CONTRIBUTION.

(a) In the event of any registration of any of the Registrable Shares under the Securities Act pursuant to this Agreement, the Company will indemnify and hold harmless the seller of such Registrable Shares, each underwriter of such Registrable Shares, and each other person, if any, who controls such seller or underwriter within the meaning of the Securities Act or the Exchange Act against any losses, claims, damages or liabilities, joint or several, to which such seller, underwriter or controlling person may become subject under the Securities Act, the Exchange Act, state securities or Blue Sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or supplement to such Registration Statement or arise out of or are based upon the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Company will reimburse such seller, underwriter and each such controlling person for any legal or any other expenses reasonably incurred by such seller, underwriter or controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; PROVIDED, HOWEVER, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any untrue statement or omission made in such Registration Statement, preliminary prospectus or final prospectus, or any such amendment or supplement, in reliance upon and in conformity with information furnished to the Company, in writing, by or on behalf of such seller, underwriter or controlling person specifically for use in the preparation thereof.

(b) In the event of any registration of any of the Registrable Shares under the Securities Act pursuant to this Agreement, each seller of Registrable Shares, severally and not jointly, will indemnify and hold harmless the Company, each of its directors and officers and each underwriter (if any) and each person, if any, who controls the Company or any such underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities, joint or several, to which the Company, such directors and officers, underwriter or controlling person may become subject under the Securities Act, Exchange Act, state securities or Blue Sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or supplement to the Registration Statement, or arise out of or are based upon any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statement therein not misleading, if the statement or omission was made in reliance upon and in conformity with information relating to such seller furnished in writing to the Company by or on behalf of such seller specifically for use in connection with the preparation of such Registration Statement, prospectuses, amendment or supplement; PROVIDED, HOWEVER, that the obligations of such Institutional Stockholders hereunder shall be limited to an amount equal to the proceeds to each Institutional Stockholder of Registrable Shares sold in connection with such registration.

(c) Each party entitled to indemnification under this Section 9.5 (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; PROVIDED that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld); and, PROVIDED FURTHER that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 9.5. The Indemnified Party may participate in such defense at such party's expense; PROVIDED, HOWEVER, that the Indemnifying Party shall pay such expense 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 the Indemnified Party and any other party represented by such counsel in such proceeding. No Indemnifying Party, in the defense of any such claim or litigation shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to each Indemnified Party of a release from all liability in respect of such claim or litigation, and no Indemnified Party shall consent to entry of any judgment or settle such claim or litigation without the prior written consent of each other Indemnified Party.

(d) In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any holder of Registrable Shares exercising rights under this Agreement, or any controlling person of any such holder, makes a claim for indemnification pursuant to this Section 9.5 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 9.5 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any such selling Institutional Stockholder or any such controlling person in circumstances for which indemnification is provided under this Section 9.5; then each Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, liabilities, or expenses (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and the Indemnified Party as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such Indemnifying Party or Indemnified Party, and the parties' relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 9.5(d) were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 9.5(d). The amount paid or payable by an Indemnified Party as result of the losses, claims, damages, liabilities, or expenses (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such Indemnified Party in connection with investigating or, except as provided in Section 9.5(c), defending any such action or claim. Notwithstanding the

provisions of this Section 9.5(d), (A) no such holder will be required to contribute any amount in excess of the proceeds to it of all Registrable Shares sold by it pursuant to such Registration Statement, and (B) no person or entity guilty of fraudulent misrepresentation, within the meaning of Section 11(f) of the Securities Act, shall be entitled to contribution from any person or entity who is not guilty of such fraudulent misrepresentations.

9.6 INDEMNIFICATION WITH RESPECT TO UNDERWRITTEN OFFERING. In the event that Registrable Shares are sold pursuant to a Registration Statement in an underwritten offering pursuant to Section 9.1, the Company agrees to enter into an underwriting agreement containing customary representations and warranties with respect to the business and operations of an issuer of the securities being registered and customary covenants and agreement to be performed by such issuer, including without limitation customary provisions with respect to indemnification by the Company of the underwriters of such offering.

9.7 INFORMATION BY HOLDER. Each Institutional Stockholder including Registrable Shares in any registration shall furnish to the Company such information regarding such Institutional Stockholder and the distribution proposed by such Institutional Stockholder as the Company may reasonably request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Agreement.

9.8 "STAND-OFF" AGREEMENT. Each Institutional Stockholder, if requested by the Company and the managing underwriter of an offering by the Company of Common Stock or other securities of the Company pursuant to a Registration Statement, shall agree not to sell publicly or otherwise transfer or dispose of any Registrable Shares or other securities of the Company held by such Institutional Stockholder for a specified period of time (not to exceed 180 days) following the effective date of such Registration Statement; PROVIDED that:

(a) such agreement shall only apply to the first Registration Statement covering Common Stock of the Company to the public in an underwritten offering; and

(b) all Institutional Stockholders holding not less than the number of shares of Common Stock held by such Institutional Stockholder (including shares of Common Stock issuable upon the conversion of shares of Stock, or other convertible securities, or upon the exercise of options, warrants or rights) and all officers and directors of the Company enter into similar agreements.

9.9 RULE 144 REQUIREMENTS. After the effective date of the first Registration Statement filed by the Company for an offering of its securities to the public, the Company agrees to:

(a) make and keep public information available in compliance with the requirements of Rule 144 under the Securities Act;

(b) use its best efforts to file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(c) furnish to a holder of Registrable Shares upon request (i) a written statement by the Company as to its compliance with the reporting requirements of said Rule 144, and the reporting requirements of the Securities Act and the Exchange Act, (ii) a copy of the most recent annual or quarterly report of the Company, and (iii) such other reports and documents of the Company as such holder may reasonably request to avail itself of any similar rule or regulation of the Commission allowing it to sell any such securities without registration.

9.10 MERGERS, ETC. The Company shall not, directly or indirectly, enter in any merger, consolidation or reorganization in which the Company shall not be the surviving corporation unless the proposed surviving corporation shall, prior to such merger, consolidation or reorganization, agree in writing to assume the obligations of the Company under this Agreement and for that purpose references hereunder to "Registrable Shares" shall be deemed to be references to the securities which the Stockholders would be entitled to receive in exchange for Registrable Shares under any such merger, consolidation or reorganization; PROVIDED, HOWEVER, that the provisions of this Section 9.10 shall not apply in the event of any merger, consolidation or reorganization in which the Company is not the surviving corporation if all Institutional Stockholders are entitled to receive in exchange for their Registrable Shares consideration consisting solely of (i) cash, (ii) securities of the acquiring corporation which may be immediately sold to the public without registration under the Securities Act, or (iii) securities of the acquiring corporation which the acquiring corporation has agreed to register within 90 days of completion of the transaction for resale to the public pursuant to the Securities Act.

9.11 TERMINATION OF REGISTRATION RIGHTS. All of the Company's obligations to register Registrable Shares under this Agreement shall terminate on the eighth anniversary of this Agreement. In addition, a Stockholder's registration rights shall expire if (a) the Company has completed its Initial Public Offering and is subject to the provisions of the Exchange Act, (b) all Registrable Shares held by and issuable to such Stockholder (and its Affiliates, partners, former partners, members and former members) may be sold under Rule 144 during any ninety (90) day period, and (c) Registrable Shares held by such Stockholder equal less than one percent (1%) of the outstanding shares of Common Stock (on an as-converted basis).

9.12 TRANSFERS OF RIGHTS. The registration rights of each Institutional Stockholder hereunder, along with its obligations related thereto, may be assigned by such Institutional Stockholder, in whole or in part, to any person or entity to which shares of Stock are transferred by such Institutional Stockholder, and such transferee shall be deemed an "Institutional Stockholder" for purposes of this Agreement generally and this Article 9 specifically) provided that the Institutional Stockholder or the transferee provides written notice of such assignment to the Company.

9.13 REGISTRATION RIGHTS TO THIRD PARTIES. The Company shall not without the written consent of the holders of at least two-thirds of the Registrable Shares grant to any third party or group of parties rights with respect to registration of shares of Stock under the Securities Act on terms more favorable in the aggregate than those provided herein.

9.14 CONSTRUCTION. For the purposes of this Article 9 only, the term "Institutional Stockholders" shall be deemed to include Allergan Sales, Inc. ("Allergan Sales"), the successor to Vision Pharmaceuticals L.P., a Texas limited partnership ("Vision"), and all references to

"Registrable Shares" shall be deemed to include all "Registrable Securities" as such term is used in the Stock Purchase Agreement dated September 24, 1997 between the Company and Vision. Allergan Sales represents and warrants that it is the sole transferee of the rights, title and interests of Vision in the Series C Preferred Stock.

ARTICLE 10

DEFINITIONS

10.1 "Affiliate" means, with respect to any Person, any Person who controls, is controlled by, or is under common control with, such Person. "Affiliate" also means, with respect to ABN AMRO Ventures B.V., any venture capital fund or other investment entity that is managed or advised by ABN AMRO Ventures B.V. or any Affiliate thereof.

10.2 "BankInvest" means BankInvest 7 Biotechnologi and BankInvest 1 Danske Aktier, collectively.

10.3 "Board of Directors" means the board of directors of the Company.

10.4 "Board Observer" has the meaning set forth in Section 7.3 of this Agreement.

10.5 "By-Laws" means the Company's By-Laws, as amended.

10.6 "Certificate" means the Company's Certificate of Incorporation, as amended and restated.

10.7 "Commission" means the Securities and Exchange Commission, or any other Federal agency at the time administering the Securities Act.

10.8 "Common Stock" means the Common Stock, par value $.0001 per share, of the Company.

10.9 "Company" means ACADIA Pharmaceuticals Inc., its successors and assigns.

10.10 "Competitor" means any Person who conducts any business activity of the same or similar kind as the Company or business activity in the biotechnology, genetic engineering or pharmaceutical industries.

10.11 "Copenhagen Project" means the Company's research and development project which is more fully described in the Loan Commitment.

10.12 "Corporation Law" means the General Corporation Law of the State of Delaware, as amended.

10.13 "Co-Sale Transaction" means either of the following events: (i) shares of Stock representing a majority of the voting power of the Company become beneficially owned by a single Person (including Affiliates of such Person), or (ii) excluding shares issued in connection

with a strategic relationship as set forth in Section 2.7(g), any shares of Stock become beneficially owned by a Competitor or an Affiliate of a Competitor.

10.14 "Cure Period" has that meaning set forth in Section 5.2 of this Agreement.

10.15 "Event of Default" has that meaning set forth in Section 5.1 of this Agreement.

10.16 "Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar Federal statute, and the rules and regulations of the Commission issued under such Act, as they each may, from time to time, be in effect.

10.17 "Existing Institutional Stockholder" has that meaning set forth in the introductory paragraph to this Agreement.

10.18 "First Institutional Stockholders" means BankInvest, Dansk Kapitalanlaeg Aktieselskab, Lonmodtagernes Dyrtidsfond and Kommunernes Pensionsforsikring A/S.

10.19 "First Stockholders Agreement" has that meaning set forth in paragraph B of the Recitals.

10.20 "First Amended Stockholders Agreement" has that meaning set forth in paragraph C of the Recitals.

10.21 "Founding Stockholder" means Mark R. Brann and shall not mean any assignee or transferee of Mark R. Brann.

10.22 "Initial Public Offering" means the closing of the Company's first firm commitment underwritten public offering of its Common Stock under the Securities Act.

10.23 "Institutional Stockholder" has that meaning set forth in the introductory paragraph of this Agreement.

10.24 "Loan Commitment" means the commitment of Vaekstfonden to lend the Company the sum of DKK 44,573,063.00.

10.25 "Major Institutional Stockholder" means any Stockholder, other than the Founding Stockholder, who owns at least 500,000 shares of Preferred Stock. For purposes of this definition, all shares of Stock held by Affiliates of a Stockholder will be aggregated to determine the number of shares of Stock held by a Stockholder.

10.26 "Major Stockholder" means each Major Institutional Stockholder and the Founding Stockholder.

10.27 "New Institutional Stockholder" has that meaning set forth in the introductory paragraph to this Agreement.

10.28 "Offered Securities" has that meaning set forth in Section 2.1 of this Agreement.

10.29 "Organizational Documents" means the Certificate and By-Laws.

10.30 "Partnership" means Investor Associates RT.

10.31 "Person" means any individual, partnership (general or limited), corporation, trust, estate, association, or other entity.

10.32 "Preferred Stock" means the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock and any other series of preferred stock issued subsequent to the date of this Agreement.

10.33 "Qualifying IPO" has the meaning set forth in Section 2.7(f).

10.34 "Registrable Shares" means (i) the shares of Common Stock issued or issuable upon conversion of any Preferred Stock, (ii) the shares of Common Stock into which the Preferred Stock (including Preferred Stock issued pursuant to the Special Dividend) is reclassified, (iii) the shares of Common Stock issued or issuable upon exercise of the Warrants, (iv) any shares of Common Stock, and any shares of Common Stock issued or issuable upon the conversion or exercise of any other securities, acquired by the Institutional Stockholders pursuant to this Agreement, the Series A Stock Purchase Agreement, the Series B Stock Purchase Agreement, the Series D Stock Purchase Agreement or the Series E Stock Purchase Agreement and (v) any other shares of Common Stock issued in respect of such shares (because of stock splits, stock dividends, reclassifications, recapitalizations, or similar events); PROVIDED, HOWEVER, that shares of Common Stock which are Registrable Shares shall cease to be Registrable Shares (i) upon any sale pursuant to a Registration Statement or Rule 144 under the Securities Act or (ii) upon any sale in any manner to a person or entity which, by virtue of Section 9.12 of this Agreement, is not entitled to the rights provided by this Agreement. Wherever reference is made in this Agreement to a request or consent of holders of a certain percentage of Registrable Shares, the determination of such percentage shall include shares of Common Stock into which shares of Preferred Stock may be reclassified, including that number of shares of Preferred Stock to which the applicable Stockholder would be entitled following the declaration and issuance to the Special Dividend.

10.35 "Registration Expenses" means the expenses described in Section 9.4.

10.36 "Registration Statement" means a registration statement filed by the Company with the Commission for a public offering and sale of Common Stock (other than a registration statement on Form S-8 or Form S-4, or their successors, or any other form for a similar limited purpose, or any registration statement covering only securities proposed to be issued in exchange for securities or assets of another corporation).

10.37 "Second Amended Stockholders Agreement" has the meaning set forth in paragraph D of the Recitals.

10.38 "Securities Act" means the Securities Act of 1933, as amended, or any similar Federal statute, and the rules and regulations of the Commission issued under such Act, as they each may, from time to time, be in effect.

10.39 "Series A Preferred Stock" means the Series A Preferred Stock, $0.01 par value per share, of the Company.

10.40 "Series B Preferred Stock" means the Series B Preferred Stock, $0.01 par value per share, of the Company.

10.41 "Series C Preferred Stock" means the Series C Preferred Stock, $0.01 par value per share, of the Company.

10.42 "Series D Preferred Stock" means the Series D Preferred Stock, $0.01 par value per share, of the Company.

10.43 "Series E Preferred Stock" means the Series E Preferred Stock, $0.01 par value per share, of the Company.

10.44 "Series A Stock Purchase Agreement" means the Series A Stock Purchase Agreement between the Company, the Founding Stockholder and the First Institutional Stockholders, dated February 3, 1997.

10.45 "Series B Stock Purchase Agreement" means the Series B Stock Purchase Agreement between and among the Company, the Founding Stockholder, the Partnership and the First Institutional Stockholders, dated August 12, 1997.

10.46 "Series C Stock Purchase Agreement" means the Stock Purchase Agreement between the Company and Vision Pharmaceuticals L.P., dated September 24, 1997.

10.47 "Series D Stock Purchase Agreement" means the Series D Preferred Stock Purchase Agreement by and among the Company and the purchasers of the Series D Preferred Stock, dated August 26, 1998.

10.48 "Series E Stock Purchase Agreement" means the Series E Preferred Stock Purchase Agreement by and among the Company and the purchasers of Series E Preferred Stock, dated as of even date herewith.

10.49 "Significant Actions" means any of the following actions:

(a) the authorization or issuance of any equity securities of the Company, except for issuance of Common Stock in the manner contemplated by Section 2.7(b), (c) (PROVIDED that such plan or arrangement is approved in accordance with Section 10.49(e)) or (d);

(b) the declaration or payment of any dividend or any other distribution, as defined in the Certificate, on Common Stock including without limitation any stock dividend;

(c) making (or permitting an Affiliate of the Company to make) a loan or advance to, or owning (or permitting an Affiliate of the Company to own) any stock or other securities of, any subsidiary or other corporation, partnership or other entity unless it is wholly owned by the Company;

(d) entering into a transaction with or for the benefit of any Stockholder, officer or director of the Company or an Affiliate of any of the foregoing;

(e) the creation of any equity-based incentive compensation plan or agreement described in Section 2.7(c) (other than the Company's 1997 Stock Option Plan) and the grant of more than 40,000, in the aggregate, options, shares or rights thereunder;

(f) the guaranty, directly or indirectly, of any indebtedness of another entity (including subsidiaries of the Company);

(g) the merger or consolidation of the Company with or into another entity, the sale, lease or disposal of all or substantially all of the assets of the Company, or the acquisition of all or substantially all of the assets of another entity;

(h) a change in the fiscal year of the Company;

(i) the adoption or amendment of any policy governing the use, protection, disclosure, enforcement or distribution of the intellectual property of the Company;

(j) entering into, amending or terminating contracts in excess of two years in length and involving, in the aggregate, expenditures by the Company in excess of $150,000;

(k) commencing or resolving material litigation;

(l) creating or dissolving joint ventures, partnerships, or subsidiaries;

(m) amending the Certificate or By-Laws, or changing the size of the Board of Directors other than as contemplated by Section 6.1(a);

(n) resolving to dissolve or wind up the affairs of the Company;

(o) using the proceeds of the investment made by the Institutional Stockholders other than in accordance with a budget and business plan approved by the Board of Directors by a Specified Majority;

(p) entering into, amending or terminating the employment arrangement, including but not limited to written contracts of employment, with any person who is, or is intended to become, an officer or key employee of the Company with a base salary in excess of $150,000 per year, the grant of any discretionary bonus or the approval of any bonus formula;

(q) approving the pledge of shares of Stock of the Company by any Stockholder;

(r) waiving an affirmative covenant of the Company set forth in Article 7 hereof;

(s) entering into, amending or terminating any material contracts (including development contracts);

(t) the creation of any lien, pledge or other encumbrance on any of assets of the Company or its subsidiaries other than as incurred in the ordinary course of business;

(u) the application for or acceptance of any European Union or other public grants or subsidies including but not limited to grants or subsidies for research purposes;

(v) acquisition, sale or other disposition of any assets (other than Intellectual Property Rights) other than in the ordinary course of business;

(w) acquisition, sale or other disposition of any Intellectual Property Rights other than pursuant to licenses from or licenses to third parties containing terms and conditions in substantial conformance with standard terms and conditions for such licenses which have been approved by a Specified Majority;

(x) the delegation of the authority of the Board of Directors, including the authority to approve significant actions to any person or committee;

(y) the purchase by the Company of any of its outstanding securities;

(z) any material change to the basic strategy of the Company as a biopharmaceutical company engaged in the discovery of lead compounds for pharmaceutical development and related applications of its proprietary technology platform that combines genome-based assays with high-throughput screening and clinically relevant pharmacology;

(aa) the appointment or removal of the auditors of the Company;

(bb) a material change in the accounting principles of the Company;

(cc) any action whereby the Company would become a U.S. Real Property Holding Company;

(dd) a sale or acquisition of any share in any corporate body; or

(ee) any registration of the Company's Securities other than in accordance with Article 9 hereof.

10.50 "Significant Number of Stockholders" means at least all of the Major Stockholders but one (1).

10.51 "Special Dividend" has that meaning set forth in Section 2.1 of this Agreement.

10.52 "Specified Majority" means the affirmative vote of two-thirds of the directors appointed by the Stockholders pursuant to Section 6.1(a), I.E. if the number of directors appointed pursuant to Section 6.1(a) is eight (8), the affirmative vote of six (6) directors and if the number of directors appointed pursuant to Section 6.1(a) is nine (9), the affirmative vote of six (6) directors.

10.53 "Stock" means the issued and outstanding shares of Common Stock and Preferred Stock.

10.54 "Subsidiary" means any entity 50% or more of whose securities are owned by the Company or as to which the Company has the right to elect a majority of the board of directors.

10.55 "Third Amended Stockholders Agreement" has the meaning set forth in paragraph E of the Recitals.

10.56 "Warrants" means the Warrants held by certain Stockholders and Allergan Sales , as the successor to Vision Pharmaceuticals L.P., as of the date hereof.

ARTICLE 11

GENERAL PROVISIONS

11.1 LEGENDS.

(a) The following legends shall appear on the back of any certificate for shares of Stock issued by the Company to the Stockholders:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS (A) PURSUANT TO RULE 144 OR RULE 144A UNDER THE ACT OR (B) THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT COVERING SUCH SHARES OR (C) THE COMPANY RECEIVES AN OPINION OF COUNSEL FOR THE HOLDER OF THESE SHARES SATISFACTORY TO THE COMPANY AND ITS COUNSEL STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT, PLEDGE OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE ACT.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF A STOCKHOLDERS AGREEMENT AMONG THE COMPANY AND CERTAIN OF ITS STOCKHOLDERS. ANY PURCHASER, ASSIGNEE, TRANSFEREE, PLEDGEE OR OTHER SUCCESSOR TO ANY HOLDER HEREOF IS BOUND BY THE TERMS OF SUCH AGREEMENT, A COPY OF WHICH WILL BE MAILED, WITHOUT CHARGE, WITHIN FIVE (5) DAYS AFTER RECEIPT OF A WRITTEN REQUEST THEREFOR DIRECTED TO THE SECRETARY OF THE COMPANY.

(b) A legend substantially as set forth below shall appear on the back of any certificate for shares of Stock issued to any person not a party to this Agreement:

THE COMPANY AND CERTAIN OF ITS STOCKHOLDERS HAVE ENTERED INTO A STOCKHOLDERS AGREEMENT THE TERMS OF WHICH MAY AFFECT THE RIGHTS OF STOCKHOLDERS NOT

A PARTY THERETO. THE COMPANY WILL MAIL A COPY OF SUCH STOCKHOLDERS AGREEMENT TO ANY REGISTERED HOLDER OF ANY OF ITS CAPITAL STOCK, WITHOUT CHARGE, WITHIN FIVE (5) DAYS AFTER A WRITTEN REQUEST THEREFOR IS RECEIVED BY THE SECRETARY OF THE COMPANY.

11.2 AMENDMENT; TERMINATION. Except as otherwise provided specifically in this Agreement, this Agreement may be amended or terminated only by a writing which refers to this Agreement and which is executed by parties to this Agreement holding 90% of the Stock or their permissible successors and assigns. Notwithstanding the foregoing, (i) Articles 2, 3, 4, 5, 6, 7 and 8 of this Agreement shall terminate and be of no further force and effect upon the closing of a Qualifying IPO and (ii) this Agreement may be amended with only the written consent of the Company to include additional purchasers of Series E Preferred Stock as "New Institutional Stockholders" and "Stockholders" and parties hereto.

11.3 EFFECT OF AGREEMENT. This Agreement shall be binding upon and shall inure to the benefit of the Company and shall be binding upon and inure to the benefit of the other parties hereto and any person who acquires shares of Stock from the Company or from a party hereto in accordance with the terms of this Agreement (including, without limitation, pursuant to the provisions of Articles 2 and 3 of this Agreement). Except for the issuance by the Company of shares and options pursuant to the Company's 1997 Stock Option Plan, the Company shall not issue any certificate for shares of Stock to any person until such person shall have first executed and delivered a copy of this Agreement. No party to this Agreement may assign any of its rights or delegate any of its duties under this Agreement except in connection with a transfer of its shares of Stock which complies in all respects with the terms of this Agreement and the Organizational Documents.

11.4 COMPUTATION OF PERCENTAGES OR PRO RATA SHARE. All calculations or determinations in this Agreement pertaining to percentage or pro rata interests of holders of Preferred Stock shall be calculated on the basis of the number of shares of Common Stock to which the holder of such Preferred Stock would be entitled immediately prior to a public offering of Common Stock which causes a reclassification or conversion of such Preferred Stock under Article IV, Section C.5. of the Certificate at the date relevant for such determination or calculation.

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

11.6 NOTICES. All notices, elections and other communications pursuant to this Agreement shall be made in writing and sent to (a) the Company at its principal business address or (b) to any Stockholder at the address as shown on the books and records of the Company and shall be deemed to be received the second business day following deposit with an overnight mail or courier service, the date of receipt of electronic confirmation of receipt of an electronic facsimile message or one week after being sent by regular or certified mail, postage prepaid.

11.7 ENTIRE AGREEMENT. Except as expressly set forth herein or in an instrument in writing signed by the party to be bound thereby which makes reference to this Agreement, this

Agreement embodies the entire agreement in relation to its subject matter, and supersedes all prior agreements and negotiations.

11.8 GOVERNING LAW. This Agreement shall in all respects be interpreted, construed and governed by and in accordance with the internal substantive law of the State of California.

11.9 SEVERABILITY. Each Section, Article and lesser section of this Agreement constitutes a separate and distinct undertaking, covenant and/or provision hereof. In the event that any provision of is Agreement shall finally be determined to be unlawful, all such provision shall be deemed severed from this Agreement, but every other provision of this Agreement shall remain in full force and effect, and in substitution for any such provision held unlawful, there shall be substituted a provision of similar import reflecting the original intent of the parties hereto to the extent permissible under law.

11.10 CONSTRUCTION. The headings of the Articles and Sections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof. Unless otherwise specifically indicated, references in is Agreement to Articles, Sections, paragraphs and clauses refer to the Articles, Sections, paragraphs and clauses of this Agreement. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, and the singular shall include the plural and vice versa.

11.11 ARBITRATION. Any dispute, controversy or difference arising between the parties out of or in relation to or in connection with this Agreement or any breach thereof which cannot be settled between the parties shall be finally settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce (the "ICC") by which each party agrees to be bound. In any arbitration pursuant to this Section the decision shall be rendered by the three independent arbitrators who shall be appointed by the ICC whose decision shall be binding. The seat of the arbitration shall be London, England. The language of the arbitration shall be English.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties to this Agreement, by their duly authorized representatives and officers have executed this Agreement as of the date and year first above written.

COMPANY:

ACADIA PHARMACEUTICALS INC.

By: /s/ Leonard Borrmann

Name: Leonard Borrmann
Title: CEO

FOUNDING STOCKHOLDER:

/s/ Mark R. Brann

MARK R. BRANN

EXISTING INSTITUTIONAL STOCKHOLDERS:

ABN AMRO VENTURES B.V.

By: /s/ Fred Phillips

Name: Fred Phillips
Title:

By: /s/ Mark Baldassare

Name: Mark Baldassare
Title: Investment Manager

ALLMANNA PENSIONSFONDEN (5:AP)

By: /s/ T. Nicolin

Name: T. Nicolin
Title: CEO

BANKINVEST 7 BIOTECHNOLOGI

By: /s/ Finn Moefelt

Name: Finn Moefelt
Title: Man. Director

BANKINVEST 1 DANSKE AKTIER

By: /s/ Finn Moefelt

Name: Finn Moefelt
Title: Man. Director

DANSK KAPITALANLAEG AKTIESELSKAB

By: /s/ Arne J. Gillin

Name: Arne J. Gillin
Title: Vice President

By: /s/ Niels K. Agner

Name: Niels K. Agner
Title: President

KOMMUNERNES PENSIONSFORSIKRING A/S

By: /s/ Jens Bisgaard-Flantlen

Name: Jens Bisgaard-Flantlen
Title: Head of Equities

LARS HELLERUNG CHRISTIANSEN

By: /s/ Lars Hellerung Christiansen

Name:
Title:

LONMODTAGERNES DYRTIDSFOND

By: /s/ Hans Jorgen Madsen

Name: Hans Jorgen Madsen
Title: Head of Department

By: /s/ Anita Klitgaard

Name: Anita Klitgaard
Title: Secretary

SVENSKA HANDELSBANKEN (GOTEBORG)

By: /s/ E e-Britt Jarfelt

Name: E e-Britt Jarfelt
Title: Senior Vice President

By: /s/ Mats Littorin

Name: Mats Littorin
Title: Vice President and General Counsel

SVENSKA HANDELSBANKEN (MALMO)

By: /s/ Jorna Olycampus

Name:
Title:

NEW INSTITUTIONAL STOCKHOLDERS:

H&Q LIFE SCIENCES INVESTORS

By: /s/ Alan G. Carr

Name: Alan G. Carr
Title: President

H&Q HEALTHCARE INVESTORS

By: /s/ Alan G. Carr

Name: Alan G. Carr
Title: President

THE KAUFMANN FUND

By: /s/ Lawrence Aumard

Name: Lawrence Aumard
Title: Chairman

EATON VANCE WORLDWIDE HEALTH SCIENCES FUND

By: /s/ Samuel D. Isaly

Name: Samuel D. Isaly
Title: Portfolio Manager

FINSBURY WORLDWIDE PHARMACEUTICAL TRUST

By: /s/ Samuel D. Isaly

Name: Samuel D. Isaly
Title: Portfolio Manager

LIFE SCIENCE NO. 1 INVESTMENT PARTNERSHIP

By: /s/ David J. Drutz

Name: David J. Drutz
Title: Partner

LIFE SCIENCE NO. 2 INVESTMENT PARTNERSHIP

By: /s/ David J. Drutz

Name: David J. Drutz
Title: Partner

LIFE SCIENCE NO. 3 INVESTMENT PARTNERSHIP

By: /s/ David J. Drutz

Name: David J. Drutz
Title: Partner

FOR PURPOSES OF ARTICLE 9 ONLY:

ALLERGAN SALES, INC.

BY: /s/ George Lasezkay

NAME: George Lasezkay

TITLE: Vice President

THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUED UPON ITS EXERCISE ARE SUBJECT TO THE RESTRICTIONS ON TRANSEER SET FORTH IN SECTION 4 OF THIS WARRANT

Warrant No. R2-_ Number of Shares: _____
(subject to adjustment)

Date of Issuance: February 3, 1997

RECEPTOR TECHNOLOGIES, INC.

COMMON STOCK PURCHASE WARRANT

(Void after February 3, 2002;
subject to earlier termination as described below)

Receptor Technologies, Inc., a Delaware corporation (the "Company"), for value received, hereby certifies that _____, or its registered assigns (the "Registered Holder"), is entitled, subject to the terms set forth below, to purchase from the Company, at any time or from time to time on or after the dare of issuance and on or before the Expiration Date (as defined in Section 1(b) below), _____ shares of Common Stock, $0.0001 par value per share, of the Company, at a purchase price of $12.00 per share. The shares purchasable upon exercise of this Warrant shall be newly issued and shall not be treasury shares. The shares purchasable upon exercise of this Warrant, and the purchase price per share, each as adjusted from time to time pursuant to the provisions of this Warrant, are hereinafter referred to as the "Warrant Shares" and the "Purchase Price," respectively.

1. EXERCISE.

(a) This Warrant may be exercised by the Registered Holder, in whole or in part, by surrendering this Warrant, with the purchase form appended hereto as EXHIBIT I duly executed by such Registered Holder or by such Registered Holders duly authorized attorney, before the Expiration Date, at the principal office of the Company, or at such other office or agency as the Company may designate, accompanied by payment in full, in lawful money of the United States, of the Purchase Price payable in respect of the number of Warrant Shares purchased upon such exercise.

(b) For purposes of this Warrant, the Expiration Date shall mean not later than 5:00 p.m. (New York, New York time) on the earlier of (i) 60 days following receipt by the Registered Holder of notice by the Company of achievement of one of the following two milestones: (x) the initiation by the Company of Phase II clinical studies pursuant to U.S. FDA regulations or EMEA regulations (under the U.S. FDA Regulations or the EMEA Regulations, initiation of Phase II is defined as the first entry into a selective group of relevant patients of a company developed compound), or (y) the receipt by the Company of $10,000,000 of gross revenue in a four consecutive fiscal quarter period (gross revenue to mean all revenues of the Company and its subsidiaries, on a consolidated basis, less interest earnings, grants, subsidies and extraordinary items), or (ii) five years after the date of issuance.

(c) Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the day on which this Warrant shall have been surrendered the Company as provided in subsection 1(a) above (the "Exercise Date"). At such time, the person or persons in whose name or names any certificates for Warrant Shares shall be issuable upon such exercise as provided in subsection 1(e) below shall be deemed to have become the holder or holders of record of the Warrant Shares represented by such certificates.

(d) As soon as practicable after the exercise of this Warrant in full or in part, and in any event within 10 days thereafter, the Company, at its expense, will cause to be issued in the name of, and delivered to, the Registered Holder, or as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct:

(i) a certificate or certificates for the number of full Warrant Shares to which such Registered Holder shall be entitled upon such exercise plus, in lieu of any fractional shares to which such Registered Holder would otherwise be entitled, cash in an amount determined pursuant to Section 3 hereof; and

(ii) in case such exercise is in part only, a new warrant or warrants (dated the date hereof) of like tenor, representing in the aggregate on the face or faces thereof the right to purchase that number of Warrant Shares equal (without giving effect to any adjustment therein) to the number of such shares called for on the face of this Warrant minus the number of such shares purchased by the Registered Holder upon such exercise.

2. ADJUSTMENTS.

(a) GENERAL. The Purchase Price shall be subject to adjustment from time to time pursuant to the terms of this Section 2.

(b) DILUTING ISSUANCES.

(i) SPECIAL DEFINITIONS. For purposes of this subsection 2(b), the following definitions shall apply:

(A) "OPTION" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities, excluding options described in clause (III) of subsection 2(b)(i)(D) below.

(B) "ORIGINAL ISSUE DATE" shall mean the date on which this Warrant was first issued.

(C) "CONVERTIBLE SECURITIES" shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock.

(D) "ADDITIONAL SHARES OF COMMON STOCK" shall mean all shares of Common Stock issued (or, pursuant to subsection 2(b)(iii) below, deemed to be issued) by the Company after the Original Issue Date, other than shares of Common Stock issued or issuable:

(I) upon conversion of shares of Convertible Securities outstanding on the Original Issue Date, (including Options issued on such Date);

(II) by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock that are excluded from the definition of Additional Shares of Common Stock by the foregoing clause (I) or this clause (II);

(III) to employees or directors of, or consultants to, the Company pursuant to a plan adopted by the Board of Directors of the Company;

(IV) by reason of the Special Series A Dividend or the reclassification of the Company's Series A Preferred Stock, each as provided for in the Company's Certificate of Incorporation, as amended; or

(V) upon exercise of the Special Investor Warrants (as defined in the Stock Purchase Agreement dated February 3, 1997 between the Company and certain purchasers of the Company's Series A Preferred Stock).

(ii) NO ADJUSTMENT OF PURCHASE PRICE. No adjustments to the Purchase Price shall be made unless the consideration per share (determined pursuant to subsection 2(b)(v)) for an Additional Share of Common Stock issued or deemed to be issued by the Company is less than the Adjustment Price (as defined below) in effect on the date of, and immediately prior to, the issue of such Additional Shares.

(iii) ISSUE OF SECURITIES DEEMED ISSUE OF ADDITIONAL SHARES OF COMMON STOCK. If the Company at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options of Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that Additional Shares of Common Stock shall not be deemed to have been issued unless the consideration per share (determined pursuant to subsection 2(b)(v) hereof) of such Additional Shares of Common Stock would be less than the Adjustment Price in effect on the date of and immediately prior to such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Shares of Common Stock are deemed to be issued:

(A) No further adjustment in the Purchase Price shall be made upon the subsequent issue of Convertible Securities or shares of Common Stock upon the exercise of such Options or conversion or exchange of such Convertible Securities;

(B) If such Options or Convertible Securities by their terms provide, with passage of time or otherwise, for any increase in the consideration payable to the Company, upon the exercise, conversion or exchange thereof, the Adjustment Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and

any subsequent adjustments based thereon, shall, upon any such increase becoming effective, be recomputed to reflect such increase insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities;

(C) Upon the expiration or termination of any unexercised Option, the Purchase Price shall not be readjusted, but the Additional Shares of Common Stock deemed issued as the result of the original issue of such Option shall not be deemed issued for the purposes of any subsequent adjustment of the Purchase Price;

(D) In the event of any change in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any Option or Convertible Security, including, but not limited to, a change resulting from the anti-dilution provisions thereof, the Adjustment Price then in effect shall forthwith be readjusted to such Adjustment Price as would have obtained had the adjustment which was made upon the issuance of such Option or Convertible Security not exercised or converted prior to such change been made upon the basis of such change; and

(E) No readjustment pursuant to Clause (B) or (D) above shall have the effect of increasing the Purchase Price to an amount which exceeds the lower of (i) the Purchase Price on the original adjustment date, or (ii) the Purchase Price that would have resulted from any issuances of Additional Shares of Common Stock between the original adjustment date and such readjustment date.

(iv) ADJUSTMENT OF PURCHASE PRICE UPON ISSUANCE OF ADDITIONAL SHARES OF COMMON STOCK. In the event the Company shall at any time after the Original Issue Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to subsection 2(b)(iii), but excluding shares issued as a dividend or distribution or upon a stock split or combination as provided in subsection 2(c)), without consideration or for a consideration per share less than $2.55 per share, as adjusted from time to time hereunder (the "Adjustment Price"), then and in such event, the Purchase Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) determined by multiplying the Adjustment Price, as adjusted in accordance with this subsection 2(B)(iv) immediately after such issue, by 4.70588. For example, if the issue results in an Adjustment Price of $2.40 per share, then the Purchase Price would be reduced from $12.00 per share to $11.29 per share ($2.40 x 4.70588 = $11.29). For purposes of this Warrant, the Adjustment Price shall be reduced in connection with any issue described above in this subsection 2(b)(iv), concurrently with such issue, to a price (calculated to the nearest cent) determined by multiplying such Adjustment Price by a fraction, (A) the numerator of which shall be (1) the number of shares of Common Stock outstanding immediately prior to such issue plus (2) the number of shares of Common Stock which the aggregate consideration received or to be received by the Company for the total number of Additional Shares of Common Stock so issued would purchase at such Adjustment Price; and (B) the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of such Additional Shares of Common Stock so issued; PROVIDED THAT, (i) for the purpose of this subsection 2(b)(iv), all shares of Common Stock issuable upon exercise or conversion of Options or Convertible Securities outstanding immediately prior to such issue shall be deemed to be outstanding (other than shares excluded from the definition of "Additional Shares of Common

Stock" by virtue of clause (III) of subsection 2(b)(i)(D)), and (ii) the number of shares of Common Stock deemed issuable upon conversion of such outstanding Options and Convertible Securities shall not give effect to any adjustments to the conversion price or conversion rate of such Option or Convertible Securities resulting from the issuance of Additional Shares of Common Stock that is the subject of this calculation.

Notwithstanding the foregoing, the applicable Purchase Price shall not be so reduced at such time if the amount of such reduction would be an amount less than $.05, but any such amount shall be carried forward and reduction with respect thereto made at the time of and together with any subsequent reduction which, together with such amount and any other amount or amounts so carried forward, shall aggregate $.05 or more.

(v) DETERMINATION OF CONSIDERATION. For purposes of this subsection 2(b), the consideration received by the Company for the issue of any Additional Shares of Common Stock shall be computed as follows:

(A) CASH AND PROPERTY. Such consideration shall:

(I) insofar as it consists of cash, be computed at the aggregate of cash received by the Company, excluding amounts paid or payable for accrued interest or accrued dividends;

(II) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors; and

(III) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Company for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (I) and (II) above, as determined in good faith by the Board of Directors.

(B) OPTIONS AND CONVERTIBLE SECURITIES. The consideration per share received by the Company for Additional Shares of Common Stock deemed to have been issued pursuant to subsection 2(b)(iii), relating to Options and Convertible Securities, shall be determined by dividing

(x) the total amount, if any, received or receivable by the Company as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Company upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(y) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein

for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(vi) MULTIPLE CLOSING DATES. In the event the Company shall issue on more than one date Additional Shares of Common Stock which are comprised of shares of the same series or class of Preferred Stock, and such issuance dates occur within a period of no more than 120 days, then the Purchase Price shall be adjusted only once on account of such issuances, with such adjustment to occur upon the final such issuance and to give effect to all such issuances as if they occurred on the date of the final such issuance.

(c) RECAPITALIZATIONS. If outstanding shares of the Company's Common Stock shall be subdivided into a greater number of shares or a dividend in Common Stock shall be paid in respect of Common Stock, the Purchase Price in effect immediately prior to such subdivision or at the record date of such dividend shall simultaneously with the effectiveness of such subdivision or immediately after the record date of such dividend be proportionately reduced. If outstanding shares of Common Stock shall be combined into a smaller number of shares, the Purchase Price in effect immediately prior to such combination shall, simultaneously with the effectiveness of such combination, be proportionately increased.

(d) MERGERS, ETC. If, there shall occur any capital reorganization or reclassification of the Company's Common Stock (other than a change in par value or a subdivision or combination as provided for in subsection 2(c) above), or any consolidation or merger of the Company with or into another corporation, or a transfer of all or substantially all of the assets of the Company, then, as part of any such reorganization, reclassification, consolidation, merger or sale, as the case may be, lawful provision shall be made so that the Registered Holder of this Warrant shall have the right thereafter to receive upon the exercise hereof the kind and amount of shares of stock or other securities or property which such Registered Holder would have been entitled to receive if, immediately prior to any such reorganization, reclassification, consolidation, merger or sale, as the case may be, such Registered Holder had held the number of shares of Common Stock which were then purchasable upon the exercise of this Warrant. In any such case, appropriate adjustment (as reasonably determined in good faith by the Board of Directors of the Company) shall be made in the application of the provisions set forth herein with respect to the rights and interests thereafter of the Registered Holder of this Warrant, such that the provisions set forth in this Section 2 (including provisions with respect to adjustment of the Purchase Price) shall thereafter be applicable, as nearly as is reasonably practicable, in relation to any shares of stock or other securities or property thereafter deliverable upon the exercise of this Warrant.

(e) ADJUSTMENT IN NUMBER OF WARRANT SHARES. When any adjustment is required to be made in the Purchase Price, the number of Warrant Shares purchasable upon the exercise of this Warrant shall be changed to the number determined by dividing (i) an amount equal to the number of shares issuable upon the exercise of this Warrant immediately prior to such adjustment, multiplied by the Purchase Price in effect immediately prior to such adjustment, by (ii) the Purchase Price in effect immediately after such adjustment.

(f) CERTIFICATE OF ADJUSTMENT. When any adjustment is required to be made pursuant to this Section 2, the Company shall promptly mail to the Registered Holder a certificate setting forth the Purchase Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Such certificate shall also set forth the kind and amount of stock or other securities or property into which this Warrant shall be exercisable following such adjustment.

3. FRACTIONAL SHARES. The Company shall not be required upon the exercise of this Warrant to issue any fractional shares, but shall make an adjustment therefor in cash on the basis of the Fair Market Value per share of Common Stock. The Fair Market Value per share of Common Stock shall be determined as follows:

(i) If the Common Stock is listed on a national securities exchange, the Nasdaq National Market, the Nasdaq system, or another nationally recognized exchange or trading system as of the Exercise Date, the Fair Market Value per share of Common Stock shall be deemed to be the last reported sale price per share of Common Stock thereon on the Exercise Date; or, if no such price is reported on such date, such price on the next preceding business day (provided that if no such price is reported on the next preceding business day, the Fair Market Value per share of Common Stock shall be determined pursuant to clause (ii)).

(ii) If the Common Stock is not listed on a national securities exchange, the Nasdaq National Market, the Nasdaq system or another nationally recognized exchange or trading system as of the Exercise Date, the Fair Market Value per share of Common Stock shall be deemed to be the amount most recently determined by the Board of Directors to represent the fair market value per share of the Common Stock (including without limitation a determination for purposes of granting Common Stock options or issuing Common Stock under an employee benefit plan of the Company); and, upon request of the Registered Holder the Board of Directors (or a representative thereof) shall promptly notify the Registered Holder of the Fair Market Value per share of Common Stock. Notwithstanding the foregoing, if the Board of Directors has not made such a determination within the three-month period prior to the Exercise Date, then (A) the Fair Market Value per share of Common Stock shall be the amount next determined by the Board of Directors to represent the fair market value per share of the Common Stock (including without limitation a determination for purposes of granting Common Stock options or issuing Common Stock under an employee benefit plan of the Company), (B) the Board of Directors shall make such a determination within 15 days of a request by the Registered Holder that it do so, and (C) the exercise of this Warrant pursuant to this Section 3 shall be delayed until such determination is made.

4. REQUIREMENTS FOR TRANSFER.

(a) This Warrant and the Warrant Shares shall not be sold or transferred unless either (i) they first shall have been registered under the Securities Act of 1933, as amended (the "Act"), or (ii) the Company first shall have been furnished with an opinion of legal counsel, reasonably satisfactory to the Company, to the effect that, in connection with such sale or transfer, it is not necessary to file a registration statement pursuant to the requirements of Act.

(b) Notwithstanding the foregoing, no registration or opinion of counsel shall be required for (i) a transfer by a Registered Holder which is a partnership to a partner of such partnership or a retired partner of such partnership who retires after the date hereof, or to the estate of any such partner or retired partner, if the transferee agrees in writing to be subject to the terms of this Section 4, or (ii) a transfer made in accordance with Rule 144 under the Act.

(c) Each certificate representing Warrant Shares shall bear a legend substantially in the following form:

> "The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, and may not be offered, sold or otherwise transferred, pledged or hypothecated unless and until such securities are registered under such Act or an opinion of counsel satisfactory to the Company is obtained to the effect that such registration is not required."

The foregoing legend shall be removed from the certificates representing any Warrant Shares, at the request of the holder thereof, at such time as they become eligible for resale pursuant to Rule 144(k) under the Act.

(d) The Warrant Shares shall be subject to the terms and conditions of a Stockholders Agreement described in the following legend. Each certificate representing Warrant Shares shall bear a legend substantially in the following form:

> "The securities represented by this certificate are subject to the terms and conditions of a Stockholders Agreement dated February 3, 1997, among the Company and certain of its stockholders. Any purchaser, assignee, transferee, pledgee or other successor to any holder hereof is bound by the terms of such Agreement, a copy of which will be mailed, without charge, within five (5) days after receipt of a written request therefor directed to the Secretary of the Company.

5. NO IMPAIRMENT. The Company will not, by amendment of its charter or through reorganization, consolidation, merger, dissolution, sale of assets or any other voluntary action 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 action as may be necessary or appropriate in order to protect the rights of the holder of this Warrant against impairment.

6. LIQUIDATING DIVIDENDS. If the Company pays a dividend or makes a distribution on the Common Stock payable otherwise than in cash out of earnings or earned surplus (determined in accordance with generally accepted accounting principles) except for a stock dividend payable in shares of Common Stock (a "Liquidating Dividend"), then the Company will pay or distribute to the Registered Holder of this Warrant, upon the exercise hereof, in addition

to the Warrant Shares purchased upon such exercise, the Liquidating Dividend, plus interest thereon at the rate per annum then paid by the Company to its primary commercial lender, which would have been paid to such Registered Holder if he had been the owner of record of such Warrant Shares immediately prior to the date on which a record is taken for such Liquidating Dividend or, if no record is taken, the date as of which the record holders of Common Stock entitled to such dividends or distribution are to be determined.

7. NOTICES OF RECORD DATE, ETC. In case:

(a) the Company shall take a record of the holders of its Common Stock (or other stock or securities at the time deliverable upon the exercise of this Warrant) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right; or

(b) of any capital reorganization of the Company, any reclassification of the capital stock of the Company, any consolidation or merger of the Company with or into another corporation (other than a consolidation or merger in which the Company is the surviving entity), or any transfer of all or substantially all of the assets of the Company; or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company,

then, and in each such case, the Company will mail or cause to be mailed to the Registered Holder of this Warrant a notice specifying, as the case may be, (i) the date on which a record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other stock or securities at the time deliverable upon the exercise of this Warrant) shall be entitled to exchange their shares of Common Stock (or such other stock or securities), for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up. Such notice shall be mailed at least ten (10) days prior to the record date or effective date for the event specified in such notice.

8. RESERVATION OF STOCK. The Company will at all times reserve and keep available, solely for issuance and delivery upon the exercise of this Warrant, such number of Warrant Shares and other stock, securities and property, as from time to time shall be issuable upon the exercise of this Warrant.

9. EXCHANGE OF WARRANTS. Upon the surrender by the Registered Holder of any Warrant or Warrants, properly endorsed, to the Company for exchange at the principal office of the Company, the Company will, subject to the provisions of Section 4 hereof, issue and deliver to or upon the order of such Holder, at the Company's expense, a new Warrant or Warrants of like tenor, in the name of such Registered Holder or as such Registered Holder (upon payment by such Registered Holder of any applicable transfer taxes) may direct, calling in the aggregate

the face or faces thereof for the number of shares of Common Stock called for on the face or faces of the Warrant or Warrants so surrendered.

10. REPLACEMENT OF WARRANTS. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and (in the case of loss, theft or destruction) upon delivery of an indemnity agreement (with surety if reasonably required) in an amount reasonably satisfactory to the Company, or (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will issue, in lieu thereof, a new Warrant of like tenor.

11. TRANSFERS, ETC.

(a) The Company will maintain a register containing the names and addresses of the Registered Holders of this Warrant. Any Registered Holder may change its or his address as shown on the warrant register by written notice to the Company requesting such change.

(b) Subject to the provisions of Section 4 hereof, this Warrant and all rights hereunder are transferable, in whole or in part, upon surrender of this Warrant with a properly executed assignment (in the form of EXHIBIT II hereto) at the principal office of the Company.

(c) Until any transfer of this Warrant is made in the warrant register, the Company may treat the Registered Holder of this Warrant as the absolute owner hereof for all purposes; PROVIDED, HOWEVER, that if and when this Warrant is properly assigned in blank, the Company may (but shall not be obligated to) treat the bearer hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary.

12. MAILING OF NOTICES, ETC. All notices and other communications from the Company to the Registered Holder of this Warrant shall be mailed by first-class certified or registered mail, postage prepaid, to the address furnished to the Company in writing by the last Registered Holder of this Warrant who shall have furnished an address to the Company in writing. All notices and other communications from the Registered Holder of this Warrant or in connection herewith to the Company shall be mailed by first-class certified or registered mail, postage prepaid, to the Company at its principal office set forth below. If the Company should at any time change the location of its principal office to a place other than as set forth below, it shall give prompt written notice to the Registered Holder of this Warrant and thereafter all references in this Warrant to the location of its principal office at the particular time shall be as so specified in such notice.

13. NO RIGHTS AS STOCKHOLDER. Until the exercise of this Warrant, the Registered Holder of this Warrant shall not have or exercise any rights by virtue hereof as a stockholder of the Company.

14. CHANGE OR WAIVER. This Warrant is one of a series of Warrants issued by the Company (Series R1 and R2), all dated the date hereof and of like or similar tenor (collectively, the "Company Warrants"). Any term of this Warrant may only be amended or waived upon the written consent of the Company and the Registered Holder of this Warrant.

15. HEADINGS. The headings in this Warrant are for purposes of reference only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

16. GOVERNING LAW. This Warrant will be governed by and construed in accordance with the laws of the State of Delaware.

17. ARBITRATION. Any dispute, controversy or difference arising between the parties out of or in relation to or in connection with this Agreement or any breach thereof which cannot be settled between the parties shall be finally settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce (the "ICC") by which each party agrees to be bound. In any arbitration pursuant to this Section the decision shall be rendered by three independent arbitrators who shall be appointed by the ICC, whose decision shall be binding. The seat of arbitration shall be London, England. The language of arbitration shall be English.

Receptor Technologies, Inc.

By:

Mark R. Brann, President

[Corporate Seal]

ATTEST:

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EXHIBIT I

PURCHASE FORM

To:_____ Dated:_____

The undersigned, pursuant to the provisions set forth in the attached Warrant (No. ___), hereby irrevocably elects to purchase _____ shares of the Common Stock covered by such Warrant. The undersigned herewith makes payment of $_____ (in lawful money of the United States), representing the full purchase price for such shares at the price per share provided for in such Warrant.

Signature:

Address:

EXHIBIT II

ASSIGNMENT FORM

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers all of the rights of the undersigned under the attached Warrant (No. __) with respect to the number of shares of Common Stock covered thereby set forth below, unto:

NAME OF ASSIGNEE	ADDRESS	NO. OF SHARES
_____	_____	_____

Dated: ---------- Signature: ----------

Dated: ---------- Witness: ----------

INDEMNITY AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of _____, 2001 by and between ACADIA Pharmaceuticals Inc., a Delaware corporation (the "Corporation"), and _____ ("Agent").

RECITALS

WHEREAS, Agent performs a valuable service to the Corporation in _____ capacity as _____ of the Corporation;

WHEREAS, the stockholders of the Corporation have adopted bylaws (the "Bylaws") providing for the indemnification of the directors, officers, employees and other agents of the Corporation, including persons serving at the request of the Corporation in such capacities with other corporations or enterprises, as authorized by the Delaware General Corporation Law, as amended (the "Code");

WHEREAS, the Bylaws and the Code, by their non-exclusive nature, permit contracts between the Corporation and its agents, officers, employees and other agents with respect to indemnification of such persons; and

WHEREAS, in order to induce Agent to continue to serve as _____ of the Corporation, the Corporation has determined and agreed to enter into this Agreement with Agent;

NOW, THEREFORE, in consideration of Agent's continued service as _____ after the date hereof, the parties hereto agree as follows:

AGREEMENT

1. SERVICES TO THE CORPORATION. Agent will serve, at the will of the Corporation or under separate contract, if any such contract exists, as _____ of the Corporation or as a director, officer or other fiduciary of an affiliate of the Corporation (including any employee benefit plan of the Corporation) faithfully and to the best of _____ ability so long as he is duly elected and qualified in accordance with the provisions of the Bylaws or other applicable charter documents of the Corporation or such affiliate; PROVIDED, HOWEVER, that Agent may at any time and for any reason resign from such position (subject to any contractual obligation that Agent may have assumed apart from this Agreement) and that the Corporation or any affiliate shall have no obligation under this Agreement to continue Agent in any such position.

2. INDEMNITY OF AGENT. The Corporation hereby agrees to hold harmless and indemnify Agent to the fullest extent authorized or permitted by the provisions of the Bylaws and the Code, as the same may be amended from time to time (but, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than the Bylaws or the Code permitted prior to adoption of such amendment).

3. ADDITIONAL INDEMNITY. In addition to and not in limitation of the indemnification otherwise provided for herein, and subject only to the exclusions set forth in Section 4 hereof, the Corporation hereby further agrees to hold harmless and indemnify Agent:

(a) against any and all expenses (including attorneys' fees), witness fees, damages, judgments, fines and amounts paid in settlement and any other amounts that Agent becomes legally obligated to pay because of any claim or claims made against or by him in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, arbitrational, administrative or investigative (including an action by or in the right of the Corporation) to which Agent is, was or at any time becomes a party, or is threatened to be made a party, by reason of the fact that Agent is, was or at any time becomes a director, officer, employee or other agent of Corporation, or is or was serving or at any time serves at the request of the Corporation as a director, officer, employee or other agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise; and

(b) otherwise to the fullest extent as may be provided to Agent by the Corporation under the non-exclusivity provisions of the Code and Section 41 of the Bylaws.

4. LIMITATIONS ON ADDITIONAL INDEMNITY. No indemnity pursuant to Section 3 hereof shall be paid by the Corporation:

(a) on account of any claim against Agent solely for an accounting of profits made from the purchase or sale by Agent of securities of the Corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law;

(b) on account of Agent's conduct that is established by a final judgment as knowingly fraudulent or deliberately dishonest or that constituted willful misconduct;

(c) on account of Agent's conduct that is established by a final judgment as constituting a breach of Agent's duty of loyalty to the Corporation or resulting in any personal profit or advantage to which Agent was not legally entitled;

(d) for which payment is actually made to Agent under a valid and collectible insurance policy or under a valid and enforceable indemnity clause, bylaw or agreement, except in respect of any excess beyond payment under such insurance, clause, bylaw or agreement;

(e) if indemnification is not lawful (and, in this respect, both the Corporation and Agent have been advised that the Securities and Exchange Commission believes that indemnification for liabilities arising under the federal securities laws is against public policy and is, therefore, unenforceable and that claims for indemnification should be submitted to appropriate courts for adjudication); or

(f) in connection with any proceeding (or part thereof) initiated by Agent, or any proceeding by Agent against the Corporation or its directors, officers, employees or other agents, unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the Corporation, (iii) such indemnification is provided by the Corporation, in its sole discretion, pursuant to the powers

vested in the Corporation under the Code, or (iv) the proceeding is initiated pursuant to Section 9 hereof.

5. CONTINUATION OF INDEMNITY. All agreements and obligations of the Corporation contained herein shall continue during the period Agent is a director, officer, employee or other agent of the Corporation (or is or was serving at the request of the Corporation as a director, officer, employee or other agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise) and shall continue thereafter so long as Agent shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, arbitrational, administrative or investigative, by reason of the fact that Agent was serving in the capacity referred to herein.

6. PARTIAL INDEMNIFICATION. Agent shall be entitled under this Agreement to indemnification by the Corporation for a portion of the expenses (including attorneys' fees), witness fees, damages, judgments, fines and amounts paid in settlement and any other amounts that Agent becomes legally obligated to pay in connection with any action, suit or proceeding referred to in Section 3 hereof even if not entitled hereunder to indemnification for the total amount thereof, and the Corporation shall indemnify Agent for the portion thereof to which Agent is entitled.

7. NOTIFICATION AND DEFENSE OF CLAIM. Not later than thirty (30) days after receipt by Agent of notice of the commencement of any action, suit or proceeding, Agent will, if a claim in respect thereof is to be made against the Corporation under this Agreement, notify the Corporation of the commencement thereof; but the omission so to notify the Corporation will not relieve it from any liability which it may have to Agent otherwise than under this Agreement. With respect to any such action, suit or proceeding as to which Agent notifies the Corporation of the commencement thereof:

(a) the Corporation will be entitled to participate therein at its own expense;

(b) except as otherwise provided below, the Corporation may, at its option and jointly with any other indemnifying party similarly notified and electing to assume such defense, assume the defense thereof, with counsel reasonably satisfactory to Agent. After notice from the Corporation to Agent of its election to assume the defense thereof, the Corporation will not be liable to Agent under this Agreement for any legal or other expenses subsequently incurred by Agent in connection with the defense thereof except for reasonable costs of investigation or otherwise as provided below. Agent shall have the right to employ separate counsel in such action, suit or proceeding but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of Agent unless (i) the employment of counsel by Agent has been authorized by the Corporation, (ii) Agent shall have reasonably concluded, and so notified the Corporation, that there is an actual conflict of interest between the Corporation and Agent in the conduct of the defense of such action or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of Agent's separate counsel shall be at the expense of the Corporation. The Corporation shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Corporation or as to which Agent shall have made the conclusion provided for in clause (ii) above; and

(c) the Corporation shall not be liable to indemnify Agent under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent, which shall not be unreasonably withheld. The Corporation shall be permitted to settle any action except that it shall not settle any action or claim in any manner which would impose any penalty or limitation on Agent without Agent's written consent, which may be given or withheld in Agent's sole discretion.

8. EXPENSES. The Corporation shall advance, prior to the final disposition of any proceeding, promptly following request therefor, all expenses incurred by Agent in connection with such proceeding upon receipt of an undertaking by or on behalf of Agent to repay said amounts if it shall be determined ultimately that Agent is not entitled to be indemnified under the provisions of this Agreement, the Bylaws, the Code or otherwise.

9. ENFORCEMENT. Any right to indemnification or advances granted by this Agreement to Agent shall be enforceable by or on behalf of Agent in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. Agent, in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting _____ claim. It shall be a defense to any action for which a claim for indemnification is made under Section 3 hereof (other than an action brought to enforce a claim for expenses pursuant to Section 8 hereof, PROVIDED THAT the required undertaking has been tendered to the Corporation) that Agent is not entitled to indemnification because of the limitations set forth in Section 4 hereof. Neither the failure of the Corporation (including its Board of Directors or its stockholders) to have made a determination prior to the commencement of such enforcement action that indemnification of Agent is proper in the circumstances, nor an actual determination by the Corporation (including its Board of Directors or its stockholders) that such indemnification is improper shall be a defense to the action or create a presumption that Agent is not entitled to indemnification under this Agreement or otherwise.

10. SUBROGATION. In the event of payment under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of Agent, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Corporation effectively to bring suit to enforce such rights.

11. NON-EXCLUSIVITY OF RIGHTS. The rights conferred on Agent by this Agreement shall not be exclusive of any other right which Agent may have or hereafter acquire under any statute, provision of the Corporation's Certificate of Incorporation or Bylaws, agreement, vote of stockholders or directors, or otherwise, both as to action in _____ official capacity and as to action in another capacity while holding office.

12. SURVIVAL OF RIGHTS.

(a) The rights conferred on Agent by this Agreement shall continue after Agent has ceased to be a director, officer, employee or other agent of the Corporation or to serve at the request of the Corporation as a director, officer, employee or other agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise and shall inure to the benefit of Agent's heirs, executors and administrators.

(b) The Corporation shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Corporation, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform if no such succession had taken place.

13. SEPARABILITY. Each of the provisions of this Agreement is a separate and distinct agreement and independent of the others, so that if any provision hereof shall be held to be invalid for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions hereof. Furthermore, if this Agreement shall be invalidated in its entirety on any ground, then the Corporation shall nevertheless indemnify Agent to the fullest extent provided by the Bylaws, the Code or any other applicable law.

14. GOVERNING LAW. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Delaware.

15. AMENDMENT AND TERMINATION. No amendment, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by both parties hereto.

16. IDENTICAL COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute but one and the same Agreement. Only one such counterpart need be produced to evidence the existence of this Agreement.

17. HEADINGS. The headings of the sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof.

18. NOTICES. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (i) upon delivery if delivered by hand to the party to whom such communication was directed or (ii) upon the third business day after the date on which such communication was mailed if mailed by certified or registered mail with postage prepaid:

(a) If to Agent, at the address indicated on the signature page hereof.

(b) If to the Corporation, to:

ACADIA PHARMACEUTICALS INC.
3911 Sorrento Valley Boulevard
San Diego, California 92121

or to such other address as may have been furnished to Agent by the Corporation.

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

ACADIA PHARMACEUTICALS INC.

By: ----------

Title: ----------

AGENT

Address:

ACADIA PHARMACEUTICALS INC.

1997 STOCK OPTION PLAN
AMENDED BY THE BOARD OF
DIRECTORS AND STOCKHOLDERS: APRIL 22, 1999
AMENDED BY THE BOARD OF DIRECTORS: NOVEMBER 3, 2000
APPROVED BY STOCKHOLDERS:

1. PURPOSE

The purpose of this 1997 Stock Option Plan (the "Plan") of ACADIA Pharmaceuticals Inc., a Delaware corporation (the "Company"), is to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who make (or are expected to make) important contributions to the Company by providing such persons with equity ownership opportunities and performance-based incentives and thereby better aligning the interests of such persons with those of the Company's stockholders. Except where the context otherwise requires, the term "Company" shall include any present or a future subsidiary corporations of ACADIA Pharmaceuticals Inc., as defined in Section 424(f) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code") (a "Subsidiary").

2. ELIGIBILITY

All of the Company's employees, officers, directors, consultants and advisors are eligible to be granted options ("Options") to purchase the Company's common stock, $0.0001 par value per share ("Common Stock"), under the Plan. Any person who has been granted an Option under the Plan shall be deemed a "Participant".

3. ADMINISTRATION, DELEGATION

(a) ADMINISTRATION BY BOARD OF DIRECTORS. The Plan will be administered by the Board of Directors of the Company (the "Board"). The Board shall have authority to grant Options and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable from time to time, to interpret and correct the provisions of the Plan and any Option. No member of the Board shall be liable for any action or determination relating to the Plan. All decisions by the Board shall be made in their sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Option.

(b) DELEGATION TO EXECUTIVE OFFICERS. To the extent permitted by applicable law, the Board may delegate to one or more executive officers of the Company the power to grant Options and exercise such other powers under the Plan as the Board may determine, provided that the Board shall fix the maximum number of shares subject to Options and the maximum number of shares for any one Participant to be made by such executive officers.

APPOINTMENT OF COMMITTEES. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a "Committee"). If and when the Common Stock is registered under the Securities Exchange Act of 1934 (the "Exchange Act"), the Board shall appoint one such Committee of not less than two members, each member of which shall be an "outside director" within the meaning of Section 162(m) of the Code and a "non-employee director" as defined in Rule 16b-3 promulgated under the "Exchange Act." All references in the Plan to the "Board" shall mean a Committee or the Board or the executive officer referred to in Section 3(b) to the extent of such delegation.

4. STOCK AVAILABLE FOR OPTIONS

(a) NUMBER OF SHARES. Subject to adjustment under Section 4(c), Options may be granted under the Plan for up to 2,700,000 shares of Common Stock. If any Option expires or is terminated, surrendered or canceled without having been fully exercised or is forfeited in whole or in part or results in any Common Stock not being issued, the unused Common Stock covered by such Option shall again be available for the grant of Options under the Plan, subject, however, in the case of Incentive Stock Options (as defined hereinafter), to any limitation required under the Code. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(b) PER-PARTICIPANT LIMIT. Subject to adjustment under Section 4(c), for Options granted after the Common Stock is registered under the Exchange Act, the maximum number of shares with respect to which an Option may be granted to any Participant under the Plan shall be 500,000 per calendar year. The per-Participant limit described in this Section 4(b) shall be construed and applied consistently with Section 162(m) of the Code.

(c) ADJUSTMENT TO COMMON STOCK. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off, or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a normal cash dividend, the number and class of security and exercise price per share subject to each outstanding Option, shall be appropriately adjusted by the Company (or substituted Options may be made, if applicable) to the extent the Board shall determine, in good faith, that such an adjustment (or substitution) is necessary and appropriate. If this Section 4(c) applies and Section 6(e)(1) applies for any event, Section 6(e)(1) shall be applicable to such event, and Section 4(c) shall not be applicable.

5. OPTIONS

(a) GENERAL. The Board may grant Options and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable. An Option which is not intended to be an Incentive Stock Option (as defined hereinafter) shall be designated a "Nonstatutory Stock Option".

(b) INCENTIVE STOCK OPTION. An Option that the Board intends to be an "incentive stock option" as defined in Section 422 of the Code (an "Incentive Stock Option") shall only be granted to employees of the Company and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. The Company shall have no liability to a Participant, or any other party, if an Option (or any part thereof) which is intended to be an Incentive Stock Option is not an Incentive Stock Option.

(c) EXERCISE PRICE. The Board shall establish the exercise price at the time each Option is granted and specify it in the applicable option agreement.

(d) DURATION OF OPTIONS. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable option agreement.

(e) EXERCISE OF OPTION. Options may be exercised only by delivery to the Company of a written notice of exercise signed by the proper person together with payment in full as specified in Section 5(f) for the number of shares for which the Option is exercised.

(f) PAYMENT UPON EXERCISE. Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:

(i) in cash or by check, payable to the order of the Company;

(ii) except as the Board may otherwise provide in an Option, delivery of an irrevocable and unconditional undertaking by a credit worthy broker to deliver promptly to the Company sufficient funds to pay the exercise price, or delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a credit worthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price;

(iii) to the extent permitted by the Board and explicitly provided in the Option (i) by delivery of shares of Common Stock owned by the Participant valued at their fair market value as determined by the Board in good faith ("Fair Market Value") which Common Stock was owned by the Participant at least six months prior to such delivery, (ii) by delivery of a promissory note of the Participant to the Company on terms determined by the Board, or (iii) by payment of such other lawful consideration as the Board may determine; or

(iv) any combination of the above permitted forms of payment.

6. GENERAL PROVISIONS APPLICABLE TO OPTIONS

(a) TRANSFERABILITY OF OPTIONS. Except as the Board may otherwise determine or provide in an Option, Options shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the life of the Participant, shall be exercisable only by the Participant. References to Participant, to the extent relevant in the context, shall include references to authorized transferees.

(b) DOCUMENTATION. Each Option under the Plan shall be evidenced by a written instrument in such form as the Board shall determine. Each Option may contain terms and conditions in addition to those set forth in the Plan.

(c) BOARD DISCRETION. Except as otherwise provided by the Plan, each type of Option may be granted alone, in addition to or in relation to any other Option. The terms of each Option need not be identical, and the Board need not treat Participants uniformly.

(d) TERMINATION OF STATUS. The Board shall determine the effect on an Option of the disability, death, retirement, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, the Participant's legal representative, conservator, guardian or the beneficiary designated by a Participant, in a manner determined by the Board, to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the "Designated Beneficiary") may exercise rights under the Option.

(e) ACQUISITION EVENTS

(1) CONSEQUENCES OF ACQUISITION EVENTS. Upon the occurrence of an Acquisition Event (as defined below), or the execution by the Company of any agreement with respect to an Acquisition Event, the Board shall take either or both of the following actions with respect to then outstanding Options: (i) provide that outstanding Options shall be assumed, or equivalent Options shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), provided that any such Options substituted for Incentive Stock Options shall satisfy, in the determination of the Board, the requirements of Section 424(a) of the Code; and (ii) upon written notice to the Participants, provide that all then unexercised Options will become exercisable in full as of a specified date (the "Acceleration Date") prior to the Acquisition Event and will terminate immediately prior to the consummation of such Acquisition Event, except to the extent exercised by the Participants between the Acceleration Date and the consummation of such Acquisition Event.

An "Acquisition Event" shall mean: (a) any merger or consolidation which results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or acquiring entity) less than 60% of the combined voting power of the voting securities of the Company or such surviving or acquiring entity outstanding immediately after such merger or consolidation; (b) any sale of all or substantially all of the assets of the Company; (c) the complete liquidation of the Company; or (d) the acquisition of "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities (other than through a merger or consolidation or an acquisition of securities directly from the Company) by any "person", as such term is used in Sections 13(d) and 14(d) of the Exchange Act other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock of the Company.

(2) ASSUMPTION OF OPTIONS UPON ACQUISITION EVENT. The Board may grant Options under the Plan in substitution for stock and stock-based Options held by employees of another corporation who become employees of the Company as a result of a merger or consolidation of the employing corporation with the Company or the acquisition by the Company of property or stock of the employing corporation. The substitute Options shall be granted on such terms and conditions as the Board considers appropriate in the circumstances.

(f) WITHHOLDING. Each Participant shall pay to the Company, or make provision satisfactory to the Board for payment of, any taxes required by law to be withheld in connection with Options to such Participant no later than the date of the event creating the tax liability. The Company may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to a Participant.

(g) AMENDMENT OF OPTION. The Board may amend, modify or terminate any outstanding Option, including but not limited to, substituting therefor another Option, changing the date of exercise and converting an Incentive Stock Option to a Nonstatutory Stock Option, provided that the Participant's consent to such action shall be required unless the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant.

(h) CONDITIONS ON DELIVERY OF STOCK. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Option have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(i) ACCELERATION. The Board may at any time provide that any Options shall become immediately exercisable in full.

7. MISCELLANEOUS

(a) NO RIGHT TO EMPLOYMENT OR OTHER STATUS. No person shall have any claim or right to be granted an Option, and the grant of an Option shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Option.

(b) NO RIGHTS AS STOCKHOLDER. Subject to the provisions of the applicable Option, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Option until becoming the record holder thereof.

(c) EFFECTIVE DATE AND TERM OF PLAN. The Plan shall become effective on the date on which it is adopted by the Board, but no Option granted to a Participant designated as subject to Section 162(m) by the Board shall become exercisable, vested or realizable, as applicable to such Option, unless and until the Plan has been approved by the Company's stockholders. No Options shall be granted under the Plan after the completion of ten years from the earlier of (i) the date on which the Plan was adopted by the Board or (ii) the date the Plan was approved by the Company's stockholders, but Options previously granted may extend beyond that date.

(d) AMENDMENT OF PLAN. The Board may amend, suspend or terminate the Plan or any portion thereof at any time, provided that no amendment shall be made without stockholder approval if such approval is necessary to comply with any applicable tax or regulatory requirements, including any securities laws, stock exchange or stock market rules. Amendments requiring stockholder approval shall become effective when adopted by the Board, but no Option granted to a Participant designated as subject to Section 162(m) by the Board after the date of such amendment shall become exercisable, realizable or vested, as applicable to such Option (to the extent that such amendment to the Plan was required to grant such Option to a particular Participant), unless and until such amendment shall have been approved by the Company's stockholders.

(e) STOCKHOLDER APPROVAL. For purposes of this Plan, stockholder approval shall mean approval by a vote of the stockholders in accordance with the requirements of Section 162(m) of the Code.

(f) GOVERNING LAW. The provisions of the Plan and all Options made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, without regard to any applicable conflicts of law.

ACADIA Pharmaceuticals Inc.

INCENTIVE STOCK OPTION AGREEMENT
GRANTED UNDER 1997 STOCK OPTION PLAN

1. GRANT OF OPTION.

This agreement evidences the grant by ACADIA Pharmaceuticals Inc., a Delaware corporation (the "Company"), on _____to_____, an employee of the Company (the "Participant"), of an option to purchase, in whole or in part, on the terms provided herein and in the Company's 1997 Stock Option Plan (the "Plan"), a total of _____ shares of common stock, $.0001 par value of the Company ("Common Stock") (the "Shares") at $_____ per Share. Unless earlier terminated, this option shall expire on _____ (the ten years from grant date "Final Exercise Date ").

It is intended that the option evidenced by this agreement shall be an incentive stock option as defined in Section 422 of the Internal Revenue Code of 1986, as amended and any regulations promulgated thereunder (the "Code"). Except as otherwise indicated by the context, the term "Participant", as used in this option, shall be deemed to include any person who acquires the right to exercise this option validly under its terms.

2. VESTING SCHEDULE.

This option will become exercisable as to 25% of the original number of Shares at the end of the first full 12-month period following the date of initial employment with the Company, _____ (the "Employment Date") and as to an additional 25% at each of the second, third and fourth anniversaries of the Employment Date.

The right of exercise shall be cumulative so that if the option is not exercised to the maximum extent permissible it shall continue to be exercisable, in whole or in part, with respect to all shares for which it is vested which were not so purchased, at any time prior to the Final Exercise Date or the earlier termination of this option.

3. EXERCISE OF OPTION.

(a) FORM OF EXERCISE. Each election to exercise this option shall be in writing, signed by the Participant, and received by the Company at its principal office, accompanied by this agreement, and payment in full in the manner provided in the Plan. The Participant may purchase less than the number of shares covered hereby, provided that no partial exercise of this option may be for any fractional share or for fewer than ten whole shares.

(b) CONTINUOUS RELATIONSHIP WITH THE COMPANY REQUIRED. Except as otherwise provided in this Section 3, this option may not be exercised unless the Participant, at the time he or she exercises this option, is, and has been at all times since the date of grant of this option, an employee, officer or director of, or consultant or advisor to, the Company or any parent or subsidiary of the Company as defined in Section 424(e) or (f) of the Code (an "Eligible Participant").

(c) TERMINATION OF RELATIONSHIP WITH THE COMPANY. If the Participant ceases to be an Eligible Participant for any reason, then, except as provided in paragraphs (d) and (e) below, the right to exercise this option shall terminate three months after such cessation (but in no event after the Final Exercise Date), PROVIDED THAT this option shall be exercisable only to the extent that the Participant was entitled to exercise this option on the date of such cessation. Notwithstanding the foregoing, if the Participant, prior to the Final Exercise Date, violates the non-competition or confidentiality provisions of any employment contract, confidentiality and nondisclosure agreement or other agreement between the Participant and the Company, the right to exercise this option shall terminate immediately upon written notice to the Participant from the Company describing such violation.

(d) EXERCISE PERIOD UPON DEATH OR DISABILITY. If the Participant dies or becomes disabled (within the meaning of Section 22(e)(3) of the Code) prior to the Final Exercise Date while he or she is an Eligible Participant and the Company has not terminated such relationship for "cause" as specified in paragraph (e) below, this option shall be exercisable, within the period of one year following the date of death or disability of the Participant by the Participant, PROVIDED THAT this option shall be exercisable only to the extent that this option was exercisable by the Participant on the date of his or her death or disability, and further provided that this option shall not be exercisable after the Final Exercise Date.

(e) DISCHARGE FOR CAUSE. If the Participant, prior to the Final Exercise Date, is discharged by the Company for "cause" (as defined below), the right to exercise this option shall terminate immediately upon the effective date of such discharge. "Cause" shall mean willful misconduct by the Participant or willful failure to perform his or her responsibilities in the best interests of the Company (including, without limitation, breach by the Participant of any provision of any employment, consulting, advisory, nondisclosure, non-competition or other similar agreement between the Participant and the Company), as determined by the Company, which determination shall be conclusive. The Participant shall be considered to have been discharged for "cause" if the Company determines, within 30 days after the Participant's resignation, that discharge for cause was warranted.

4. RIGHT OF FIRST REFUSAL.

(a) If the Participant proposes to sell, assign, transfer, pledge, hypothecate or otherwise dispose of, by operation of law or otherwise (collectively, "transfer") any Shares acquired upon exercise of this option, then the Participant shall first give written notice of the proposed transfer (the "Transfer Notice") to the Company. The Transfer Notice shall name the proposed transferee and state the number of such Shares the Participant proposes to transfer (the "Offered Shares"), the price per share and all other material terms and conditions of the transfer.

(b) For 30 days following its receipt of such Transfer Notice, the Company shall have the option to purchase all (but not less than all) of the Offered Shares at the price and upon the terms set forth in the Transfer Notice. In the event the Company elects to purchase all of the Offered Shares, it shall give written notice of such election to the Participant within such 30-day period. Within 10 days after his receipt of such notice, the Participant shall tender to the Company at its principal offices the certificate or certificates representing the Offered Shares, duly endorsed in blank by the Participant or with duly endorsed stock powers attached thereto, all in a form suitable for transfer of the Offered Shares to the Company. Upon receipt of such certificate or certificates, the Company shall deliver or mail to the Participant a check in payment of the purchase price for the Offered Shares; PROVIDED THAT if the terms of payment set forth in the Transfer Notice were other than cash against delivery, the Company may pay for the Offered Shares on the same terms and conditions as were set forth in the Transfer Notice.

(c) At the time at which the Offered Shares are required to be delivered to the Company for transfer to the Company pursuant to subsection (b) above, the Company shall not pay any dividend to the Participant on account of such Shares or permit the Participant to exercise any of the privileges or rights of a stockholder with respect to such Offered Shares, but shall, in so far as permitted by law, treat the Company as the owner of such Offered Shares.

(d) If the Company does not elect to acquire all of the Offered Shares, the Participant may, within the 30-day period following the expiration of the option granted to the Company under subsection (b) above, transfer the Offered Shares to the proposed transferee, PROVIDED THAT such transfer shall not be on terms and conditions more favorable to the transferee than those contained in the Transfer Notice. Notwithstanding any of the above, all Offered Shares transferred pursuant to this Section 4 shall remain subject to the right of first refusal set forth in this Section 4 and such transferee shall, as a condition to such transfer, deliver to the Company a written instrument confirming that such transferee shall be bound by all of the terms and conditions of this Section 4.

(e) The following transactions shall be exempt from the provisions of this Section 4:

(1) any transfer of Shares to or for the benefit of any spouse, child or grandchild of the Participant, or to a trust for their benefit;

(2) any transfer pursuant to an effective registration statement filed by the Company under the Securities Act of 1933, as amended (the "Securities Act"); and

(3) any transfer of the Shares pursuant to the sale of all or substantially all of the business of the Company;

PROVIDED, HOWEVER, that in the case of a transfer pursuant to clause 1 above, such Shares shall remain subject to the right of first refusal set forth in this Section 4 and such transferee shall, as a condition to such transfer, deliver to the Company a written instrument confirming that such transferee shall be bound by all of the terms and conditions of this Section 4.

(f) The Company may assign its rights to purchase Offered Shares in any particular transaction under this Section 4 to one or more persons or entities.

(g) The provisions of this Section 4 shall terminate upon the earlier of the following events:

(1) the closing of the sale of shares of Common Stock in an underwritten public offering pursuant to an effective registration statement filed by the Company under the Securities Act; or

(2) the sale of all or substantially all of the capital stock, assets or business of the Company, by merger, consolidation, sale of assets or otherwise.

(h) The Company shall not be required (a) to transfer on its books any of the Shares which shall have been sold or transferred in violation of any of the provisions set forth in this Section 4, or (b) to treat as owner of such Shares or to pay dividends to any transferee to whom any such Shares shall have been so sold or transferred.

5. AGREEMENT IN CONNECTION WITH PUBLIC OFFERING.

The participant agrees, in connection with the initial underwritten public offering of the Company's securities, (i) not to sell, make short sale of, loan, grant any options for the

purchase of, or otherwise dispose of any shares of Common Stock held by the Participant (other than those shares included in the registration statement related to such offering) without the prior written consent of the Company or the underwriters managing such initial underwritten public offering of the Company's securities for a period of 180 days from the effective date of such registration statement, and (ii) to execute any agreement reflecting clause (i) above as may be requested by the company or underwriters at the time of such initial offering.

6. WITHHOLDING.

No Shares will be issued pursuant to the exercise of this option unless and until the Participant pays to the Company, or makes provision satisfactory to the Company for payment of, any federal, state or local withholding taxes required by law to be withheld in respect of this option.

7. NONTRANSFERABILITY OF OPTION.

This option may not be sold, assigned, transferred, pledged or otherwise encumbered by the Participant, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the lifetime of the Participant, this option shall be exercisable only by the Participant.

8. DISQUALIFYING DISPOSITION.

If the Participant disposes of Shares acquired upon exercise of this option within two years from the date of grant of the option or one year after such Shares were acquired pursuant to exercise of this option, the Participant shall notify the Company in writing of such disposition.

9. PROVISIONS OF THE PLAN.

This option is subject to the provisions of the Plan, a copy of which is furnished to the Participant with this option.

IN WITNESS WHEREOF, the Company has caused this option to be executed under its corporate seal by its duly authorized officer. This option shall take effect as a sealed instrument.

AACADIA Pharmaceuticals Inc.

Dated: _____ By: _____

Name: Uli Hacksell
Title: Chief Executive Officer

PARTICIPANT'S ACCEPTANCE

The undersigned hereby accepts the foregoing option and agrees to the terms and conditions thereof. The undersigned hereby acknowledges receipt of a copy of the Company's 1997 Stock Option Plan.

PARTICIPANT:

_____

Name: _____

ACADIA Pharmaceuticals Inc.

NONSTATUTORY STOCK OPTION AGREEMENT
GRANTED TO EMPLOYEES IN DENMARK UNDER 1997 STOCK OPTION PLAN

1. GRANT OF OPTION.

This agreement evidences the grant by ACADIA Pharmaceuticals Inc., a Delaware corporation (the "Company"), on (date) to (employee), an employee of the Company (the "Participant"), of an option to purchase, in whole or in part, on the terms provided herein and in the Company's 1997 Stock Option Plan (the "Plan"), a total of (number of shares) shares of common stock, $.0001 par value per share, of the Company ("Common Stock") (the "Shares") at (FMV of share) per Share. Shares issued under this Agreement shall consist of authorized but unissued shares of Common Stock of the Company. Except where the context otherwise requires, the term "Company" shall include any present or future subsidiary corporations of ACADIA Pharmaceuticals Inc., as defined in Section 424(f) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code") (a "Subsidiary").

It is intended that the option evidenced by this agreement shall not be an incentive stock option as defined in Section 422 of the Internal Revenue Code of 1986, as amended and any regulations as promulgated thereunder (the "Code"). Except as otherwise indicated by the context, the term "Participant", as used in this option, shall be deemed to include any person who acquires the right to exercise this option validly under its terms.

2. VESTING SCHEDULE.

(a) Subject to Section 2(b) below, this option will become exercisable as to 25% of the original number of Shares at the end of the first full 18-month period following the date of initial employment with the Company, (start date) (the "Employment Date") and as to an additional 25% at each of the second, third and fourth anniversaries of the Employment Date.

The right of exercise shall be cumulative so that if the option is not exercised to the maximum extent permissible it shall continue to be exercisable, in whole or in part, with respect to all shares for which it is vested which were not so purchased, at any time prior to the Final Exercise Date (as defined below) or the earlier termination of this option (as further described in Section 2(c) below).

(b) Notwithstanding Section 2(a) above, this option may not be exercised until the first to occur of the following:

(1) Immediately prior to the sale of all or substantially all of the capital stock, assets or business of the Company, by merger, consolidation, sale of assets or otherwise; or

(2) Such time following the closing of the sale of the shares of Common Stock in an underwritten public offering pursuant to an effective registration statement filed by the Company under the Securities Act that the shares of Common Stock issuable upon exercise of this option are freely tradeable and free of restrictions on transfer (whether imposed by law, including without limitation securities law, contract, Company policy or otherwise).

(c) Notwithstanding 2(b) above, this option, if not sooner exercisable in accordance with 2(a) and (b) above, will become exercisable as to 100% of the original number of Shares at the end of the eight year period following the Employment Date if the employee is continuously employed with the Company for such eight year period.

(d) Unless earlier terminated, this option shall expire on (date ten years from date of grant) (the "Final Exercise Date"). In addition, each portion of this Option exercisable pursuant to this Section 2 shall terminate at the end of the first full year following the date that it first becomes exercisable.

3. EXERCISE OF OPTION.

(a) FORM OF EXERCISE. Each election to exercise this option shall be in writing, signed by the Participant, and received by the Company at its principal office, accompanied by this agreement, and payment in full in the manner provided in the Plan. The Participant may purchase less than the number of shares covered hereby, provided that no partial exercise of this option may be for any fractional share or for fewer than ten whole shares.

(b) CONTINUOUS RELATIONSHIP WITH THE COMPANY REQUIRED FOR CONTINUED VESTING. If the Participant ceases to be an employee, officer or director of, or consultant or advisor to, the Company or any subsidiary of the Company as defined in Section 424(e) or (f) of the Code (an "Eligible Participant"), then in addition to the other restrictions on exercise contained herein, this option shall be exercisable only to the extent that the Participant was entitled to exercise this option on the date of such cessation.

(c) VIOLATION OF AGREEMENT WITH THE COMPANY. Notwithstanding the foregoing, if the Participant, prior to the Final Exercise Date, violates the non-competition or confidentiality provisions of any employment contract, confidentiality and nondisclosure agreement or other agreement between the Participant and the Company, the right to exercise this option shall terminate immediately upon written notice to the Participant from the Company describing such violation.

(d) DISCHARGE FOR CAUSE. If the Participant, prior to the Final Exercise Date, is discharged by the Company for "cause" (as defined below or, if the Participant has entered into an employment or other such agreement with the Company pursuant to which "Cause" is defined, then "Cause" shall have the meaning set forth in such Agreement), the right to exercise this option shall terminate immediately upon the effective date of such discharge. "Cause" shall mean willful misconduct by the Participant or willful failure to perform his or her responsibilities in the best interests of the Company (including, without limitation, breach by the Participant of any provision of any employment, consulting, advisory, nondisclosure, non-competition or other similar agreement between the Participant and the Company), as determined by the Company, which determination shall be conclusive. The Participant shall be considered to have been discharged for "cause" if the Company determines, within 30 days after the Participant's resignation, that discharge for cause was warranted.

4. AGREEMENT IN CONNECTION WITH PUBLIC OFFERING.

The Participant agrees, in connection with the initial underwritten public offering of the Company's securities, (i) not to sell, make short sale of, loan, grant any options for the purchase of, or otherwise dispose of any shares of Common Stock held by the Participant (other than those shares included in the registration statement related to such offering) without the prior written consent of the Company or the underwriters managing such initial underwritten public offering of the Company's securities for a period of 180 days from the effective date of such registration statement, and (ii) to execute any agreement reflecting clause (i) above as may be requested by the Company or underwriters at the time of such offering.

5. COME-ALONG OBLIGATIONS

(a) GENERALLY. The Participant hereby agrees, if requested by a Significant Number of Major Stockholders (as defined in the Stockholders Agreement (the "Stockholders Agreement") entered into by the Company and certain investors in connection with the sale by the Company of shares of its Series B Preferred Stock (the Stockholders constituting such significant Number of Major Stockholders are hereinafter referred to as the "Come-Along Stockholders"), to sell all of his or her Shares and other securities in the

Company to any other Person (the "Proposed Buyer") in the manner and on the terms set forth in this Section 5 in connection with the sale by the Come-Along Stockholders to the Proposed Buyer of all of the shares and other securities in the Company of the Come-Along Stockholders. Notwithstanding the foregoing, the provisions of this Section 5 shall not apply if the Proposed Buyer is an affiliate of any stockholder which comprises a part of the Come-Along Stockholders.

(b) NOTICE. A "Come-Along Notice" shall be delivered by a stockholder which is a part of the Come-Along Stockholders on behalf of all such stockholders to the Participant. The Come-Along Notice shall set forth the principal terms of the proposed purchase (the "Come-Along Transaction") insofar as it relates to the Shares and other securities in the Company, the purchase price, the name and address of the Proposed Buyer and the other principal terms of the proposed Come-Along Transaction. The price for the Participant's Shares and other securities in the Company shall be equal to the per share price applicable to the Come-Along Transaction, provided, however, that any stockholder which is a "Stockholder" under the Stockholders Agreement (an "Agreement Stockholder") may demand that the proceeds from the Come-Along Transaction are reallocated among the Agreement Stockholders such that the Agreement Stockholders shall be entitled to receive such portion of the proceeds as if the proceeds were distributed pursuant to Section 2(a) of Article Fourth of the Company's Certificate of Incorporation and provided further that such Agreement Stockholders who tender securities which represent the right to purchase shares shall be entitled to receive as consideration therefor the value of such shares (determined on the basis of the terms and conditions applicable to the Come-Along Transaction taking into account the reallocation of the purchase price as aforesaid) purchasable on the exercise thereof less the exercise price, if any, of the applicable security.

(c) CLOSING.

(i) If the Come-Along Stockholders consummate the Come-Along Transaction, the Participant shall be bound and obligated to sell all of his or her Shares and other securities in the Company in the Come-Along Transaction on the same terms and conditions as the Come-Along Stockholders sell their securities in the Company (including, without limitation, an agreement to be liable, on a pro rata basis in accordance with the proceeds received, in respect of any representations, warranties and indemnities reasonably given in the Come-Along Transaction by the Come-Along Stockholders). The Participant agrees that he or she will also take such actions and execute such documents and instruments as shall be necessary or desirable in order to consummate the Come-Along Transaction expeditiously. If at the end of the one hundred eightieth (180th) day following the date of the Come-Along Notice the Come-Along Transaction has not been completed, the Participant shall be released from his or her obligations under the Come-Along Notice, the Come-

Along Notice shall be null and void, and it shall be necessary for a separate Come-Along Notice to have been furnished and the terms and provisions of this Section 5 separately complied with, in order to consummate a Come-Along Transaction pursuant to this Section 5. All costs and expenses incurred by the Participant in connection with any proposed Come-Along Transaction as to which a Come-Along Notice shall have been properly given (whether or not consummated), including without limitation all attorneys' fees and disbursements, all accounting fees and disbursements and all finders' or brokerage fees or commissions, shall be paid by the Company.

(ii) Notwithstanding any other provision of this Agreement, in the event the consideration to be paid in exchange for Shares and other securities in the Company in the proposed Come-Along Transaction includes any securities and the receipt thereof by a Participant would require under applicable law (A) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities or (B) the provision to any participant in the Come-Along Transaction of any information other than such information as would be required under Regulation D of the Securities and Exchange Commission in an offering made pursuant to said Regulation D solely to "accredited investors" and defined in said Regulation D, the stockholders comprising the Come-Along Stockholders shall have no obligation to cause the Participant to receive as to each share and other securities in the Company the same amount and kind of securities as the Come-Along Stockholders to the extent of such receipt of securities, unless the Come-Along Stockholders shall have elected to cause such requirements to have been complied with to the extent necessary to permit the Participant to receive such securities. The Participant shall be entitled to receive, in lieu thereof, against surrender of the shares and other securities in the Company which would have otherwise been transferred by the Participant to the Proposed Buyer in the Come-Along Transaction, an amount in cash equal to the fair market value of the securities which the Participant would otherwise have received (as determined in good faith by the Board of Directors of the Company in its sole discretion). In the event such requirements have been complied with to the extent necessary to permit the Participant to receive such securities, the Participant shall execute such documents and instruments, and take such other actions (including without limitation, if required by the Come-Along Stockholders, agreeing to be represented, without cost to the Participant, during the course of such Come-Along Transaction by a "purchaser representative" (as defined in Regulation D) in connection with evaluating the merits and risks of the prospective investment and acknowledging that he or she was so represented), as the Proposed Buyer or the Company shall reasonably request in order to permit such requirements to have been complied with; PROVIDED, HOWEVER, that such actions shall not include any expenditure of funds by the Participant, it being understood that payment by the Participant of the fees and disbursements of any counsel the Participant may elect to retain shall be deemed not to constitute a required expenditure of funds for purposes of this provision.

(iii) At the closing of any Come-Along Transaction under this Section 5, the Participant shall deliver the Shares and other securities in the Company to be sold by him or her, duly endorsed for transfer with signature guaranteed, free and clear of any liens, with any stock transfer tax stamps affixed, against delivery of the applicable purchase price.

(d) MISCELLANEOUS

(i) LEGEND. The following legend shall appear on the back of any certificate for Shares issued by the Company to the Participant:

> The shares represented by this Certificate are subject to the terms of a Come-Along Agreement among the Company and the holder of this Certificate. Any purchaser, assignee, transferee, pledgee or other successor to any holder hereof is bound by the terms of such Agreement, a copy of which will be mailed, without charge, within five (5) days after receipt of a written request therefor directed to the Secretary of the Company.

(ii) AMENDMENT; TERMINATION. This Section 5 shall terminate and be of no further force and effect upon the closing of a Qualifying IPO (as defined in the Stockholders Agreement).

(iii) ARBITRATION. Any dispute, controversy or difference arising between the parties out of or in relation to or in connection with this Section 5 or any breach thereof which cannot be settled between the parties shall be finally settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce (the "ICC") by which each party agrees to be bound. In any arbitration pursuant to this Section the decision shall be rendered by three independent arbitrators who shall be appointed by the ICC whose decision shall be binding. The seat of arbitration shall be London, England. The language of the arbitration shall be English.

6. WITHHOLDING.

No Shares will be issued pursuant to the exercise of this option unless and until the Participant pays to the Company, or makes provision satisfactory to the Company for payment of, any federal, state or local withholding taxes required by law to be withheld in respect of this option.

7. NONTRANSFERABILITY OF OPTION.

This option may not be sold, assigned, transferred, pledged or otherwise encumbered by the Participant, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the lifetime of the Participant, this option shall be exercisable only by the Participant.

8. PROVISIONS OF THE PLAN.

This option is subject to the provisions of the Plan, a copy of which is furnished to the Participant with this option.

IN WITNESS WHEREOF, the Company has caused this option to be executed under its corporate seal by its duly authorized officer. This option shall take effect as a sealed instrument.

ACADIA Pharmaceuticals Inc.

Dated: _____ By:_____

Name: Leonard R. Borrmann
Title: Chief Executive Officer

PARTICIPANT'S ACCEPTANCE

The undersigned hereby accepts the foregoing option and agrees to the terms and conditions thereof. The undersigned hereby acknowledges receipt of a copy of the Company's 1997 Stock Option Plan.

PARTICIPANT:

_____
Name: Employee name

ACADIA PHARMACEUTICALS INC.

2000 EQUITY INCENTIVE PLAN

ADOPTED DECEMBER 20, 2000
APPROVED BY STOCKHOLDERS _____, 200__
TERMINATION DATE: DECEMBER 19, 2010

1. PURPOSES.

(a) ELIGIBLE STOCK AWARD RECIPIENTS. The persons eligible to receive Stock Awards are the Employees, Directors and Consultants of the Company and its Affiliates.

(b) AVAILABLE STOCK AWARDS. The purpose of the Plan is to provide a means by which eligible recipients of Stock Awards may be given an opportunity to benefit from increases in value of the Common Stock through the granting of the following Stock Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) stock bonuses and (iv) rights to acquire restricted stock.

(c) GENERAL PURPOSE. The Company, by means of the Plan, seeks to retain the services of the group of persons eligible to receive Stock Awards, to secure and retain the services of new members of this group and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

2. DEFINITIONS.

(a) "AFFILIATE" means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(b) "ANNUAL MEETING" means the annual meeting of the stockholders of the Company.

(c) "BOARD" means the Board of Directors of the Company.

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

(e) "COMMITTEE" means a committee of one or more members of the Board appointed by the Board in accordance with subsection 3(c).

(f) "COMMON STOCK" means the common stock of the Company.

(g) "COMPANY" means ACADIA Pharmaceuticals Inc., a Delaware corporation.

(h) "CONSULTANT" means any person, including an advisor, (i) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for

such services or (ii) who is a member of the Board of Directors of an Affiliate. However, the term "Consultant" shall not include either Directors who are not compensated by the Company for their services as Directors or Directors who are merely paid a director's fee by the Company for their services as Directors.

(i) "CONTINUOUS SERVICE" means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or a Director will not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave.

(j) "COVERED EMPLOYEE" means the chief executive officer and the four (4) other highest compensated officers of the Company for whom total compensation is required to be reported to stockholders under the Exchange Act, as determined for purposes of Section 162(m) of the Code.

(k) "DIRECTOR" means a member of the Board of Directors of the Company.

(l) "DISABILITY" means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(m) "EMPLOYEE" means any person employed by the Company or an Affiliate. Mere service as a Director or payment of a director's fee by the Company or an Affiliate shall not be sufficient to constitute "employment" by the Company or an Affiliate.

(n) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(o) "FAIR MARKET VALUE" means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the last market trading day prior to the day of determination, as reported in THE WALL STREET JOURNAL or such other source as the Board deems reliable.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(p) "INCENTIVE STOCK OPTION" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(q) "NON-EMPLOYEE DIRECTOR" means a Director who either (i) is not a current Employee or Officer of the Company or its parent or a subsidiary, does not receive compensation (directly or indirectly) from the Company or its parent or a subsidiary for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("Regulation S-K")), does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K and is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(r) "NONSTATUTORY STOCK OPTION" means an Option not intended to qualify as an Incentive Stock Option.

(s) "OFFICER" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(t) "OPTION" means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

(u) "OPTION AGREEMENT" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(v) "OPTIONHOLDER" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(w) "OUTSIDE DIRECTOR" means a Director who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an "affiliated corporation" receiving compensation for prior services (other than benefits under a tax qualified pension plan), was not an officer of the Company or an "affiliated corporation" at any time and is not currently receiving direct or indirect remuneration from the Company or an "affiliated corporation" for services in any capacity other than as a Director or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code.

(x) "PARTICIPANT" means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(y) "PLAN" means this ACADIA Pharmaceuticals Inc. 2000 Equity Incentive Plan.

(z) "RULE 16b-3" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(aa) "SECURITIES ACT" means the Securities Act of 1933, as amended.

(bb) "STOCK AWARD" means any right granted under the Plan, including an Option, a stock bonus and a right to acquire restricted stock.

(cc) "STOCK AWARD AGREEMENT" means a written agreement between the Company and a holder of a Stock Award evidencing the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(dd) "TEN PERCENT STOCKHOLDER" means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

3. ADMINISTRATION.

(a) ADMINISTRATION BY BOARD. The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).

(b) POWERS OF BOARD. The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time which of the persons eligible under the Plan shall be granted Stock Awards; when and how each Stock Award shall be granted; what type or combination of types of Stock Award shall be granted; the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be permitted to receive Common Stock pursuant to a Stock Award; and the number of shares of Common Stock with respect to which a Stock Award shall be granted to each such person.

(ii) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan or a Stock Award as provided in Section 12.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company which are not in conflict with the provisions of the Plan.

(c) DELEGATION TO COMMITTEE.

(i) GENERAL. The Board may delegate administration of the Plan to a Committee or Committees of one (1) or more members of the Board, and the term "Committee" shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the

Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan.

(ii) COMMITTEE COMPOSITION WHEN COMMON STOCK IS PUBLICLY TRADED. At such time as the Common Stock is publicly traded, in the discretion of the Board, a Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, and/or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3. Within the scope of such authority, the Board or the Committee may (1) delegate to a committee of one or more members of the Board who are not Outside Directors the authority to grant Stock Awards to eligible persons who are either (a) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Stock Award or (b) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code and/or (2) delegate to a committee of one or more members of the Board who are not Non-Employee Directors the authority to grant Stock Awards to eligible persons who are not then subject to Section 16 of the Exchange Act.

(d) EFFECT OF BOARD'S DECISION. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

4. SHARES SUBJECT TO THE PLAN.

(a) SHARE RESERVE. Subject to the provisions of Section 11 relating to adjustments upon changes in Common Stock, the Common Stock that may be issued pursuant to Stock Awards shall not exceed in the aggregate Two Million Nine Hundred Two Thousand Eight Hundred Eighty-Three (2,902,883) shares of Common Stock, plus an annual increase to be added on the day of each Annual Meeting beginning in 2002 equal to the least of the following amounts: (i) five percent (5%) of the Company's outstanding shares on the record date for the Annual Meeting (rounded to the nearest whole share), (ii) 1,500,000 shares of Common Stock, or (iii) an amount determined by the Board; PROVIDED, HOWEVER, that there shall be subtracted from this number shares outstanding pursuant to option exercises (both before and after the adoption of this Plan) under the Company's 1997 Stock Option Plan.

(b) REVERSION OF SHARES TO THE SHARE RESERVE. If any Stock Award under this Plan shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the shares of Common Stock not acquired under such Stock Award shall revert to and again become available for issuance under this Plan.

(c) SOURCE OF SHARES. The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. ELIGIBILITY.

(a) ELIGIBILITY FOR SPECIFIC STOCK AWARDS. Incentive Stock Options may be granted only to Employees. Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants.

(b) TEN PERCENT STOCKHOLDERS. A Ten Percent Stockholder shall not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock at the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

(c) SECTION 162(m) LIMITATION. Subject to the provisions of Section 11 relating to adjustments upon changes in the shares of Common Stock, no Employee shall be eligible to be granted Options covering more than One Million (1,000,000) shares of Common Stock during any calendar year.

(d) CONSULTANTS.

(i) A Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, a Form S-8 Registration Statement under the Securities Act ("Form S-8") is not available to register either the offer or the sale of the Company's securities to such Consultant because of the nature of the services that the Consultant is providing to the Company, or because the Consultant is not a natural person, or as otherwise provided by the rules governing the use of Form S-8, unless the Company determines both (i) that such grant (A) shall be registered in another manner under the Securities Act (E.G., on a Form S-3 Registration Statement) or (B) does not require registration under the Securities Act in order to comply with the requirements of the Securities Act, if applicable, and (ii) that such grant complies with the securities laws of all other relevant jurisdictions.

(ii) Form S-8 generally is available to consultants and advisors only if (i) they are natural persons; (ii) they provide bona fide services to the issuer, its parents, its majority-owned subsidiaries; and (iii) the services are not in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the issuer's securities.

6. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) TERM. Subject to the provisions of subsection 5(b) regarding Ten Percent Stockholders, no Incentive Stock Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) EXERCISE PRICE OF AN INCENTIVE STOCK OPTION. Subject to the provisions of subsection 5(b) regarding Ten Percent Stockholders, the exercise price of each Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Incentive Stock Option may be granted with an exercise price lower than that set

forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(c) EXERCISE PRICE OF A NONSTATUTORY STOCK OPTION. The exercise price of each Nonstatutory Stock Option shall be not less than eighty-five percent (85%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, a Nonstatutory Stock Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(d) CONSIDERATION. The purchase price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the Option is exercised or (ii) at the discretion of the Board at the time of the grant of the Option (or subsequently in the case of a Nonstatutory Stock Option) (1) by delivery to the Company of other Common Stock, (2) according to a deferred payment or other similar arrangement with the Optionholder or (3) in any other form of legal consideration that may be acceptable to the Board. Unless otherwise specifically provided in the Option, the purchase price of Common Stock acquired pursuant to an Option that is paid by delivery to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes). At any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the market rate of interest necessary to avoid a charge to earnings for financial accounting purposes.

(e) TRANSFERABILITY OF AN INCENTIVE STOCK OPTION. An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(f) TRANSFERABILITY OF A NONSTATUTORY STOCK OPTION. A Nonstatutory Stock Option shall be transferable to the extent provided in the Option Agreement. If the Nonstatutory Stock Option does not provide for transferability, then the Nonstatutory Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(g) VESTING GENERALLY. The total number of shares of Common Stock subject to an Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary. The provisions of this subsection 6(g) are subject to any Option provisions governing the minimum number of shares of Common Stock as to which an Option may be exercised.

(h) TERMINATION OF CONTINUOUS SERVICE. In the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service (or such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

(i) EXTENSION OF TERMINATION DATE. An Optionholder's Option Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in subsection 6(a) or (ii) the expiration of a period of three (3) months after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(j) DISABILITY OF OPTIONHOLDER. In the event that an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination (or such longer or shorter period specified in the Option Agreement) or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option shall terminate.

(k) DEATH OF OPTIONHOLDER. In the event (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death or (ii) the Optionholder dies within the period (if any) specified in the Option Agreement after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise such Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Optionholder's death pursuant to subsection 6(e) or 6(f), but only within the period ending on the earlier of (1) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Option Agreement) or (2) the expiration of the term of such Option as set forth in the Option

Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

(l) EARLY EXERCISE. The Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option. Any unvested shares of Common Stock so purchased may be subject to a repurchase option in favor of the Company or to any other restriction the Board determines to be appropriate.

7. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS.

(a) STOCK BONUS AWARDS. Each stock bonus agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of stock bonus agreements may change from time to time, and the terms and conditions of separate stock bonus agreements need not be identical, but each stock bonus agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) CONSIDERATION. A stock bonus may be awarded in consideration for past services actually rendered to the Company or an Affiliate for its benefit.

(ii) VESTING. Shares of Common Stock awarded under the stock bonus agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iii) TERMINATION OF PARTICIPANT'S CONTINUOUS SERVICE. In the event a Participant's Continuous Service terminates, the Company may reacquire any or all of the shares of Common Stock held by the Participant which have not vested as of the date of termination under the terms of the stock bonus agreement.

(iv) TRANSFERABILITY. Rights to acquire shares of Common Stock under the stock bonus agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the stock bonus agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the stock bonus agreement remains subject to the terms of the stock bonus agreement.

(b) RESTRICTED STOCK AWARDS. Each restricted stock purchase agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of the restricted stock purchase agreements may change from time to time, and the terms and conditions of separate restricted stock purchase agreements need not be identical, but each restricted stock purchase agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) PURCHASE PRICE. The purchase price under each restricted stock purchase agreement shall be such amount as the Board shall determine and designate in such restricted stock purchase agreement. The purchase price shall not be less than eighty-five percent (85%) of

the Common Stock's Fair Market Value on the date such award is made or at the time the purchase is consummated.

(ii) CONSIDERATION. The purchase price of Common Stock acquired pursuant to the restricted stock purchase agreement shall be paid either: (i) in cash at the time of purchase; (ii) at the discretion of the Board, according to a deferred payment or other similar arrangement with the Participant; or (iii) in any other form of legal consideration that may be acceptable to the Board in its discretion; provided, however, that at any time that the Company is incorporated in Delaware, then payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

(iii) VESTING. Shares of Common Stock acquired under the restricted stock purchase agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iv) TERMINATION OF PARTICIPANT'S CONTINUOUS SERVICE. In the event a Participant's Continuous Service terminates, the Company may repurchase or otherwise reacquire any or all of the shares of Common Stock held by the Participant which have not vested as of the date of termination under the terms of the restricted stock purchase agreement.

(v) TRANSFERABILITY. Rights to acquire shares of Common Stock under the restricted stock purchase agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the restricted stock purchase agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the restricted stock purchase agreement remains subject to the terms of the restricted stock purchase agreement.

8. COVENANTS OF THE COMPANY.

(a) AVAILABILITY OF SHARES. During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Stock Awards.

(b) SECURITIES LAW COMPLIANCE. The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained.

9. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of Common Stock pursuant to Stock Awards shall constitute general funds of the Company.

10. MISCELLANEOUS.

(a) ACCELERATION OF EXERCISABILITY AND VESTING. The Board shall have the power to accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

(b) STOCKHOLDER RIGHTS. No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Stock Award unless and until such Participant has satisfied all requirements for exercise of the Stock Award pursuant to its terms.

(c) NO EMPLOYMENT OR OTHER SERVICE RIGHTS. Nothing in the Plan or any instrument executed or Stock Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(d) INCENTIVE STOCK OPTION $100,000 LIMITATION. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and its Affiliates) exceeds one hundred thousand dollars ($100,000), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

(e) INVESTMENT ASSURANCES. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (1) the issuance of the shares of Common Stock upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act or (2) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with

applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(f) WITHHOLDING OBLIGATIONS. To the extent provided by the terms of a Stock Award Agreement, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under a Stock Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Stock Award, provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law; or (iii) delivering to the Company owned and unencumbered shares of Common Stock.

11. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) CAPITALIZATION ADJUSTMENTS. If any change is made in the Common Stock subject to the Plan, or subject to any Stock Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to subsection 4(a) and the maximum number of securities subject to award to any person pursuant to subsection 5(c), and the outstanding Stock Awards will be appropriately adjusted in the class(es) and number of securities and price per share of Common Stock subject to such outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) DISSOLUTION OR LIQUIDATION. In the event of a dissolution or liquidation of the Company, then all outstanding Stock Awards shall terminate immediately prior to such event.

(c) ASSET SALE, MERGER, CONSOLIDATION OR REVERSE MERGER. In the event of (i) a sale, lease or other disposition of all or substantially all of the assets of the Company, (ii) a merger or consolidation in which the Company is not the surviving corporation or (iii) a reverse merger in which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise (individually, a "Corporate Transaction"), then any surviving corporation or acquiring corporation shall assume any Stock Awards outstanding under the Plan or shall substitute similar stock awards (including an award to acquire the same consideration paid to the stockholders in the Corporate Transaction for those outstanding under the Plan). In the event any surviving corporation or acquiring corporation refuses to assume such Stock Awards or to substitute similar stock awards for those outstanding under the Plan, then with respect to Stock Awards held by Participants whose Continuous Service has not terminated, the vesting of such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full, and the Stock Awards

shall terminate if not exercised (if applicable) at or prior to the Corporate Transaction. With respect to any other Stock Awards outstanding under the Plan, such Stock Awards shall terminate if not exercised (if applicable) prior to the Corporate Transaction.

12. AMENDMENT OF THE PLAN AND STOCK AWARDS.

(a) AMENDMENT OF PLAN. The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 11 relating to adjustments upon changes in Common Stock, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy the requirements of Section 422 of the Code, Rule 16b-3 or any Nasdaq or securities exchange listing requirements.

(b) STOCKHOLDER APPROVAL. The Board may, in its sole discretion, submit any other amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

(c) CONTEMPLATED AMENDMENTS. It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

(d) NO IMPAIRMENT OF RIGHTS. Rights under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

(e) AMENDMENT OF STOCK AWARDS. The Board at any time, and from time to time, may amend the terms of any one or more Stock Awards; provided, however, that the rights under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

13. TERMINATION OR SUSPENSION OF THE PLAN.

(a) PLAN TERM. The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on the day before the tenth (10th) anniversary of the date the Plan is adopted by the Board or approved by the stockholders of the Company, whichever is earlier. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) NO IMPAIRMENT OF RIGHTS. Suspension or termination of the Plan shall not impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the Participant.

14. EFFECTIVE DATE OF PLAN.

The Plan shall become effective as determined by the Board, but no Stock Award shall be exercised (or, in the case of a stock bonus, shall be granted) unless and until the Plan has been approved by the stockholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

15. CHOICE OF LAW.

The law of the State of California shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules.

ACADIA PHARMACEUTICALS INC.
STOCK OPTION GRANT NOTICE
(2000 EQUITY INCENTIVE PLAN)

ACADIA PHARMACEUTICALS INC. (the "Company"), pursuant to its 2000 Equity Incentive Plan (the "Plan"), hereby grants to Optionholder an option to purchase the number of shares of the Company's Common Stock set forth below. This option is subject to all of the terms and conditions as set forth herein and in the Stock Option Agreement, the Plan and the Notice of Exercise, all of which are attached hereto and incorporated herein in their entirety.

Optionholder: _____
Date of Grant: _____
Vesting Commencement Date: _____
Number of Shares Subject to Option: _____
Exercise Price (Per Share): _____
Total Exercise Price: _____
Expiration Date: _____

TYPE OF GRANT: / / Incentive Stock Option(1) / / Nonstatutory Stock Option

EXERCISE SCHEDULE: [Same as Vesting Schedule] [Early Exercise Permitted]

VESTING SCHEDULE: [1/4th of the shares vest one year after the Vesting Commencement Date.
1/48th of the shares vest monthly thereafter over the next three years.]

PAYMENT: By one or a combination of the following items (described in the Stock Option Agreement):

By cash or check
Pursuant to a Regulation T Program if the Shares are publicly traded
By delivery of already-owned shares if the Shares are publicly traded
[By deferred payment]

ADDITIONAL TERMS/ACKNOWLEDGEMENTS: The undersigned Optionholder acknowledges receipt of, and understands and agrees to, this Grant Notice, the Stock Option Agreement and the Plan. Optionholder further acknowledges that as of the Date of Grant, this Grant Notice, the Stock Option Agreement and the Plan set forth the entire understanding between Optionholder and the Company regarding the acquisition of stock in the Company and supersede all prior oral and written agreements on that subject with the exception of (i) options previously granted and delivered to Optionholder under the Plan, and (ii) the following agreements only:

OTHER AGREEMENTS: _____
_____

ACADIA PHARMACEUTICALS INC. OPTIONHOLDER:

By:_____ _____
Signature Signature

Title:_____ Date:_____

Date:_____

ATTACHMENTS: Stock Option Agreement, 2000 Equity Incentive Plan and Notice of Exercise

_____

(1) If this is an incentive stock option, it (plus your other outstanding incentive stock options) cannot be first EXERCISABLE for more than $100,000 in any calendar year. Any excess over $100,000 is a nonstatutory stock option.

ACADIA PHARMACEUTICALS INC.
2000 EQUITY INCENTIVE PLAN

STOCK OPTION AGREEMENT
(INCENTIVE STOCK OPTION OR NONSTATUTORY STOCK OPTION)

Pursuant to your Stock Option Grant Notice ("Grant Notice") and this Stock Option Agreement, ACADIA Pharmaceuticals Inc. (the "Company") has granted you an option under its 2000 Equity Incentive Plan (the "Plan") to purchase the number of shares of the Company's Common Stock indicated in your Grant Notice at the exercise price indicated in your Grant Notice. Defined terms not explicitly defined in this Stock Option Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of your option are as follows:

1. VESTING. Subject to the limitations contained herein, your option will vest as provided in your Grant Notice, provided that vesting will cease upon the termination of your Continuous Service.

2. NUMBER OF SHARES AND EXERCISE PRICE. The number of shares of Common Stock subject to your option and your exercise price per share referenced in your Grant Notice may be adjusted from time to time for Capitalization Adjustments, as provided in the Plan.

3. EXERCISE PRIOR TO VESTING ("EARLY EXERCISE"). If permitted in your Grant Notice (i.e., the "Exercise Schedule" indicates that "Early Exercise" of your option is permitted) and subject to the provisions of your option, you may elect at any time that is both (i) during the period of your Continuous Service and (ii) during the term of your option, to exercise all or part of your option, including the nonvested portion of your option; provided, however, that:

(a) a partial exercise of your option shall be deemed to cover first vested shares of Common Stock and then the earliest vesting installment of unvested shares of Common Stock;

(b) any shares of Common Stock so purchased from installments that have not vested as of the date of exercise shall be subject to the purchase option in favor of the Company as described in the Company's form of Early Exercise Stock Purchase Agreement;

(c) you shall enter into the Company's form of Early Exercise Stock Purchase Agreement with a vesting schedule that will result in the same vesting as if no early exercise had occurred; and

(d) if your option is an incentive stock option, then, as provided in the Plan, to the extent that the aggregate Fair Market Value (determined at the time of grant) of the shares of Common Stock with respect to which your option plus all other incentive stock options you hold are exercisable for the first time by you during any calendar year (under all plans of the Company and its Affiliates) exceeds one hundred thousand dollars ($100,000), your option(s) or

portions thereof that exceed such limit (according to the order in which they were granted) shall be treated as nonstatutory stock options.

4. METHOD OF PAYMENT. Payment of the exercise price is due in full upon exercise of all or any part of your option. You may elect to make payment of the exercise price in cash or by check or in any other manner PERMITTED BY YOUR GRANT NOTICE, which may include one or more of the following:

(a) In the Company's sole discretion at the time your option is exercised and provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in THE WALL STREET JOURNAL, pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds.

(b) Provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in THE WALL STREET JOURNAL, by delivery of already-owned shares of Common Stock either that you have held for the period required to avoid a charge to the Company's reported earnings (generally six months) or that you did not acquire, directly or indirectly from the Company, that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. "Delivery" for these purposes, in the sole discretion of the Company at the time you exercise your option, shall include delivery to the Company of your attestation of ownership of such shares of Common Stock in a form approved by the Company. Notwithstanding the foregoing, you may not exercise your option by tender to the Company of Common Stock to the extent such tender would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

(c) Pursuant to the following deferred payment alternative:

(i) Not less than one hundred percent (100%) of the aggregate exercise price, plus accrued interest, shall be due four (4) years from date of exercise or, at the Company's election, upon termination of your Continuous Service.

(ii) Interest shall be compounded at least annually and shall be charged at the market rate of interest necessary to avoid a charge to earnings for financial accounting purposes.

(iii) At any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall be made in cash and not by deferred payment.

(iv) In order to elect the deferred payment alternative, you must, as a part of your written notice of exercise, give notice of the election of this payment alternative and, in order to secure the payment of the deferred exercise price to the Company hereunder, if the Company so requests, you must tender to the Company a promissory note and a security agreement covering the purchased shares of Common Stock, both in form and substance

satisfactory to the Company, or such other or additional documentation as the Company may request.

5. WHOLE SHARES. You may exercise your option only for whole shares of Common Stock.

6. SECURITIES LAW COMPLIANCE. Notwithstanding anything to the contrary contained herein, you may not exercise your option unless the shares of Common Stock issuable upon such exercise are then registered under the Securities Act or, if such shares of Common Stock are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of your option must also comply with other applicable laws and regulations governing your option, and you may not exercise your option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

7. TERM. You may not exercise your option before the commencement of its term or after its term expires. The term of your option commences on the Date of Grant and expires upon the EARLIEST of the following:

(a) three (3) months after the termination of your Continuous Service for any reason other than your Disability or death, provided that if during any part of such three- (3-) month period your option is not exercisable solely because of the condition set forth in the preceding paragraph relating to "Securities Law Compliance," your option shall not expire until the earlier of the Expiration Date or until it shall have been exercisable for an aggregate period of three (3) months after the termination of your Continuous Service;

(b) twelve (12) months after the termination of your Continuous Service due to your Disability;

(c) eighteen (18) months after your death if you die either during your Continuous Service or within three (3) months after your Continuous Service terminates;

(d) the Expiration Date indicated in your Grant Notice; or

(e) the day before the tenth (10th) anniversary of the Date of Grant.

If your option is an incentive stock option, note that, to obtain the federal income tax advantages associated with an "incentive stock option," the Code requires that at all times beginning on the date of grant of your option and ending on the day three (3) months before the date of your option's exercise, you must be an employee of the Company or an Affiliate, except in the event of your death or Disability. The Company has provided for extended exercisability of your option under certain circumstances for your benefit but cannot guarantee that your option will necessarily be treated as an "incentive stock option" if you continue to provide services to the Company or an Affiliate as a Consultant or Director after your employment terminates or if you otherwise exercise your option more than three (3) months after the date your employment terminates.

8. EXERCISE.

(a) You may exercise the vested portion of your option (and the unvested portion of your option if your Grant Notice so permits) during its term by delivering a Notice of Exercise (in a form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then require.

(b) By exercising your option you agree that, as a condition to any exercise of your option, the Company may require you to enter into an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (1) the exercise of your option, (2) the lapse of any substantial risk of forfeiture to which the shares of Common Stock are subject at the time of exercise, or (3) the disposition of shares of Common Stock acquired upon such exercise.

(c) If your option is an incentive stock option, by exercising your option you agree that you will notify the Company in writing within fifteen (15) days after the date of any disposition of any of the shares of the Common Stock issued upon exercise of your option that occurs within two (2) years after the date of your option grant or within one (1) year after such shares of Common Stock are transferred upon exercise of your option.

9. TRANSFERABILITY. Your option is not transferable, except by will or by the laws of descent and distribution, and is exercisable during your life only by you. Notwithstanding the foregoing, by delivering written notice to the Company, in a form satisfactory to the Company, you may designate a third party who, in the event of your death, shall thereafter be entitled to exercise your option.

10. OPTION NOT A SERVICE CONTRACT. Your option is not an employment or service contract, and nothing in your option shall be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company or an Affiliate, or of the Company or an Affiliate to continue your employment. In addition, nothing in your option shall obligate the Company or an Affiliate, their respective stockholders, Boards of Directors, Officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

11. WITHHOLDING OBLIGATIONS.

(a) At the time you exercise your option, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for (including by means of a "cashless exercise" pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with your option.

(b) Upon your request and subject to approval by the Company, in its sole discretion, and compliance with any applicable conditions or restrictions of law, the Company may withhold from fully vested shares of Common Stock otherwise issuable to you upon the

exercise of your option a number of whole shares of Common Stock having a Fair Market Value, determined by the Company as of the date of exercise, not in excess of the minimum amount of tax required to be withheld by law. If the date of determination of any tax withholding obligation is deferred to a date later than the date of exercise of your option, share withholding pursuant to the preceding sentence shall not be permitted unless you make a proper and timely election under Section 83(b) of the Code, covering the aggregate number of shares of Common Stock acquired upon such exercise with respect to which such determination is otherwise deferred, to accelerate the determination of such tax withholding obligation to the date of exercise of your option. Notwithstanding the filing of such election, shares of Common Stock shall be withheld solely from fully vested shares of Common Stock determined as of the date of exercise of your option that are otherwise issuable to you upon such exercise. Any adverse consequences to you arising in connection with such share withholding procedure shall be your sole responsibility.

(c) You may not exercise your option unless the tax withholding obligations of the Company and/or any Affiliate are satisfied. Accordingly, you may not be able to exercise your option when desired even though your option is vested, and the Company shall have no obligation to issue a certificate for such shares of Common Stock or release such shares of Common Stock from any escrow provided for herein.

12. NOTICES. Any notices provided for in your option or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by mail by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

13. GOVERNING PLAN DOCUMENT. Your option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your option, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of your option and those of the Plan, the provisions of the Plan shall control.

NOTICE OF EXERCISE

ACADIA Pharmaceuticals Inc.
3911 Sorrento Valley Blvd.
San Diego, CA 92121 Date of Exercise: _____

Ladies and Gentlemen:

This constitutes notice under my stock option that I elect to purchase the number of shares for the price set forth below.

Type of option (check one):	Incentive / / Nonstatutory / /
Stock option dated:	_____
Number of shares as to which option is exercised:	_____
Certificates to be issued in name of:	_____
Total exercise price:	$_____
Cash payment delivered herewith:	$_____
[Promissory note delivered herewith:	$_____]
Value of _____ shares of ACADIA Pharmaceuticals Inc. common stock delivered herewith(1):	$_____

By this exercise, I agree (i) to provide such additional documents as you may require pursuant to the terms of the ACADIA Pharmaceuticals, Inc. 2000 Equity Incentive Plan, (ii) to provide for the payment by me to you (in the manner designated by you) of your withholding obligation, if any, relating to the exercise of this option, and (iii) if this exercise relates to an incentive stock option, to notify you in writing within fifteen (15) days after the date of any disposition of any of the shares of Common Stock issued upon exercise of this option that occurs within two (2) years after the date of grant of this option or within one (1) year after such shares of Common Stock are issued upon exercise of this option.

Very truly yours,

_____

_____

(1) Shares must meet the public trading requirements set forth in the option. Shares must be valued in accordance with the terms of the option being exercised, must have been owned for the minimum period required in the option, and must be owned free and clear of any liens, claims, encumbrances or security interests. Certificates must be endorsed or accompanied by an executed assignment separate from certificate.

ACADIA PHARMACEUTICALS INC.

2000 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

ADOPTED DECEMBER 20, 2000
APPROVED BY STOCKHOLDERS _____, 200__
EFFECTIVE DATE: _____, 200__

1. PURPOSES.

(a) ELIGIBLE OPTION RECIPIENTS. The persons eligible to receive Options are the Non-Employee Directors of the Company.

(b) AVAILABLE OPTIONS. The purpose of the Plan is to provide a means by which Non-Employee Directors may be given an opportunity to benefit from increases in value of the Common Stock through the granting of Nonstatutory Stock Options.

(c) GENERAL PURPOSE. The Company, by means of the Plan, seeks to retain the services of its Non-Employee Directors, to secure and retain the services of new Non-Employee Directors and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

2. DEFINITIONS.

(a) "AFFILIATE" means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(b) "ANNUAL GRANT" means an Option granted annually to all Non-Employee Directors who meet the criteria specified in subsection 6(b) of the Plan.

(c) "ANNUAL MEETING" means the annual meeting of the stockholders of the Company.

(d) "BOARD" means the Board of Directors of the Company.

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

(f) "COMMON STOCK" means the common stock of the Company.

(g) "COMPANY" means ACADIA Pharmaceuticals Inc., a Delaware corporation.

(h) "CONSULTANT" means any person, including an advisor, (i) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services or (ii) who is a member of the Board of Directors of an Affiliate. However, the term "Consultant" shall not include either Directors of the Company who are not compensated

by the Company for their services as Directors or Directors of the Company who are merely paid a director's fee by the Company for their services as Directors.

(i) "CONTINUOUS SERVICE" means that the Optionholder's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Optionholder's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Optionholder renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Optionholder renders such service, provided that there is no interruption or termination of the Optionholder's service. For example, a change in status without interruption from a Non-Employee Director of the Company to a Consultant of an Affiliate or an Employee of the Company will not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave.

(j) "DIRECTOR" means a member of the Board of Directors of the Company.

(k) "DISABILITY" means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(l) "EMPLOYEE" means any person employed by the Company or an Affiliate. Mere service as a Director or payment of a director's fee by the Company or an Affiliate shall not be sufficient to constitute "employment" by the Company or an Affiliate.

(m) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(n) "FAIR MARKET VALUE" means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(o) "INITIAL GRANT" means an Option granted to a Non-Employee Director who meets the criteria specified in subsection 6(a) of the Plan.

(p) "IPO DATE" means the effective date of the initial public offering of the Common Stock.

(q) "NON-EMPLOYEE DIRECTOR" means a Director who is not an Employee.

(r) "NONSTATUTORY STOCK OPTION" means an Option not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(s) "OFFICER" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(t) "OPTION" means a Nonstatutory Stock Option granted pursuant to the Plan.

(u) "OPTION AGREEMENT" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(v) "OPTIONHOLDER" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(w) "PLAN" means this ACADIA Pharmaceuticals Inc. 2000 Non-Employee Directors' Stock Option Plan.

(x) "RULE 16b-3" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(y) "SECURITIES ACT" means the Securities Act of 1933, as amended.

3. ADMINISTRATION.

(a) ADMINISTRATION BY BOARD. The Board shall administer the Plan. The Board may not delegate administration of the Plan to a committee.

(b) POWERS OF BOARD. The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine the provisions of each Option to the extent not specified in the Plan.

(ii) To construe and interpret the Plan and Options granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Option Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan or an Option as provided in Section 12.

(iv) To terminate or suspend the Plan as provided in Section 13.

(v) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company that are not in conflict with the provisions of the Plan.

(c) EFFECT OF BOARD'S DECISION. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

4. SHARES SUBJECT TO THE PLAN.

(a) SHARE RESERVE. Subject to the provisions of Section 11 relating to adjustments, the Common Stock that may be issued pursuant to Options shall not exceed two hundred thousand (200,000) shares of Common Stock.

(b) REVERSION OF SHARES TO THE SHARE RESERVE. If any Option shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the shares of Common Stock not acquired under such Option shall revert to and again become available for issuance under the Plan.

(c) SOURCE OF SHARES. The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. ELIGIBILITY.

The Options as set forth in Section 6 of the Plan automatically shall be granted under the Plan to all Non-Employee Directors.

6. NON-DISCRETIONARY GRANTS.

(a) INITIAL GRANTS. Without any further action of the Board, each person who is elected or appointed for the first time to be a Non-Employee Director after the IPO Date automatically shall, upon the date of his or her initial election or appointment to be a Non-Employee Director by the Board or stockholders of the Company, be granted an Initial Grant to purchase Twelve Thousand (12,000) shares of Common Stock on the terms and conditions set forth herein.

(b) ANNUAL GRANTS. Without any further action of the Board, a Non-Employee Director shall be granted an Annual Grant as follows: On the day following each Annual Meeting commencing with the Annual Meeting in 2002, each person who is then a Non-Employee Director automatically shall be granted an Annual Grant to purchase Three Thousand (3,000) shares of Common Stock on the terms and conditions set forth herein; PROVIDED, HOWEVER, that if the person has not been serving as a Non-Employee Director for the entire twelve (12) month period since the preceding Annual Meeting, then the number of shares subject to the Annual Grant shall be reduced pro rata for each full month prior to the date of grant during which such person did not serve as a Non-Employee Director.

7. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as required by the Plan. Each Option shall contain such additional terms and conditions, not inconsistent with the Plan, as the Board shall deem appropriate. Each Option shall include

(through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) TERM. No Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) EXERCISE PRICE. The exercise price of each Option shall be one hundred percent (100%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(c) CONSIDERATION. The purchase price of stock acquired pursuant to an Option may be paid, to the extent permitted by applicable statutes and regulations, in any combination of the following methods:

(i) By cash or check.

(ii) Provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in THE WALL STREET JOURNAL, by delivery of already-owned shares of Common Stock either that the Optionholder has held for the period required to avoid a charge to the Company's reported earnings (generally six months) or that the Optionholder did not acquire, directly or indirectly from the Company, that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. "Delivery" for these purposes shall include delivery to the Company of the Optionholder's attestation of ownership of such shares of Common Stock in a form approved by the Company. Notwithstanding the foregoing, the Optionholder may not exercise the Option by tender to the Company of Common Stock to the extent such tender would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

(iii) Provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in THE WALL STREET JOURNAL, pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds.

(d) TRANSFERABILITY. An Option is transferable by will or by the laws of descent and distribution. An Option also is transferable (i) by instrument to an inter vivos or testamentary trust, in a form accepted by the Company, in which the Option is to be passed to beneficiaries upon the death of the trustor (settlor) and (ii) by gift, in a form accepted by the Company, to a member of the "immediate family" of the Optionholder as that term is defined in 17 C.F.R. 240.16a-1(e). An Option shall be exercisable during the lifetime of the Optionholder only by the Optionholder and a permitted transferee as provided herein. However, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a

third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(e) EXERCISE SCHEDULE. The Option shall be exercisable as the shares of Common Stock subject to the Option vest.

(f) VESTING GENERALLY. Options shall vest and become exercisable as follows:

(i) Initial Grants shall provide for one year cliff vesting of 1/3rd of the shares from the date of grant with 1/12th vesting every three months thereafter.

(ii) Annual Grants shall provide for vesting of 1/4th of the shares every three months after the date of the grant.

(g) TERMINATION OF CONTINUOUS SERVICE. In the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise it as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service, or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

(h) EXTENSION OF TERMINATION DATE. If the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the issuance of shares would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in subsection 7(a) or (ii) the expiration of a period of three (3) months after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(i) DISABILITY OF OPTIONHOLDER. In the event an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise it as of the date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option shall terminate.

(j) DEATH OF OPTIONHOLDER. In the event (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death or (ii) the Optionholder dies within the three-month period after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise the Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Optionholder's death, but only within the period ending on the earlier of (1) the date eighteen (18) months following the date of death or (2) the expiration of

the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

8. COVENANTS OF THE COMPANY.

(a) AVAILABILITY OF SHARES. During the terms of the Options, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Options.

(b) SECURITIES LAW COMPLIANCE. The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Options and to issue and sell shares of Common Stock upon exercise of the Options; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Option or any stock issued or issuable pursuant to any such Option. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such Options unless and until such authority is obtained.

9. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of stock pursuant to Options shall constitute general funds of the Company.

10. MISCELLANEOUS.

(a) STOCKHOLDER RIGHTS. No Optionholder shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such Option unless and until such Optionholder has satisfied all requirements for exercise of the Option pursuant to its terms.

(b) NO SERVICE RIGHTS. Nothing in the Plan or any instrument executed or Option granted pursuant thereto shall confer upon any Optionholder any right to continue to serve the Company as a Non-Employee Director or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(c) INVESTMENT ASSURANCES. The Company may require an Optionholder, as a condition of exercising or acquiring stock under any Option, (i) to give written assurances satisfactory to the Company as to the Optionholder's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Option; and (ii) to give written assurances satisfactory to the Company stating that the Optionholder is acquiring the stock subject to the Option for the Optionholder's

own account and not with any present intention of selling or otherwise distributing the stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (1) the issuance of the shares upon the exercise or acquisition of stock under the Option has been registered under a then currently effective registration statement under the Securities Act or (2) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the stock.

(d) WITHHOLDING OBLIGATIONS. The Optionholder may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of stock under an Option by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Optionholder by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares from the shares of the Common Stock otherwise issuable to the Optionholder as a result of the exercise or acquisition of stock under the Option, provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law; or (iii) delivering to the Company owned and unencumbered shares of the Common Stock.

11. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) CAPITALIZATION ADJUSTMENTS. If any change is made in the stock subject to the Plan, or subject to any Option, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject both to the Plan pursuant to subsection 4(a) and to the nondiscretionary Options specified in Section 5, and the outstanding Options will be appropriately adjusted in the class(es) and number of securities and price per share of stock subject to such outstanding Options. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) DISSOLUTION OR LIQUIDATION. In the event of a dissolution or liquidation of the Company, then all outstanding Options shall terminate immediately prior to such event.

(c) CORPORATE TRANSACTION. In the event of (i) a sale, lease or other disposition of all or substantially all of the securities or assets of the Company, (ii) a merger or consolidation in which the Company is not the surviving corporation or (iii) a reverse merger in which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise that occurs more than six (6) months after the adoption of this Plan (each, a "Corporate Transaction"), then any surviving corporation or acquiring

corporation shall assume any Options outstanding under the Plan or shall substitute similar Options (including an option to acquire the same consideration paid to the stockholders in the Corporate Transaction for those outstanding under the Plan). In the event any surviving corporation or acquiring corporation refuses to assume such Options or to substitute similar Options for those outstanding under the Plan, then with respect to Options held by Optionholders whose Continuous Service has not terminated, the vesting of such Options (and the time during which such Options may be exercised) shall be accelerated in full, and the Options shall terminate if not exercised at or prior to the Corporate Transaction. With respect to any other Options outstanding under the Plan, such Options shall terminate if not exercised prior to the Corporate Transaction.

12. AMENDMENT OF THE PLAN AND OPTIONS.

(a) AMENDMENT OF PLAN. The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 11 relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy the requirements of Rule 16b-3 or any Nasdaq or securities exchange listing requirements.

(b) STOCKHOLDER APPROVAL. The Board may, in its sole discretion, submit any other amendment to the Plan for stockholder approval.

(c) NO IMPAIRMENT OF RIGHTS. Rights under any Option granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the Optionholder and (ii) the Optionholder consents in writing.

(d) AMENDMENT OF OPTIONS. The Board at any time, and from time to time, may amend the terms of any one or more Options; provided, however, that the rights under any Option shall not be impaired by any such amendment unless (i) the Company requests the consent of the Optionholder and (ii) the Optionholder consents in writing.

13. TERMINATION OR SUSPENSION OF THE PLAN.

(a) PLAN TERM. The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on the day before the tenth (10th) anniversary of the date the Plan is adopted by the Board or approved by the stockholders of the Company, whichever is earlier. No Options may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) NO IMPAIRMENT OF RIGHTS. Suspension or termination of the Plan shall not impair rights and obligations under any Option granted while the Plan is in effect except with the written consent of the Optionholder.

14. EFFECTIVE DATE OF PLAN.

The Plan shall become effective on the IPO Date, but no Option shall be exercised unless and until the Plan has been approved by the stockholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

15. CHOICE OF LAW.

All questions concerning the construction, validity and interpretation of this Plan shall be governed by the law of the State of California, without regard to such state's conflict of laws rules.

ACADIA PHARMACEUTICALS INC.
STOCK OPTION GRANT NOTICE

ANNUAL GRANT
(2000 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN)

ACADIA PHARMACEUTICALS INC. (the "Company"), pursuant to its 2000 Non-Employee Directors' Stock Option Plan (the "Plan"), hereby grants to Optionholder an option to purchase the number of shares of the Company's Common Stock set forth below. This option is subject to all of the terms and conditions as set forth herein and in the Stock Option Agreement, the Plan and the Notice of Exercise, all of which are attached hereto and incorporated herein in their entirety.

Optionholder:	_____
Date of Grant:	_____
Number of Shares Subject to Option:	_____
Exercise Price (Per Share):	_____
Total Exercise Price:	_____
Expiration Date:	The day before the 10th anniversary of the Date of Grant

TYPE OF GRANT: Nonstatutory Stock Option

EXERCISE SCHEDULE: Same as Vesting Schedule

VESTING SCHEDULE: 1/4th of the shares vest at the end of each three month period following the Date of Grant.

PAYMENT: By one or a combination of the following items (described in the Stock Option Agreement):

By cash or check
Pursuant to a Regulation T Program if the Shares are publicly traded
By delivery of already-owned shares if the Shares are publicly traded

ADDITIONAL TERMS/ACKNOWLEDGEMENTS: The undersigned Optionholder acknowledges receipt of, and understands and agrees to, this Grant Notice, the Stock Option Agreement and the Plan. Optionholder further acknowledges that as of the Date of Grant, this Grant Notice, the Stock Option Agreement and the Plan set forth the entire understanding between Optionholder and the Company regarding the acquisition of stock in the Company and supersede all prior oral and written agreements on that subject with the exception of (i) options previously granted and delivered to Optionholder under the Plan, and (ii) the following agreements only:

OTHER AGREEMENTS: _____
_____

ACADIA PHARMACEUTICALS INC. OPTIONHOLDER:

By:_____ _____
Signature Signature

Title:_____ Date:_____

Date:_____

ATTACHMENTS: Stock Option Agreement, 2000 Non-Employee Directors' Stock Option Plan and Notice of Exercise

ACADIA PHARMACEUTICALS INC.
STOCK OPTION GRANT NOTICE

INITIAL GRANT
(2000 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN)

ACADIA PHARMACEUTICALS INC. (the "Company"), pursuant to its 2000 Non-Employee Directors' Stock Option Plan (the "Plan"), hereby grants to Optionholder an option to purchase the number of shares of the Company's Common Stock set forth below. This option is subject to all of the terms and conditions as set forth herein and in the Stock Option Agreement, the Plan and the Notice of Exercise, all of which are attached hereto and incorporated herein in their entirety.

Optionholder:	_____
Date of Grant:	_____
Number of Shares Subject to Option:	_____
Exercise Price (Per Share):	_____
Total Exercise Price:	_____
Expiration Date:	The day before the 10th anniversary of the Date of Grant

TYPE OF GRANT: Nonstatutory Stock Option

EXERCISE SCHEDULE: Same as Vesting Schedule

VESTING SCHEDULE: 1/3rd of the shares vest one year following the Date of Grant and 1/12th of the shares vest at the end of each three month period thereafter.

PAYMENT: By one or a combination of the following items (described in the Stock Option Agreement):

By cash or check
Pursuant to a Regulation T Program if the Shares are publicly traded
By delivery of already-owned shares if the Shares are publicly traded

ADDITIONAL TERMS/ACKNOWLEDGEMENTS: The undersigned Optionholder acknowledges receipt of, and understands and agrees to, this Grant Notice, the Stock Option Agreement and the Plan. Optionholder further acknowledges that as of the Date of Grant, this Grant Notice, the Stock Option Agreement and the Plan set forth the entire understanding between Optionholder and the Company regarding the acquisition of stock in the Company and supersede all prior oral and written agreements on that subject with the exception of (i) options previously granted and delivered to Optionholder under the Plan, and (ii) the following agreements only:

OTHER AGREEMENTS: _____
_____

ACADIA PHARMACEUTICALS INC.

By:_____
Signature

Title:_____

Date:_____

OPTIONHOLDER:

_____
Signature

Date:_____

ATTACHMENTS: Stock Option Agreement, 2000 Non-Employee Directors' Stock Option Plan and Notice of Exercise

ACADIA PHARMACEUTICALS INC.
2000 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

STOCK OPTION AGREEMENT
(NONSTATUTORY STOCK OPTION)

Pursuant to your Stock Option Grant Notice ("Grant Notice") and this Stock Option Agreement, ACADIA Pharmaceuticals Inc. (the "Company") has granted you an option under its 2000 Non-Employee Directors' Stock Option Plan (the "Plan") to purchase the number of shares of the Company's Common Stock indicated in your Grant Notice at the exercise price indicated in your Grant Notice. Defined terms not explicitly defined in this Stock Option Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of your option are as follows:

1. VESTING. Subject to the limitations contained herein, your option will vest as provided in your Grant Notice, provided that vesting will cease upon the termination of your Continuous Service.

2. NUMBER OF SHARES AND EXERCISE PRICE. The number of shares of Common Stock subject to your option and your exercise price per share referenced in your Grant Notice may be adjusted from time to time for Capitalization Adjustments, as provided in the Plan.

3. METHOD OF PAYMENT. Payment of the exercise price is due in full upon exercise of all or any part of your option. You may elect to make payment of the exercise price in cash or by check or in any other manner PERMITTED BY YOUR GRANT NOTICE, which may include one or more of the following:

(a) In the Company's sole discretion at the time your option is exercised and provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in THE WALL STREET JOURNAL, pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds.

(b) Provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in THE WALL STREET JOURNAL, by delivery of already-owned shares of Common Stock either that you have held for the period required to avoid a charge to the Company's reported earnings (generally six months) or that you did not acquire, directly or indirectly from the Company, that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. "Delivery" for these purposes, in the sole discretion of the Company at the time you exercise your option, shall include delivery to the Company of your attestation of ownership of such shares of Common Stock in a form approved by the Company. Notwithstanding the foregoing, you may not exercise your option by tender to the Company of Common Stock to the extent such tender

would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

4. WHOLE SHARES. You may exercise your option only for whole shares of Common Stock.

5. SECURITIES LAW COMPLIANCE. Notwithstanding anything to the contrary contained herein, you may not exercise your option unless the shares of Common Stock issuable upon such exercise are then registered under the Securities Act or, if such shares of Common Stock are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of your option must also comply with other applicable laws and regulations governing your option, and you may not exercise your option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

6. TERM. You may not exercise your option before the commencement of its term or after its term expires. The term of your option commences on the Date of Grant and expires upon the EARLIEST of the following:

(a) three (3) months after the termination of your Continuous Service for any reason other than your Disability or death, provided that if during any part of such three- (3-) month period your option is not exercisable solely because of the condition set forth in the preceding paragraph relating to "Securities Law Compliance," your option shall not expire until the earlier of the Expiration Date or until it shall have been exercisable for an aggregate period of three (3) months after the termination of your Continuous Service;

(b) twelve (12) months after the termination of your Continuous Service due to your Disability;

(c) eighteen (18) months after your death if you die either during your Continuous Service or within three (3) months after your Continuous Service terminates;

(d) the Expiration Date indicated in your Grant Notice; or

(e) the day before the tenth (10th) anniversary of the Date of Grant.

7. EXERCISE.

(a) You may exercise the vested portion of your option (and the unvested portion of your option if your Grant Notice so permits) during its term by delivering a Notice of Exercise (in a form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then require.

(b) By exercising your option you agree that, as a condition to any exercise of your option, the Company may require you to enter into an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (1) the exercise of your option, (2) the lapse of any substantial risk of forfeiture to

which the shares of Common Stock are subject at the time of exercise, or (3) the disposition of shares of Common Stock acquired upon such exercise.

8. TRANSFERABILITY. Your option is transferable to the extent provided in the Plan and by will or by the laws of descent and distribution. In addition, by delivering written notice to the Company, in a form satisfactory to the Company, you may designate a third party who, in the event of your death, shall thereafter be entitled to exercise your option.

9. OPTION NOT A SERVICE CONTRACT. Your option is not an employment or service contract, and nothing in your option shall be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company or an Affiliate, or of the Company or an Affiliate to continue your employment. In addition, nothing in your option shall obligate the Company or an Affiliate, their respective stockholders, Boards of Directors, Officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

10. WITHHOLDING OBLIGATIONS.

(a) At the time you exercise your option, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for (including by means of a "cashless exercise" pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with your option.

(b) Upon your request and subject to approval by the Company, in its sole discretion, and compliance with any applicable conditions or restrictions of law, the Company may withhold from fully vested shares of Common Stock otherwise issuable to you upon the exercise of your option a number of whole shares of Common Stock having a Fair Market Value, determined by the Company as of the date of exercise, not in excess of the minimum amount of tax required to be withheld by law. If the date of determination of any tax withholding obligation is deferred to a date later than the date of exercise of your option, share withholding pursuant to the preceding sentence shall not be permitted unless you make a proper and timely election under Section 83(b) of the Code, covering the aggregate number of shares of Common Stock acquired upon such exercise with respect to which such determination is otherwise deferred, to accelerate the determination of such tax withholding obligation to the date of exercise of your option. Notwithstanding the filing of such election, shares of Common Stock shall be withheld solely from fully vested shares of Common Stock determined as of the date of exercise of your option that are otherwise issuable to you upon such exercise. Any adverse consequences to you arising in connection with such share withholding procedure shall be your sole responsibility.

(c) You may not exercise your option unless the tax withholding obligations of the Company and/or any Affiliate are satisfied. Accordingly, you may not be able to exercise your option when desired even though your option is vested, and the Company shall have no

obligation to issue a certificate for such shares of Common Stock or release such shares of Common Stock from any escrow provided for herein.

11. NOTICES. Any notices provided for in your option or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by mail by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

12. GOVERNING PLAN DOCUMENT. Your option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your option, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of your option and those of the Plan, the provisions of the Plan shall control.

NOTICE OF EXERCISE

ACADIA Pharmaceuticals Inc.
3911 Sorrento Valley Blvd.
San Diego, CA 92121 Date of Exercise: _____

Ladies and Gentlemen:

This constitutes notice under my stock option that I elect to purchase the number of shares for the price set forth below.

Stock option dated:	_____
Number of shares as to which option is exercised:	_____
Certificates to be issued in name of:	_____
Total exercise price:	$_____
Cash payment delivered herewith:	$_____
Value of _____ shares of ACADIA Pharmaceuticals Inc. common stock delivered herewith(1):	$_____

By this exercise, I agree (i) to provide such additional documents as you may require pursuant to the terms of the ACADIA Pharmaceuticals, Inc. 2000 Non-Employee Directors' Stock Option Plan, (ii) to provide for the payment by me to you (in the manner designated by you) of your withholding obligation, if any, relating to the exercise of this option, and (iii) if this exercise relates to an incentive stock option, to notify you in writing within fifteen (15) days after the date of any disposition of any of the shares of Common Stock issued upon exercise of this option that occurs within two (2) years after the date of grant of this option or within one (1) year after such shares of Common Stock are issued upon exercise of this option.

Very truly yours,

_____

_____

(1) Shares must meet the public trading requirements set forth in the option. Shares must be valued in accordance with the terms of the option being exercised, must have been owned for the minimum period required in the option, and must be owned free and clear of any liens, claims, encumbrances or security interests. Certificates must be endorsed or accompanied by an executed assignment separate from certificate.

ACADIA PHARMACEUTICALS INC.
2000 EMPLOYEE STOCK PURCHASE PLAN

ADOPTED BY THE BOARD OF DIRECTORS DECEMBER 20, 2000
APPROVED BY STOCKHOLDERS _____, 200___

1. PURPOSE.

(a) The purpose of the Plan is to provide a means by which Employees of the Company and certain designated Related Corporations may be given an opportunity to purchase shares of the Common Stock of the Company.

(b) The Company, by means of the Plan, seeks to retain the services of such Employees, to secure and retain the services of new Employees and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Related Corporations.

(c) The Company intends that the Purchase Rights granted under the Plan be considered options issued under an Employee Stock Purchase Plan.

2. DEFINITIONS.

(a) "ANNUAL MEETING" means the annual meeting of the stockholders of the Company.

(b) "BOARD" means the Board of Directors of the Company.

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

(d) "COMMITTEE" means a committee appointed by the Board in accordance with Section 3(c) of the Plan.

(e) "COMMON STOCK" means the Common Stock of the Company.

(f) "COMPANY" means ACADIA Pharmaceuticals Inc., a Delaware corporation.

(g) "CORPORATE TRANSACTION" means the occurrence of any one or more of the following:

(i) a sale, exchange or other disposition of all or substantially all of the assets of the Company;

(ii) a sale, exchange or other disposition of all or substantially all of the outstanding securities of the Company;

(iii) a merger or consolidation following which the Company is not the surviving corporation;

(iv) a merger following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise; or

(v) any other transaction described as a "corporate transaction" in Treasury Regulations Section 1.425-1(a)(1)(ii), as amended from time to time.

(h) "DIRECTOR" means a member of the Board.

(i) "ELIGIBLE EMPLOYEE" means an Employee who meets the requirements set forth in the Offering for eligibility to participate in the Offering, provided that such Employee also meets the requirements for eligibility to participate set forth in the Plan.

(j) "EMPLOYEE" means any person, including Officers and Directors, who is employed for purposes of Section 423(b)(4) of the Code by the Company or a Related Corporation. Neither service as a Director nor payment of a director's fee shall be sufficient to make an individual an Employee of the Company or a Related Corporation.

(k) "EMPLOYEE STOCK PURCHASE PLAN" means a plan that grants Purchase Rights intended to be options issued under an "employee stock purchase plan," as that term is defined in Section 423(b) of the Code.

(l) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(m) "FAIR MARKET VALUE" means the value of a security, as determined in good faith by the Board. If the security is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, the Fair Market Value of the security, unless otherwise determined by the Board, shall be the closing sales price (rounded up where necessary to the nearest whole cent) for such security (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the relevant security of the Company) on the Trading Day prior to the relevant determination date, as reported in THE WALL STREET JOURNAL or such other source as the Board deems reliable.

(n) "OFFERING" means the grant of Purchase Rights to purchase shares of Common Stock under the Plan to Eligible Employees.

(o) "OFFERING DATE" means a date selected by the Board for an Offering to commence.

(p) "OFFICER" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(q) "PARTICIPANT" means an Eligible Employee who holds an outstanding Purchase Right granted pursuant to the Plan.

(r) "PLAN" means this ACADIA Pharmaceuticals Inc. 2000 Employee Stock Purchase Plan.

(s) "PURCHASE DATE" means one or more dates during an Offering established by the Board on which Purchase Rights granted under the Plan shall be exercised and as of which purchases of shares of Common Stock shall be carried out in accordance with such Offering.

(t) "PURCHASE PERIOD" means a period of time specified within an Offering beginning on the Offering Date or on the next day following a Purchase Date within an Offering and ending on a Purchase Date, at the end of which there shall be purchased shares of Common Stock on behalf of Participants. An Offering may consist of one or more Purchase Periods.

(u) "PURCHASE RIGHT" means an option to purchase shares of Common Stock granted pursuant to the Plan.

(v) "RELATED CORPORATION" means any parent corporation or subsidiary corporation, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(w) "SECURITIES ACT" means the Securities Act of 1933, as amended.

(x) "TRADING DAY" means any day the exchange(s) or market(s) on which shares of Common Stock are listed, whether it be any established stock exchange, the Nasdaq National Market, the Nasdaq SmallCap Market or otherwise, is open for trading.

3. ADMINISTRATION.

(a) The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in Section 3(c). Whether or not the Board has delegated administration, the Board shall have the final power to determine all questions of policy and expediency that may arise in the administration of the Plan.

(b) The Board (or the Committee) shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine when and how Purchase Rights to purchase shares of Common Stock shall be granted and the provisions of each Offering of such Purchase Rights (which need not be identical).

(ii) To designate from time to time which Related Corporations of the Company shall be eligible to participate in the Plan.

(iii) To construe and interpret the Plan and Purchase Rights granted under the Plan, and to establish, amend and revoke rules and regulations for the administration of the Plan.

The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iv) To amend the Plan as provided in Section 15.

(v) Generally, to exercise such powers and to perform such acts as it deems necessary or expedient to promote the best interests of the Company and its Related Corporations and to carry out the intent that the Plan be treated as an Employee Stock Purchase Plan.

(c) The Board may delegate administration of the Plan to a Committee of the Board composed of one (1) or more members of the Board. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan. If administration is delegated to a Committee, references to the Board in this Plan and in the Offering document shall thereafter be deemed to be to the Board or the Committee, as the case may be.

4. SHARES OF COMMON STOCK SUBJECT TO THE PLAN.

(a) Subject to the provisions of Section 14 relating to adjustments upon changes in stock, the shares of Common Stock that may be sold pursuant to Purchase Rights granted under the Plan shall not exceed in the aggregate one hundred fifty thousand (150,000) shares of Common Stock, plus an annual increase to be added on the day of each Annual Meeting beginning in 2002 equal to the least of the following amounts: (i) one percent (1%) of the Company's outstanding shares on the record date for the Annual Meeting; (ii) two hundred fifty thousand (250,000) shares of Common Stock; or (iii) such number of shares of Common Stock as determined by the Board, which number shall be less than each of (i) and (ii). If any Purchase Right granted under the Plan shall for any reason terminate without having been exercised, the shares not purchased under such Purchase Right shall again become available for issuance under the Plan.

(b) The shares of Common Stock subject to the Plan may be unissued shares or shares that have been bought on the open market at prevailing market prices or otherwise.

5. GRANT OF PURCHASE RIGHTS; OFFERING.

(a) The Board may from time to time grant or provide for the grant of Purchase Rights to purchase shares of Common Stock under the Plan to Eligible Employees in an Offering (consisting of one or more Purchase Periods) on an Offering Date or Offering Dates selected by the Board. Each Offering shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate, which shall comply with the requirement of Section 423(b)(5) of the Code that all Employees granted Purchase Rights to purchase shares of Common Stock under the Plan shall have the same rights and privileges. The terms and conditions of an

Offering shall be incorporated by reference into the Plan and treated as part of the Plan. The provisions of separate Offerings need not be identical, but each Offering shall include (through incorporation of the provisions of this Plan by reference in the document comprising the Offering or otherwise) the period during which the Offering shall be effective, which period shall not exceed twenty-seven (27) months beginning with the Offering Date, and the substance of the provisions contained in Sections 6 through 9, inclusive; provided, however, that each Offering, as so incorporated into the Plan, shall constitute a separate plan for purposes of Section 423(b) of the Code.

(b) If a Participant has more than one Purchase Right outstanding under the Plan, unless he or she otherwise indicates in agreements or notices delivered hereunder: (i) each agreement or notice delivered by that Participant shall be deemed to apply to all of his or her Purchase Rights under the Plan, and (ii) a Purchase Right with a lower exercise price (or an earlier-granted Purchase Right, if different Purchase Rights have identical exercise prices) shall be exercised to the fullest possible extent before a Purchase Right with a higher exercise price (or a later-granted Purchase Right, if different Purchase Rights have identical exercise prices) shall be exercised.

6. ELIGIBILITY.

(a) Purchase Rights may be granted only to Employees of the Company or, as the Board may designate as provided in Section 3(b), to Employees of a Related Corporation. Except as provided in Section 6(b), an Employee shall not be eligible to be granted Purchase Rights under the Plan unless, on the Offering Date, such Employee has been in the employ of the Company or the Related Corporation, as the case may be, for such continuous period preceding such Offering Date as the Board may require, but in no event shall the required period of continuous employment be greater than two (2) years. In addition, the Board may provide that no Employee shall be eligible to be granted Purchase Rights under the Plan unless, on the Offering Date, such Employee's customary employment with the Company or the Related Corporation is more than twenty (20) hours per week and more than five (5) months per calendar year.

(b) The Board may provide that each person who, during the course of an Offering, first becomes an Eligible Employee shall, on a date or dates specified in the Offering which coincides with the day on which such person becomes an Eligible Employee or which occurs thereafter, receive a Purchase Right under that Offering, which Purchase Right shall thereafter be deemed to be a part of that Offering. Such Purchase Right shall have the same characteristics as any Purchase Rights originally granted under that Offering, as described herein, except that:

(i) the date on which such Purchase Right is granted shall be the "Offering Date" of such Purchase Right for all purposes, including determination of the exercise price of such Purchase Right;

(ii) the period of the Offering with respect to such Purchase Right shall begin on its Offering Date and end coincident with the end of such Offering; and

(iii) the Board may provide that if such person first becomes an Eligible Employee within a specified period of time before the end of the Offering, he or she shall not receive any Purchase Right under that Offering.

(c) No Employee shall be eligible for the grant of any Purchase Rights under the Plan if, immediately after any such Purchase Rights are granted, such Employee owns stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Related Corporation. For purposes of this Section 6(c), the rules of Section 424(d) of the Code shall apply in determining the stock ownership of any Employee, and stock which such Employee may purchase under all outstanding Purchase Rights and options shall be treated as stock owned by such Employee.

(d) An Eligible Employee may be granted Purchase Rights under the Plan only if such Purchase Rights, together with any other rights granted under all Employee Stock Purchase Plans of the Company and any Related Corporations, as specified by Section 423(b)(8) of the Code, do not permit such Eligible Employee's rights to purchase stock of the Company or any Related Corporation to accrue at a rate which exceeds twenty five thousand dollars ($25,000) of Fair Market Value of such stock (determined at the time such rights are granted) for each calendar year in which such rights are outstanding at any time.

(e) Officers of the Company and any designated Related Corporation, if they are otherwise Eligible Employees, shall be eligible to participate in Offerings under the Plan. Notwithstanding the foregoing, the Board may provide in an Offering that Employees who are highly compensated Employees within the meaning of Section 423(b)(4)(D) of the Code shall not be eligible to participate.

7. PURCHASE RIGHTS; PURCHASE PRICE.

(a) On each Offering Date, each Eligible Employee, pursuant to an Offering made under the Plan, shall be granted a Purchase Right to purchase up to that number of shares of Common Stock purchasable either with a percentage or with a maximum dollar amount, as designated by the Board, but in either case not exceeding fifteen percent (15%), of such Employee's Earnings (as defined by the Board in each Offering) during the period that begins on the Offering Date (or such later date as the Board determines for a particular Offering) and ends on the date stated in the Offering, which date shall be no later than the end of the Offering.

(b) The Board shall establish one (1) or more Purchase Dates during an Offering as of which Purchase Rights granted under the Plan and pursuant to that Offering shall be exercised and purchases of shares of Common Stock shall be carried out in accordance with such Offering.

(c) In connection with each Offering made under the Plan, the Board may specify a maximum number of shares of Common Stock that may be purchased by any Participant pursuant to such Offering. In connection with each Offering made under the Plan, the Board may specify a maximum aggregate number of shares of Common Stock that may be purchased by all Participants pursuant to such Offering. In addition, in connection with each Offering that contains more than one Purchase Date, the Board may specify a maximum aggregate number of

shares of Common Stock that may be purchased by all Participants on any given Purchase Date under the Offering. If the aggregate purchase of shares of Common Stock issuable upon exercise of Purchase Rights granted under the Offering would exceed any such maximum aggregate number, then, in the absence of any Board action otherwise, a pro rata allocation of the shares of Common Stock available shall be made in as nearly a uniform manner as shall be practicable and equitable.

(d) The purchase price of shares of Common Stock acquired pursuant to Purchase Rights granted under the Plan shall be not less than the lesser of:

(i) an amount equal to eighty-five percent (85%) of the Fair Market Value of the shares of Common Stock on the Offering Date; or

(ii) an amount equal to eighty-five percent (85%) of the Fair Market Value of the shares of Common Stock on the Purchase Date.

8. PARTICIPATION; WITHDRAWAL; TERMINATION.

(a) An Eligible Employee may become a Participant in the Plan pursuant to an Offering by delivering a participation agreement to the Company within the time specified in the Offering, in such form as the Company provides. Each such agreement shall authorize payroll deductions of up to the maximum percentage specified by the Board of such Participant's Earnings (as defined in each Offering) during the Offering. The payroll deductions made for each Participant shall be credited to a bookkeeping account for such Participant under the Plan and shall be deposited with the general funds of the Company. To the extent provided in the Offering, a Participant may reduce (including to zero) or increase such payroll deductions. To the extent provided in the Offering, a Participant may begin such payroll deductions after the beginning of the Offering. A Participant may make additional payments into his or her account only if specifically provided for in the Offering and only if the Participant has not already had the maximum permitted amount withheld during the Offering.

(b) At any time during an Offering, a Participant may terminate his or her payroll deductions under the Plan and withdraw from the Offering by delivering to the Company a notice of withdrawal in such form as the Company may provide. Such withdrawal may be elected at any time prior to the end of the Offering, except as provided in the Offering. Upon such withdrawal from the Offering by a Participant, the Company shall distribute to such Participant all of his or her accumulated payroll deductions (reduced to the extent, if any, such deductions have been used to acquire shares of Common Stock for the Participant) under the Offering, without interest (unless otherwise specified in the Offering), and such Participant's interest in that Offering shall be automatically terminated. A Participant's withdrawal from an Offering shall have no effect upon such Participant's eligibility to participate in any other Offerings under the Plan, but such Participant shall be required to deliver a new participation agreement in order to participate in subsequent Offerings under the Plan.

(c) Purchase Rights granted pursuant to any Offering under the Plan shall terminate immediately upon a Participant ceasing to be an Employee for any reason or for no reason

(subject to any post-employment participation period required by law) or other lack of eligibility. The Company shall distribute to such terminated or otherwise ineligible Employee all of his or her accumulated payroll deductions (reduced to the extent, if any, such deductions have been used to acquire shares of Common Stock for the terminated or otherwise ineligible Employee) under the Offering, without interest (unless otherwise specified in the Offering).

(d) Purchase Rights granted under the Plan shall not be transferable by a Participant otherwise than by will or the laws of descent and distribution, or by a beneficiary designation as provided in Section 13 and, during a Participant's lifetime, shall be exercisable only by such Participant.

9. EXERCISE.

(a) On each Purchase Date during an Offering, each Participant's accumulated payroll deductions and other additional payments specifically provided for in the Offering (without any increase for interest) shall be applied to the purchase of shares of Common Stock up to the maximum number of shares of Common Stock permitted pursuant to the terms of the Plan and the applicable Offering, at the purchase price specified in the Offering. No fractional shares shall be issued upon the exercise of Purchase Rights granted under the Plan unless specifically provided for in the Offering.

(b) The amount, if any, of accumulated payroll deductions remaining in each Participant's account after the purchase of shares of Common Stock that is less than the amount required to purchase one share of Common Stock on the final Purchase Date of an Offering shall be held in each such Participant's account for the purchase of shares of Common Stock under the next Offering under the Plan, unless such Participant withdraws from such next Offering, as provided in Section 8(b), or is not eligible to participate in such Offering, as provided in Section 6, in which case such amount shall be distributed to the Participant after said final Purchase Date, without interest (unless otherwise specified in the Offering). The amount, if any, of accumulated payroll deductions remaining in a Participant's account after the purchase of shares of Common Stock that is equal to the amount required to purchase one (1) or more whole shares of Common Stock on the final Purchase Date of the Offering shall be distributed in full to the Participant at the end of the Offering without interest (unless otherwise specified in the Offering).

(c) No Purchase Rights granted under the Plan may be exercised to any extent unless the shares of Common Stock to be issued upon such exercise under the Plan are covered by an effective registration statement pursuant to the Securities Act and the Plan is in material compliance with all applicable federal, state, foreign and other securities and other laws applicable to the Plan. If on a Purchase Date during any Offering hereunder the shares of Common Stock are not so registered or the Plan is not in such compliance, no Purchase Rights granted under the Plan or any Offering shall be exercised on such Purchase Date, and the Purchase Date shall be delayed until the shares of Common Stock are subject to such an effective registration statement and the Plan is in such compliance, except that the Purchase Date shall not be delayed more than twelve (12) months and the Purchase Date shall in no event be more than twenty-seven (27) months from the Offering Date. If, on the Purchase Date under any Offering hereunder, as delayed to the maximum extent permissible, the shares of Common Stock are not

registered and the Plan is not in such compliance, no Purchase Rights granted under the Plan or any Offering shall be exercised and all payroll deductions accumulated during the Offering (reduced to the extent, if any, such deductions have been used to acquire shares of Common Stock) shall be distributed to the Participants, without interest (unless otherwise specified in the Offering).

10. COVENANTS OF THE COMPANY.

(a) During the terms of the Purchase Rights granted under the Plan, the Company shall ensure that the amount of shares of Common Stock required to satisfy such Purchase Rights are available.

(b) The Company shall seek to obtain from each federal, state, foreign or other regulatory commission or agency having jurisdiction over the Plan such authority as may be required to issue and sell shares of Common Stock upon exercise of the Purchase Rights granted under the Plan. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of shares of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell shares of Common Stock upon exercise of such Purchase Rights unless and until such authority is obtained.

11. USE OF PROCEEDS FROM SHARES OF COMMON STOCK.

Proceeds from the sale of shares of Common Stock pursuant to Purchase Rights granted under the Plan shall constitute general funds of the Company.

12. RIGHTS AS A STOCKHOLDER.

A Participant shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, shares of Common Stock subject to Purchase Rights granted under the Plan unless and until the Participant's shares of Common Stock acquired upon exercise of Purchase Rights granted under the Plan are recorded in the books of the Company (or its transfer agent).

13. DESIGNATION OF BENEFICIARY.

(a) A Participant may file a written designation of a beneficiary who is to receive any shares of Common Stock and/or cash, if any, from the Participant's account under the Plan in the event of such Participant's death subsequent to the end of an Offering but prior to delivery to the Participant of such shares of Common Stock or cash. In addition, a Participant may file a written designation of a beneficiary who is to receive any cash from the Participant's account under the Plan in the event of such Participant's death during an Offering.

(b) The Participant may change such designation of beneficiary at any time by written notice. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company

shall deliver such shares of Common Stock and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its sole discretion, may deliver such shares of Common Stock and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

14. ADJUSTMENTS UPON CHANGES IN SECURITIES; CORPORATE TRANSACTIONS.

(a) If any change is made in the shares of Common Stock, subject to the Plan, or subject to any Purchase Right, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan shall be appropriately adjusted in the type(s), class(es) and maximum number of shares of Common Stock subject to the Plan pursuant to Section 4(a), and the outstanding Purchase Rights granted under the Plan shall be appropriately adjusted in the type(s), class(es), number of shares and purchase limits of such outstanding Purchase Rights. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a "transaction not involving the receipt of consideration by the Company.")

(b) In the event of a Corporate Transaction, then: (i) any surviving or acquiring corporation may continue or assume Purchase Rights outstanding under the Plan or may substitute similar rights (including a right to acquire the same consideration paid to stockholders in the transaction described in this Section 14(b)) for those outstanding under the Plan, or (ii) if any surviving or acquiring corporation does not assume such Purchase Rights or does not substitute similar rights for Purchase Rights outstanding under the Plan, then, the Participants' accumulated payroll deductions (exclusive of any accumulated interest which cannot be applied toward the purchase of shares of Common Stock under the terms of the Offering) shall be used to purchase shares of Common Stock immediately prior to the Corporate Transaction under the ongoing Offering, and the Participants' Purchase Rights under the ongoing Offering shall terminate immediately after such purchase.

15. AMENDMENT OF THE PLAN.

(a) The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 14 relating to adjustments upon changes in securities and except as to amendments solely to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favorable tax, exchange control or regulatory treatment for Participants or the Company or any Related Corporation, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary for the Plan to satisfy the requirements of Section 423 of the Code, any Nasdaq or other securities exchange listing requirements or other applicable laws or regulations. Currently under the Code, stockholder approval within twelve (12) months before or after the adoption of the amendment is required where the amendment shall increase the amount of shares of Common Stock reserved

for issuance pursuant to Purchase Rights under the Plan or make certain modifications to the provisions as to eligibility for participation in the Plan.

(b) It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Employee Stock Purchase Plans and/or to bring the Plan and/or Purchase Rights granted under the Plan into compliance therewith.

(c) The rights and obligations under any Purchase Rights granted before amendment of the Plan shall not be impaired by any amendment of the Plan except (i) with the consent of the person to whom such Purchase Rights were granted, (ii) as necessary to comply with any laws or governmental regulations, or (iii) as necessary to ensure that the Plan and/or Purchase Rights granted under the Plan comply with the requirements of Section 423 of the Code.

16. TERMINATION OR SUSPENSION OF THE PLAN.

(a) The Board in its discretion may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate at the time that all of the shares of Common Stock reserved for issuance under the Plan, as increased and/or adjusted from time to time, have been issued under the terms of the Plan. No Purchase Rights may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) Any benefits, privileges, entitlements and obligations under any Purchase Rights granted under the Plan while the Plan is in effect shall not be impaired by suspension or termination of the Plan except (i) as expressly provided in the Plan or with the consent of the person to whom such Purchase Rights were granted, (ii) as necessary to comply with any laws, regulations, or listing requirements, or (iii) as necessary to ensure that the Plan and/or Purchase Rights granted under the Plan comply with the requirements of Section 423 of the Code.

17. EFFECTIVE DATE OF PLAN.

The Plan shall become effective as determined by the Board, but no Purchase Rights granted under the Plan shall be exercised unless and until the Plan has been approved by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted by the Board, which date may be prior to the effective date set by the Board.

ACADIA PHARMACEUTICALS INC.

2000 EMPLOYEE STOCK PURCHASE PLAN
OFFERING

ADOPTED BY THE BOARD OF DIRECTORS DECEMBER 20, 2000

In this document, capitalized terms not otherwise defined shall have the same definitions of such terms as in the ACADIA Pharmaceuticals Inc. 2000 Employee Stock Purchase Plan.

1. GRANT; OFFERING DATE.

(a) The Board hereby authorizes an Offering pursuant to the following terms.

(b) The first Offering hereunder (the "Initial Offering") shall begin on the effective date of the initial public offering of the shares of the Common Stock and end on [IPO Date + 2 years]. The Initial Offering shall consist of four (4) Purchase Periods, with the first Purchase Period ending on _____, the second Purchase Period ending on _____, the third Purchase Period ending on _____, and the fourth Purchase Period ending on _____. Thereafter, an Offering shall begin on each [_____] and each Offering shall be two (2) years in duration, with four (4) Purchase Period(s) each of which shall be approximately six (6) months in length. Each Offering shall end on the day prior to the first day of the subsequent Offering except as provided below. Except as provided below, a Purchase Date is the last day of a Purchase Period or of an Offering, as the case may be.]

(c) Notwithstanding the foregoing: (i) if any Offering Date falls on a day that is not a Trading Day, then such Offering Date shall instead fall on the next subsequent Trading Day and (ii) if any Purchase Date falls on a day that is not a Trading Day, then such Purchase Date shall instead fall on the immediately preceding Trading Day.

(d) Prior to the commencement of any Offering, the Board may change any or all terms of such Offering and any subsequent Offerings. The granting of Purchase Rights pursuant to each Offering hereunder shall occur on each respective Offering Date unless prior to such date (i) the Board determines that such Offering shall not occur, or (ii) no shares of Common Stock remain available for issuance under the Plan in connection with the Offering.

(e) Notwithstanding anything in this Section 1 to the contrary, if on the first day of the new Purchase Period during the Offering the Fair Market Value of the shares of Common Stock is less than it was on the Offering Date for that Offering, that day shall become the next Offering Date, and the Offering that would otherwise have continued in effect shall immediately terminate and the Employees who were employed in the terminated Offering shall automatically be enrolled in the new Offering that starts such day.

2. ELIGIBLE EMPLOYEES.

(a) All Employees of the Company and each of its Related Corporations incorporated in the United States shall be granted Purchase Rights to purchase shares of Common Stock under

each Offering on the Offering Date of such Offering, provided that each such Employee otherwise meets the employment requirements of Section 6(a) of the Plan and is employed by the Company or a Related Corporation prior to the Offering Date.

(b) Notwithstanding the foregoing, the following Employees shall NOT be Eligible Employees or be granted Purchase Rights under an Offering: (i) part-time or seasonal Employees whose customary employment is twenty (20) hours per week or less or five (5) months per calendar year or less; (ii) five percent (5%) stockholders (including ownership through unexercised and/or unvested stock options) as described in Section 6(c) of the Plan; or (iii) Employees in jurisdictions outside of the United States if, as of the Offering Date of the Offering, the grant of such Purchase Rights would not be in compliance with the applicable laws of any jurisdiction in which the Employee resides or is employed.

(c) Notwithstanding the foregoing, each person who first becomes an Eligible Employee during any Offering shall, on the day after the FIRST Purchase Date during that Offering in which such person FIRST satisfies the service requirement to become an Eligible Employee, receive a Purchase Right under such Offering, which Purchase Right shall thereafter be deemed to be a part of the Offering. Such Purchase Right shall have the same characteristics as any Purchase Rights originally granted under the Offering except that:

(i) the date on which such Purchase Right is granted shall be the "Offering Date" of such Purchase Right for all purposes, including determination of the exercise price of such Purchase Right; and

(ii) the Offering for such Purchase Right shall begin on its Offering Date and end coincident with the end of the ongoing Offering.

3. PURCHASE RIGHTS.

(a) Subject to the limitations contain herein and in the Plan, on each Offering Date each Eligible Employee shall be granted a Purchase Right to purchase the number of shares of Common Stock purchasable with up to fifteen percent (15%) of such Eligible Employee's Earnings paid during the period of such Offering beginning after such Eligible Employee first commences participation; PROVIDED, HOWEVER, that no Eligible Employee may have more than fifteen percent (15%) of such Eligible Employee's Earnings applied to purchase shares of Common Stock under all ongoing Offerings under the Plan and all other plans of the Company intended to qualify as Employee Stock Purchase Plans under Section 423 of the Code.

(b) For this Offering, "Earnings" means the total compensation paid to an Employee, including all salary, wages (including amounts elected to be deferred by the employee, that would otherwise have been paid, under any cash or deferred arrangement or other deferred compensation program established by the Company), overtime pay, commissions, bonuses, and other remuneration paid directly to the Employee, but excluding profit sharing, the cost of employee benefits paid for by the Company, education or tuition reimbursements, imputed income arising under any Company group insurance or benefit program, traveling expenses, business and moving expense reimbursements, income received in connection with stock

options, contributions made by the Company under any employee benefit plan, and similar items of compensation.

(c) Notwithstanding the foregoing, the maximum number of shares an Eligible Employee may purchase on any Purchase Date in an Offering shall be such number of shares as has a Fair Market Value (determined as of the Offering Date for such Offering) equal to (x) $25,000 multiplied by the number of calendar years in which the Purchase Right under such Offering has been outstanding at any time, minus (y) the Fair Market Value of any other shares (determined as of the relevant Offering Date with respect to such shares) which, for purposes of the limitation of Section 423(b)(8) of the Code, are attributed to any of such calendar years in which the Purchase Right is outstanding. The amount in clause (y) of the previous sentence shall be determined in accordance with regulations applicable under Section 423(b)(8) of the Code based on (i) the number of shares previously purchased with respect to such calendar years pursuant to such Offering or any other Offering under the Plan, or pursuant to any other Company plans intended to qualify as Employee Stock Purchase Plans under Section 423 of the Code, and (ii) the number of shares subject to other Purchase Rights outstanding on the Offering Date for such Offering pursuant to the Plan or any other such Company Employee Stock Purchase Plan.

(d) The maximum aggregate number of shares of Common Stock available to be purchased by all Eligible Employees under an Offering shall be the number of shares of Common Stock remaining available under the Plan on the Offering Date. If the aggregate purchase of shares of Common Stock upon exercise of Purchase Rights granted under the Offering would exceed the maximum aggregate number of shares available, the Board shall make a pro rata allocation of the shares available in a uniform and equitable manner.

(e) Notwithstanding the foregoing, the maximum number of shares of Common Stock that an Eligible Employee may purchase during any Offering shall not exceed Ten Thousand (10,000) shares.

4. PURCHASE PRICE.

The purchase price of shares of Common Stock under the Offering shall be the lesser of: (i) eighty-five percent (85%) of the Fair Market Value of such shares of Common Stock on the Offering Date or (ii) or eighty-five percent (85%) of the Fair Market Value of such shares of Common Stock on the Purchase Date, in each case rounded up to the nearest whole cent per Share. For the Initial Offering, the Fair Market Value of the shares of Common Stock at the time when the Offering commences shall be the price per share at which shares are first sold to the public in the Company's initial public offering as specified in the final prospectus for that initial public offering.

5. PARTICIPATION.

(a) An Eligible Employee may elect to participate in an Offering on the Offering Date or as of the first day following any Purchase Date; provided, however, that a person who first becomes an Eligible Employee during an Offering may elect to participate at the Offering Date applicable to such Eligible Employee in accordance with Section 2(b) of this Offering

document. An Eligible Employee shall become a Participant in an Offering by delivering an enrollment form authorizing payroll deductions. Such deductions must be in whole percentages of Earnings, with a minimum percentage of one percent (1%) and a maximum percentage of fifteen percent (15%). A Participant may not make additional payments into his or her account. The agreement shall be made on such enrollment form as the Company provides, and must be delivered to the Company prior to the date participation is to be effective, unless a later time for filing the enrollment form is set by the Company for all Eligible Employees with respect to a given Offering.

(b) A Participant may increase or reduce (including to zero) his or her participation level once during the six (6) month period ending on a Purchase Date, excluding only each ten (10) business day period immediately preceding a Purchase Date (or such shorter period of time as determined by the Company and communicated to Participants). In addition, a Participant may reduce his or her participation level to zero percent (0%) at any time during the course of an Offering, excluding only each ten (10) business day period immediately preceding a Purchase Date (or such shorter period of time as determined by the Company and communicated to Participants). Any such change in participation shall be made by delivering a notice to the Company or a designated Related Corporation in such form and at such time as the Company provides.

(c) A Participant may withdraw from an Offering and receive his or her accumulated payroll deductions from the Offering (reduced to the extent, if any, such deductions have been used to acquire shares of Common Stock for the Participant on any prior Purchase Dates) without interest, at any time prior to the end of the Offering, excluding only each ten (10) business day period immediately preceding a Purchase Date (or such shorter period of time determined by the Company and communicated to Participants), by delivering a withdrawal notice to the Company in such form as the Company provides. A Participant who has withdrawn from an Offering shall not again participate in such Offering, but may participate in subsequent Offerings under the Plan in accordance with the terms thereof.

(d) Notwithstanding the foregoing or any other provision of this Offering document or of the Plan to the contrary, neither the enrollment of any Eligible Employee in the Plan nor any forms relating to participation in the Plan shall be given effect until such time as a registration statement covering the registration of the shares under the Plan that are subject to the Offering has been filed by the Company and has become effective.

6. PURCHASES.

Subject to the limitations contained herein, on each Purchase Date, each Participant's accumulated payroll deductions (without any increase for interest) shall be applied to the purchase of whole shares, up to the maximum number of shares permitted under the Plan and the Offering.

7. NOTICES AND AGREEMENTS.

Any notices or agreements provided for in an Offering or the Plan shall be given in writing, in a form provided by the Company, and unless specifically provided for in the Plan or

this Offering, shall be deemed effectively given upon receipt or, in the case of notices and agreements delivered by the Company, five (5) days after deposit in the United States mail, postage prepaid.

8. EXERCISE CONTINGENT ON STOCKHOLDER APPROVAL.

The Purchase Rights granted under an Offering are subject to the approval of the Plan by the stockholders of the Company as required for the Plan to obtain treatment as a tax-qualified Employee Stock Purchase Plan.

9. OFFERING SUBJECT TO PLAN.

Each Offering is subject to all the provisions of the Plan, and the provisions of the Plan are hereby made a part of the Offering. The Offering is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of an Offering and those of the Plan (including interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan), the provisions of the Plan shall control.

CORPORATEPLAN FOR RETIREMENT 100-SM-

THE PROFIT SHARING/401(K) PLAN

FIDELITY BASIC PLAN DOCUMENT NO. 10

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ARTICLE 1 ADOPTION AGREEMENT

ARTICLE 2 DEFINITIONS

2.01 DEFINITIONS

(a) Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

(1) "Account" means an account established on the books of the Trust for the purpose of recording contributions made on behalf of a Participant and any income, expenses, gains or losses incurred thereon.

(2) "Administrator" means the Employer adopting this Plan, or other person designated by the Employer in Section 1.01(c).

(3) "Adoption Agreement" means Article 1 under which the Employer establishes and adopts, or amends, the Plan and Trust and designates the optional provisions selected by the Employer, and the Trustee accepts its responsibilities under Article 14. The provisions of the Adoption Agreement shall be an integral part of the Plan.

(4) "Annuity Starting Date" means the first day of the first period for which an amount is payable as an annuity or in any other form.

(5) "Beneficiary" means the person or persons entitled under Section 7.04 to receive benefits under the Plan upon the death of a Participant, provided that for purposes of Section 7.04 such term shall be applied in accordance with Section 401(a)(9) of the Code and the regulations thereunder.

(6) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(7) "Compensation" shall mean:

(A) for purposes of Article 4 (Contributions) other than Section 4.02 (Additional Limit on Deferral Contributions) and Section 4.04 (Limit on Matching Contributions), Compensation as defined in Section 5.03(e)(2) excluding any items elected by the Employer in Section 1.04(a), reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, deferred compensation and welfare benefits, but including amounts that are not includable in the gross income of the Participant under a salary reduction agreement by reason of the application of Sections 125, 401(k), 402(h)(1)(B), or 403(b) of the Code; and

(B) for purposes of Section 2.01(a)(16) (Highly Compensated Employees), Section 4.02, Section 5.03 (Code Section 415 Limitations), and Section 9.03 (Top Heavy Plan Minimum Contributions), Compensation as defined in Section 5.03(e)(2).

(C) for purposes of Section 4.02 (Additional Limit on Deferral Contributions) and Section 4.04 (Limit on Matching Contributions), the Employer may elect Compensation as defined in Section 2.01(a)(7)(A) or Section 5.03(e)(2) excluding reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, deferred compensation and welfare benefits, but including amounts that are not includable in the gross income of the

Participant under a salary reduction agreement by reason of the application of Section 125, 401(k), 402(h) or 403(b) of the Code.

Compensation shall generally be based on the amount actually paid to the Participant during the Plan Year or, for purposes of Article 4 if so elected by the Employer in Section 1.04(b), during that portion of the Plan Year during which the Employee is eligible to participate. Notwithstanding the preceding sentence, Compensation for purposes of Section 5.03 (Code Section 415 Limitations) shall be based on the amount actually paid or made available to the Participant during the Limitation Year. Compensation for the initial Plan Year for a new Plan shall be based upon eligible Participant Compensation, subject to Section 1.04(b), from the Effective Date listed in Section 1.01(g)(1) through the end of the first Plan Year. In the case of any Self-Employed Individual, Compensation shall mean the Individual's Earned Income.

For Plan Years beginning after December 31, 1988 and before January 1, 1994, the annual Compensation of each Participant taken into account for determining all benefits provided under the Plan for any determination period shall not exceed $200,000. This limitation shall be adjusted by the Secretary at the same time and in the same manner as under Section 415(d) of the Code, except that the dollar increase in effect on January 1 of any calendar year is effective for years beginning in such calendar Year and the first adjustment to the $200,000 limitation is effected on January 1, 1990. If a Plan determines Compensation on a period of time that contains fewer than 12 calendar months, then annual Compensation limit is amount equal to the annual Compensation limit for the calendar year in which the Compensation period begins multiplied by the ratio obtained by dividing the number of full months in the period by 12.

In addition to other applicable limitations set forth in the plan, and notwithstanding any other provision of the plan to the contrary, for Plan Years beginning on or after January 1, 1994, the annual Compensation of each Employee taken into account under the plan shall not exceed the OBRA `93 annual Compensation limit. The OBRA `93 annual Compensation limit is $150,000, as adjusted by the Commissioner for increases in the cost of living in accordance with Section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which Compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA `93 annual Compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

For plan years beginning on or after January 1, 1994, any reference in this plan to the limitation under Section 401(a)(17) of the Code shall mean the OBRA `93 annual Compensation limit set forth in this provision. The annual Compensation limit applies for purposes of applying the nondiscrimination rules under Sections 401(a)(4), 401(a)(5), 401(l), 401(k)(3), 401(m)(2), 403(b)(12), 404(a)(2) and 410(b)(2) of the Code.

If Compensation for any prior determination period is taken into account in determining an Employees' benefits accruing in the current plan year, the Compensation for that prior determination period is subject to the OBRA `93 annual Compensation limit in effect for that prior determination period. For this purpose, for determination periods beginning before the first day of the first plan year beginning on or after January 1, 1994, the OBRA `93 annual Compensation limit is $150,000.

If Compensation for any prior determination period is taken into account in determining an Employee's allocations or benefits for the current determination period, the Compensation for such prior year is subject to the applicable annual Compensation limit in effect for that prior year. For this purpose, for years beginning before January 1, 1990, the applicable annual Compensation limit is $200,000.

In determining the Compensation of a Participant for purposes of this limitation, the rules of Section 414(q)(6) of the Code shall apply, except that in applying such rules, the term "family" shall include only the spouse of the Participant and any lineal descendants of the Participant who have not attained

age 19 before the close of the year. If the $200,000 limitation is exceeded as a result of the application of these rules, then the limitation shall be prorated among the affected individuals in proportion to each such individual's Compensation as determined under this Section prior to the application of this limitation.

(8) "Earned Income" means the net earnings of a Self-Employed Individual derived from the trade or business with respect to which the Plan is established and for which the personal services of such individual are a material income-providing factor, excluding any items not included in gross income and the deductions allocated to such items, except that for taxable years beginning after December 31, 1989 net earnings shall be determined with regard to the deduction allowed under Section 164(f) of the Code, to the extent applicable to the Employer. Net earnings shall be reduced by contributions of the Employer to any qualified Plan, to the extent a deduction is allowed to the Employer for such contributions under Section 404 of the Code.

(9) "Eligibility Computation Period" means each 12-consecutive month period beginning with the Employment Commencement Date and each anniversary thereof or, in the case of an Employee who before completing the eligibility requirements set forth in Section 1.03(a)(1) incurs a break in service for participation purposes and thereafter returns to the employ of the Employer or Related Employer, each 12-consecutive month period beginning with the first day of re-employment and each anniversary thereof. A "break in service for participation purposes" shall mean an Eligibility Computation Period during which the Participant does not complete more than 500 Hours of Service with the Employer.

(10)"Employee" means any Employee of the Employer, any Self-Employed Individual or Owner-Employee. The Employer must specify in Section 1.03(a)(3) any Employee, or class of Employees, not eligible to participate in the Plan. If the Employer elects to exclude collective bargaining Employees, the exclusion applies to any Employee of the Employer included in a unit of Employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between Employee representatives and one or more employers unless the collective bargaining agreement requires the Employee to be included within the Plan. The term "Employee representatives" does not include any organization more than half the members of which are owners, officers, or executives of the Employer.

For purposes of the Plan, an individual shall be considered to become an Employee on the date on which he first completes an Hour of Service and he shall be considered to have ceased to be an Employee on the date on which he last completes an Hour of Service. The term also includes a Leased Employee, such that contributions or benefits provided by the leasing organization which are attributable to services performed for the Employer shall be treated as provided by the Employer. Notwithstanding the above, a Leased Employee shall not be considered an Employee if Leased Employees do not constitute more than 20 percent of the Employer's non-highly compensated work force (taking into account all Related Employers) and the Leased Employee is covered by a money purchase pension Plan maintained by the leasing organization which Plan provides (i) a non integrated employer contribution rate of at least 10 percent of Compensation, as defined for purposes of Section 415(c)(3) of the Code, but including amounts contributed pursuant to a salary reduction agreement which are excludable from gross income under Section 125, Section 402(a)(8), Section 402(h) or Section 403(b) of the Code, (ii) full and immediate vesting, and (iii) immediate participation by each Employee of the leasing organization.

(11)"Employer" means the employer named in Section 1.02(a) and any Related Employers required by this Section 2.01(a)(11). If Article 1 of the Employer's Plan is the Standardized Adoption Agreement, the term "Employer" includes all Related Employers. If Article 1 of the Employer's Plan is the Non-standardized Adoption Agreement, the term "Employer" includes those Related Employers designated in Section 1.02(b).

(12)"Employment Commencement Date" means the date on which the Employee first performs an Hour of Service.

(13)"ERISA" means the Employee Retirement Income Security Act of 1974, as from time to time amended.

(14)"Fidelity Fund" means any Registered Investment Company or Managed Income Portfolio of the Fidelity Group Trust for Employee Benefit Plans which is made available to Plans utilizing the CORPORATEplan FOR RETIREMENT 100-SM- Profit Sharing/401(k) Plan.

(15)"Fund Share" means the share, unit, or other evidence of ownership in a Fidelity Fund.

(16)"Highly Compensated Employee" means both highly compensated active Employees and highly compensated former Employees.

A highly compensated active Employee includes any Employee who performs service for the Employer during the determination year and who, during the look-back year: (i) received Compensation from the Employer in excess of $75,000 (as adjusted pursuant to Section 415(d) of the Code); (ii) received Compensation from the Employer in excess of $50,000 (as adjusted pursuant to Section 415(d) of the Code) and was a member of the top-paid group for such year; or (iii) was an officer of the Employer and received Compensation during such year that is greater than 50 percent of the dollar limitation in effect under Section 415(b)(1)(A) of the Code. The term highly compensated Employee also includes: (i) Employees who are both described in the preceding sentence if the term "determination year" is substituted for the term "look-back year" and the Employee is one of the 100 Employees who received the most Compensation from the Employer during the determination year; and (ii) Employees who are 5 percent owners at any time during the look-back year or determination year. If no officer has satisfied the Compensation requirement of (iii) above during either a determination year or look-back year, the highest paid officer for such year shall be treated as a highly compensated Employee. For this purpose, the determination year shall be the Plan Year. The look-back year shall be the twelve-month period immediately preceding the determination year. The Employer may elect to make the look-back year calculation for a determination on the basis of the calendar year ending with or within the applicable determination year, as prescribed by Section 414(q) of the Code and the regulations issued thereunder. A highly compensated former Employee includes any Employee who separated from service (or was deemed to have separated) prior to the determination year, performs no service for the Employer during the determination year, and was a highly compensated active Employee for either the separation year or any determination year ending on or after the Employee's 55th birthday.

If an Employee is, during a determination year or look-back year, a family member of either a 5 percent owner who is an active or former Employee or a highly compensated Employee who is one of the 10 most highly compensated Employees ranked on the basis of Compensation paid by the Employer during such year, then the family member and the 5 percent owner or top-ten highly compensated Employee shall be aggregated. In such case, the family member and 5 percent owner or top-ten highly compensated Employee shall be treated as a single Employee receiving Compensation and Plan contributions or benefits equal to the sum of such Compensation and contributions or benefits of the family member and 5 percent owner or top-ten highly compensated Employee. For purposes of this Section, family member includes the spouse, lineal ascendants and descendants of the Employee or former Employee and the spouses of such lineal ascendants and descendants.

The determination of who is a highly compensated Employee, including the determinations of the number and identity of Employees in the top-paid group, the top 100 Employees, the number of Employees treated as officers and the Compensation that is considered, will be made in accordance with Section 414(q) of the Code and the regulations thereunder.

The determination of who is a highly compensated Employee may be made pursuant to Internal Revenue Service Revenue Procedure 93-42, "Data Substantiation Guidelines and Non-Discrimination Requirements, of Section 401(a)(4), 410(b), and Related Code Sections" and subsequent regulations.

(17)"Hour of Service" means, with respect to any Employee,

(A) Each hour for which the Employee is directly or indirectly paid, or entitled to payment, for the performance of duties for the Employer or a Related Employer, each such hour to be credited to the Employee for the Eligibility Computation Period in which the duties were performed;

(B) Each hour for which the Employee is directly or indirectly paid, or entitled to payment, by the Employer or Related Employer (including payments made or due from a trust fund or insurer to which the Employer contributes or pays premiums) on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity, disability, layoff, jury duty, military duty, or leave of absence, each such hour to be credited to the Employee for the Eligibility Computation Period in which such period of time occurs, subject to the following rules:

(i) No more than 501 Hours of Service shall be credited under this paragraph (B) on account of any single continuous period during which the Employee performs no duties;

(ii) Hours of Service shall not be credited under this paragraph (B) for a payment which solely reimburses the Employee for medically-related expenses, or which is made or due under a Plan maintained solely for the purpose of complying with applicable workmen's Compensation, unemployment Compensation or disability insurance laws; and

(iii) If the period during which the Employee performs no duties falls within two or more Eligibility Computation Periods and if the payment made on account of such period is not calculated on the basis of units of time, the Hours of Service credited with respect to such period shall be allocated between not more than the first two such Eligibility Computation Periods on any reasonable basis consistently applied with respect to similarly situated Employees; and

(C) Each hour not counted under paragraph (A) or (B) for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to be paid by the Employer or a Related Employer, each such hour to be credited to the Employee for the Eligibility Computation Period to which the award or agreement pertains rather than the Eligibility Computation Period in which the award agreement or payment is made.

For purposes of determining Hours of Service, Employees of the Employer and of all Related Employers will be treated as employed by a single employer. For purposes of paragraphs (B) and (C) above, Hours of Service will be calculated in accordance with the provisions of Section 2530.200b-2(b) of the Department of Labor regulations which are incorporated herein by reference.

Solely for purposes of determining whether a break in service for participation purposes has occurred in a computation period, an individual who is absent from work for maternity or paternity reasons shall receive credit for the hours of service which would otherwise been credited to such individual but for such absence, or in any case in which such hours cannot be determined, 8 hours of service per day of such absence. For purposes of this paragraph, an absence from work for maternity reasons means an absence (1) by reason of the pregnancy of the individual, (2) by reason of a birth of a child of the individual, (3) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or (4) for purposes of caring for such child for a period beginning immediately following such birth or placement. The hours of service credited under this paragraph shall be credited (1) in the computation period in which the absence begins if the crediting is necessary to prevent a break in service in that period, or (2) in all other cases, in the following computation period.

(18)"Leased Employee" means any individual who provides services to the Employer or a Related Employer (the "recipient") but is not otherwise an Employee of the recipient if (i) such services are provided pursuant to an agreement between the recipient and any other person (the "leasing organization"), (ii) such individual has performed services for the recipient (or for the recipient and any related persons within the meaning of Section 414(n)(6) of the Code) on a substantially full-time basis for at least one year, and (iii) such services are of a type historically performed by Employees in the business field of the recipient.

(19)"Normal Retirement Age" means the normal retirement age specified in Section 1.06(a) of the Adoption Agreement. If the Employer enforces a mandatory retirement age, the Normal Retirement Age is the lesser of that mandatory age or the age specified in Section 1.06(a).

(20)"Owner-Employee" means, if the Employer is a sole proprietorship, the individual who is the sole proprietor, or if the Employer is a partnership, a partner who owns more than 10 percent of either the capital interest or the profits interest of the partnership.

(21)"Participant" means any Employee who participates in the Plan in accordance with Article 3 hereof.

(22)"Plan" means the Plan established by the Employer in the form of the prototype Plan as set forth herein as a new Plan or as an amendment to an existing Plan, by executing the Adoption Agreement, together with any and all amendments hereto.

(23)"Plan Year" means the 12-consecutive month period designated by the Employer in Section 1.01(f).

(24)"Prototype Sponsor" means Fidelity Management and Research Company, or its successor.

(25)"Registered Investment Company" means any one or more corporations, partnerships or trusts registered under the Investment Company Act of 1940 for which Fidelity Management and Research Company serves as investment advisor.

(26)"Related Employer" means any employer other than the Employer named in Section 1.02(a), if the Employer and such other employer are members of a controlled group of corporations (as defined in Section 414(b) of the Code) or an affiliated service group (as defined in Section 414(m)), or are trades or businesses (whether or not incorporated) which are under common control (as defined in Section 414(c)), or such other employer is required to be aggregated with the Employer pursuant to regulations issued under Section 414(o).

(27)"Self-Employed Individual" means an individual who has Earned Income for the taxable year from the Employer or who would have had Earned Income but for the fact that the trade or business had no net profits for the taxable year.

(28)"Trust" means the trust created by the Employer in accordance with the provisions of Section 14.01.

(29)"Trust Agreement" means the agreement between the Employer and the Trustee, as set forth in Article 14, under which the assets of the Plan are held, administered, and managed.

(30)"Trust Fund" means the property held in Trust by the Trustee for the Accounts of the Participants and their Beneficiaries.

(31)"Trustee" means the Fidelity Management Trust Company, or its successor.

(32)"Year of Service for Participation" means, with respect to any Employee, an Eligibility Computation Period during which the Employee has been credited with at least 1,000 Hours of Service. If the Plan maintained by the Employer is the Plan of a predecessor employer, an Employee's Years of Service for Participation shall include years of service with such predecessor employer. In any case in which the Plan maintained by the Employer is not the Plan maintained by a predecessor employer, service for such predecessor shall be treated as service for the Employer, to the extent provided in Section 1.08.

(33)"Years of Service for Vesting" means, with respect to any Employee, the number of whole years of his periods of service with the Employer or a Related Employer (the elapsed time method to compute vesting service). An Employee will receive credit for the aggregate of all time period(s) commencing with the Employee's Employment Commencement Date and ending on the date a break in service begins. An Employee will also receive credit for any period of severance of less than 12 consecutive months. Fractional periods of a year will be expressed in terms of days.

In the case of a Participant who has 5 consecutive 1-year breaks in service, all years of service after such breaks in service will be disregarded for the purpose of vesting the Employer-derived account balance that accrued before such breaks, but both pre-break and post-break service will count for the purposes of vesting the Employer-derived account balance that accrues after such breaks. Both accounts will share in the earnings and losses of the fund. In the case of a Participant who does not have 5 consecutive 1-year breaks in service, both the pre-break and post-break service will count in vesting both the pre-break and post-break employer-derived account balance. A break in service is a period of severance of at least 12 consecutive months. Period of severance is a continuous period of time during which the Employee is not employed by the Employer. Such period begins on the date the Employee retires, quits or is discharged, or if earlier, the 12 month anniversary of the date on which the Employee was otherwise first absent from service.

In the case of an individual who is absent from work for maternity or paternity reasons, the 12-consecutive month period beginning on the first anniversary of the first date of such absence shall not constitute a break in service. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence (l) by reason of the pregnancy of the individual, (2) by reason of the birth of a child of the individual, (3) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or (4) for purposes of caring for such child for a period beginning immediately following such birth or placement.

If the Plan maintained by the Employer is the Plan of a predecessor employer, an Employee's Years of Service for Vesting shall include years of service with such predecessor employer. In any case in which the Plan maintained by the Employer is not the Plan maintained by a predecessor employer, service for such predecessor shall be treated as service for the Employer to the extent provided in Section 1.08.

(b) Pronouns used in the Plan are in the masculine gender but include the feminine gender unless the context clearly indicates otherwise.

ARTICLE 3 PARTICIPATION

3.01 DATE OF PARTICIPATION

All Employees in the eligible class (as defined in Section 1.03(a)(3)) who are in the service of the Employer on the Effective Date will become Participants on the date elected by the Employer in Section 1.03(c). Any other Employee will become a Participant in the Plan as of the first Entry Date on which he first satisfies the eligibility requirements set forth in Section 1.03(a). In the event that an Employee who is not a member of an eligible class (as defined in Section 1.03(a)(3)) becomes a member of an eligible class, the individual shall participate immediately if such

individual had already satisfied the eligibility requirements and would have otherwise previously become a Participant.

If an eligibility requirement other than one Year of Service is elected in 1.03(a)(1), an Employee may not be required to complete a minimum number of Hours of Service before becoming a Participant. An otherwise eligible Employee subject to a minimum months of service requirement shall become a Participant on the first Entry Date following his completion of the required number of consecutive months of employment measured from his Employment Commencement Date to the coinciding date in the applicable following month. For purposes of determining consecutive months of service, the Related Employer and predecessor employer rules contained in Sections 2.01(a)(17) and 2.01(a)(32) shall apply.

3.02 RESUMPTION OF PARTICIPATION FOLLOWING RE EMPLOYMENT

If a Participant ceases to be an Employee and thereafter returns to the employ of the Employer he will be treated as follows:

(a) he will again become a Participant on the first date on which he completes an Hour of Service for the Employer following his reemployment and is in the eligible class of Employees as defined in Section 1.03(a)(3), and

(b) any distribution which he is receiving under the Plan will cease except as otherwise required under Section 8.08.

3.03 CESSATION OR RESUMPTION OF PARTICIPATION FOLLOWING A CHANGE IN STATUS

If any Participant continues in the employ of the Employer or Related Employer but ceases to be a member of an eligible class as defined in Section 1.03(a)(3), the individual shall continue to be a Participant for most purposes until the entire amount of his benefit is distributed; however, the individual shall not be entitled to receive an allocation of contributions or forfeitures during the period that he is not a member of the eligible class. Such Participant shall continue to receive credit for service completed during the period for purposes of determining his vested interest in his Accounts. In the event that the individual subsequently again becomes a member of an eligible class of Employees, the individual shall resume full participation immediately upon the date of such change in status.

3.04 PARTICIPATION BY OWNER-EMPLOYEE; CONTROLLED BUSINESSES

If the Plan provides contributions or benefits for one or more Owner-Employees who control both the trade or business with respect to which the Plan is established and one or more other trades or businesses, the Plan and any Plan established with respect to such other trades or businesses must, when looked at as a single Plan, satisfy Sections 401(a) and 401(d) of the Code with respect to the Employees of this and all such other trades or businesses. If the Plan provides contributions or benefits for one or more Owner-Employees who control one or more other trades or businesses, the Employees of each such other trade or business must be included in a Plan which satisfies Sections 401(a) and 401(d) of the Code and which provides contributions and benefits not less favorable than provided for Owner-Employees under the Plan.

If an individual is covered as an Owner-Employee under the Plans of two or more trades or businesses which are not controlled and the individual controls a trade or business, then the contributions or benefits of the Employees under the Plan of the trades or businesses which are controlled must be as favorable as those provided for him under the most favorable Plan of the trade or business which is not controlled.

For purposes of this; Section, an Owner-Employee, or two or more Owner-Employees, shall be considered to control a trade or business if such Owner-Employee, or such Owner-Employees together, (i) own the entire interest in an

unincorporated trade or business, or (ii) in the case of a partnership, own more than 50 percent of either the capital interest or the profits interest in such partnership. For this purpose, an Owner-Employee, or two or more Owner-Employees, shall be treated as owning any interest in a partnership which is owned, directly or indirectly, by a partnership controlled by such Owner-Employee or such Owner-Employees.

3.05 OMISSION OF ELIGIBLE EMPLOYEE

If any Employee who should be included as a Participant in the Plan is erroneously omitted and discovery of such omission is not made until after a contribution by his Employer for the year has been made, the Employer shall make a subsequent contribution, if necessary, so that the omitted Employee receives the total amount which the said Employee would have received had he not been omitted. For purposes of this Section 3.05, the term "contribution" shall not include Deferral Contributions and Matching Contributions made pursuant to Sections 4.01 and 4.03, respectively.

ARTICLE 4 CONTRIBUTIONS

4.01 DEFERRAL CONTRIBUTIONS

(a) DEFERRAL CONTRIBUTIONS. If so provided by the Employer in Section 1.05(b), each Participant may elect to execute a salary reduction agreement with the Employer to reduce his Compensation by a specified percentage not exceeding 15% per payroll period, subject to any exceptions elected by the Employer in Section 1.05(b)(2) and equal to a whole number multiple of one (1) percent. Such agreement shall become effective on the first day of the first payroll period for which the Employer can reasonably process the request. The Employer shall make a Deferral Contribution on behalf of the Participant corresponding to the amount of said reduction, subject to the restrictions set forth below. Under no circumstances may a salary reduction agreement be adopted retroactively.

(b) A Participant may elect to change or discontinue the percentage by which his Compensation is reduced by notice to the Employer as provided in Section 1.05(b)(1).

(c) No Participant shall be permitted to have Deferral Contributions made under the Plan, or any other qualified Plan maintained by the Employer, during the taxable year, in excess of the dollar limitation contained in Section 402(g) of the Code in effect at the beginning of such taxable year. A Participant may assign to the Plan any Excess Deferrals made during the taxable year of the Participant by notifying the Plan Administrator on or before March 15 following the taxable year of the amount of the Excess Deferrals to be assigned to the Plan. A Participant is deemed to notify the Administrator of any Excess Deferrals that arise by taking into account only those Deferral Contributions made to the Plan and any other Plan of the Employer. Notwithstanding any other provision of the Plan, Excess Deferrals, plus any income and minus any loss allocable thereto, shall be distributed no later than April 15 to any Participant to whose account Excess Deferrals were so assigned for the preceding year and who claims Excess Deferrals for such taxable year. A Participant is deemed to notify the Administrator of any Excess Deferrals that arise by taking into account only those Deferred Contributions made to this Plan and any other plans of the Employer.

"Excess Deferrals" shall mean those Deferral Contributions that are includable in a Participant's gross income under Section 402(g) of the Code to the extent such Participant's Deferral Contributions for a taxable year exceed the dollar limitation under such Code section. For purposes of determining Excess Deferrals, the term "Deferral Contributions" shall include the sum of all Employer Contributions made on behalf of such Participant pursuant to an election to defer under any qualified CODA as described in Section 401(k) of the Code, any simplified Employee pension cash or deferred arrangement as described in Section 402(h)(1)(B) of the Code, any eligible deferred Compensation Plan under Section 457, any Plan as described under Section 501(c)(18) of the Code, and any Employer Contributions made on the behalf of a Participant for the purchase of an annuity contract under Section 403(b) of the Code pursuant to a salary reduction agreement. Deferral

Contributions shall not include any deferrals properly distributed as excess annual additions. Excess Deferrals shall be treated as annual additions under the Plan, unless such amounts are distributed no later than the first April 15 following the close of the Participant's taxable year. Deferral Contributions shall not include any deferrals properly distributed as excess annual additions.

Excess Deferrals shall be adjusted for any income or loss up to the date of distribution. The income or loss allocable to Excess Deferrals is (1) income or loss allocable to the Participant's Deferral Contributions account for the taxable year multiplied by a fraction, the numerator of which is such Participant's Excess Deferrals for the year and the denominator is the Participant's account balance attributable to Deferral Contributions without regard to any income or loss occurring during such taxable year, or (2) such other amount determined under any reasonable method, provided that such method is used consistently for all Participants in calculating the distributions required under this Section 4.01(c) and Sections 4.02(d) and 4.04(d) for the Plan Year, and is used by the Plan in allocating income or loss to Participants' accounts. Income or loss allocable to the period between the end of the Plan Year and the date of distribution shall be disregarded in determining income or loss.

(d) In order for the Plan to comply with the requirements of Sections 401(k), 402(g) and 415 of the Code and the regulations promulgated thereunder, at any time in a Plan Year the Administrator may reduce the rate of Deferral Contributions to be made on behalf of any Participant, or class of Participants, for the remainder of that Plan Year, or the Administrator may require that all Deferral Contributions to be made on behalf of a Participant be discontinued for the remainder of that Plan Year. Upon the close of the Plan Year or such earlier date as the Administrator may determine, any reduction or discontinuance in Deferral Contributions shall automatically cease until the Administrator again determines that such a reduction or discontinuance of Deferral Contributions is required.

4.02 ADDITIONAL LIMIT ON DEFERRAL CONTRIBUTIONS

(a) The Actual Deferral Percentage (hereinafter "ADP") for Participants who are Highly Compensated Employees for each Plan Year and the ADP for Participants who are Non-highly Compensated Employees for the same Plan Year must satisfy one of the following tests:

(1) The ADP for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the ADP for Participants who are Non-highly Compensated Employees for the same Plan Year multiplied by 1.25; or

(2) The ADP for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the ADP for Participants who are Non-highly Compensated Employees for the same Plan Year multiplied by 2.0, provided that the ADP for Participants who are Highly Compensated Employees does not exceed the ADP for Participants who are Non-highly Compensated Employees by more than two (2) percentage points.

(b) The following special rules apply for the purposes of this Section:

(1) The ADP for any Participant who is a Highly Compensated Employee for the Plan Year and who is eligible to have Deferral Contributions (and Qualified Discretionary Contributions if treated as Deferral Contributions for purposes of the ADP test) allocated to his or her accounts under two or more arrangements described in Section 401(k) of the Code, that are maintained by the Employer, shall be determined as if such Deferral Contributions (and, if applicable, such Qualified Discretionary Contributions) were made under a single arrangement. If a Highly Compensated Employee participates in two or more cash or deferred arrangements that have different Plan Years, all cash or deferred arrangements ending with or within the same calendar year shall be treated as a single arrangement. Notwithstanding the foregoing, certain Plans shall be treated as separate if mandatorily disaggregated under regulations under Section 401(k) of the Code.

(2) In the event that this Plan satisfies the requirements of Sections 401(k), 401(a)(4), or 410(b) of the Code only if aggregated with one or more other Plans, or if one or more other Plans satisfy the requirements of such Sections of the Code only if aggregated with this Plan, then this Section shall be applied by determining the ADP of Employees as if all such Plans were a single Plan. For Plan Years beginning after December 31, 1989, Plans may be aggregated in order to satisfy section 401(k) of the Code only if they have the same Plan Year.

(3) For purposes of determining the ADP of a Participant who is a 5-percent owner or one of the ten most highly-paid Highly Compensated Employees, the Deferral Contributions (and Qualified Discretionary Contributions if treated as Deferral Contributions for purposes of the ADP test) and Compensation of such Participant shall include the Deferral Contributions (and, if applicable, Qualified Discretionary Contributions) and Compensation for the Plan Year of Family Members (as defined in Section 414(q)(6) of the Code). Family Members, with respect to such Highly Compensated Employees, shall be disregarded as separate Employees in determining the ADP both for Participants who are Non-highly Compensated Employees and for Participants who are Highly Compensated Employees.

(4) For purposes of determining the ADP test, Deferral Contributions and Qualified Discretionary Contributions must be made before the last day of the twelve-month period immediately following the Plan Year to which contributions relate.

(5) The Employer shall maintain records sufficient to demonstrate satisfaction of the ADP test and the amount of Qualified Discretionary Contributions used in such test.

(6) The determination and treatment of the ADP amounts of any Participant shall satisfy such other requirements as may be prescribed by the Secretary of the Treasury.

(c) The following definitions shall apply for purposes of this Section:

(1) "Actual Deferral Percentage" shall mean, for a specified group of Participants for a Plan Year, the average of the ratios (calculated separately for each Participant in such group) of (1) the amount of Employer contributions actually paid over to the trust on behalf of such Participant for the Plan Year to (2) the Participant's Compensation for such Plan Year. Employer contributions on behalf of any Participant shall include: (1) any Deferral Contributions made pursuant to the Participant's deferral election, including Excess Deferrals of Highly Compensated Employees, but excluding (a) Excess Deferrals of Non-Highly Compensated Employees that arise solely from Deferral Contributions made under the Plan or Plans of the Employer and (b) Deferral Contributions that are taken into account in the Contribution Percentage test (provided the ADP test is satisfied both with and without exclusion of these Deferral Contributions); and (2) at the election of the Employer, Qualified Discretionary Contributions. Matching Contributions, whether or not non-forfeitable when made, shall not be considered as Employer Contributions for purposes of this paragraph. For purposes of computing Actual Deferral Percentages, an Employee who would be a Participant but for the failure to make Deferral Contributions shall be treated as a Participant on whose behalf no Deferral Contributions are made.

(2) "Excess Contributions" shall mean, with respect to any Plan Year, the excess of:

(A) The aggregate amount of Employer contributions actually taken into account in computing the ADP of Highly Compensated Employees for such Plan Year, over

(B) The maximum amount of such contributions permitted by the ADP test (determined by reducing contributions made on behalf of Highly Compensated Employees in order of the ADPs, beginning with the highest of such percentages).

(3) "Qualified Discretionary Contributions" shall mean contributions made by the Employer as elected in Section 1.05(b)(3) and allocated to Participant accounts of Non-highly Compensated Employees that such Participants may not elect to receive in cash until distributed from the Plan; that are nonforfeitable when made; and that are distributable only in accordance with the distribution provisions that are applicable to Deferral Contributions. Participants shall not be required to satisfy any hours of service or employment requirement in order to receive an allocation of such contributions.

(d) Notwithstanding any other provision of this Plan, Excess Contributions, plus any income and minus any loss allocable thereto, shall be distributed no later than the last day of each Plan Year to Participants to whose accounts such Excess Contributions were allocated for the preceding Plan Year. If such excess amounts are distributed more than 2-1/2 months after the last day of the Plan Year in which such excess amounts arose, a ten (10) percent excise tax will be imposed on the employer maintaining the Plan with respect to such amounts. Such distributions shall be made to Highly Compensated Employees on the basis of the respective portions of the Excess Contributions attributable to each of such Employees. Excess Contributions of Participants who are subject to the family member aggregation rules of Section 414(q)(6) of the Code shall be allocated among the family members in proportion to the Deferral Contributions (and amounts treated as Deferral Contributions) of each family member that is combined to determine the combined ADP.

Excess Contributions shall be treated as annual additions under the Plan. Excess Contributions shall be adjusted for any income or loss up to the date of distribution. The income or loss allocable to Excess Contributions is (1) income or loss allocable to the Participant's Deferral Contribution account (and if applicable, the Qualified Discretionary Contribution account) for the Plan Year multiplied by a fraction, the numerator of which is such Participant's Excess Contributions for the year and the denominator is the Participant's account balance attributable to Deferral Contributions without regard to any income or loss occurring during such Plan Year, or (2) an amount determined under any reasonable method, provided that such method is used consistently for all Participants in calculating any distributions required under Section 4.02(d) and Sections 4.01(c) and 4.04(d) for the Plan Year, and is used by the Plan in allocating income or loss to the Participants' accounts. Income or loss allocable to the period between the end of the Plan Year and the date of distribution shall be disregarded in determining income or loss.

Excess Contributions shall be distributed from the Participant's Qualified Discretionary. Contribution account only to the extent that such Excess Contributions exceed the balance in the Participant's Deferral Contributions account.

4.03 MATCHING CONTRIBUTIONS

If so provided by the Employer in Section 1.05(c), the Employer shall make a Matching Contribution on behalf of each Participant who had Deferral Contributions made on his behalf during the year in accordance with Section 1.05(c)(3). The amount of the Matching Contribution shall be determined in accordance with Section 1.05(c)(1), subject to the limitations set forth in Section 4.04 and Section 404 of the Code.

4.04 LIMIT ON MATCHING CONTRIBUTIONS

(a) The Average Contribution Percentage (hereinafter "ACP") for Participants who are Highly Compensated Employees for each Plan Year and the ACP for Participants who are Non-highly Compensated Employees for the same Plan Year must satisfy one of the following tests:

(1) The ACP for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the ACP for Participants who are Non-highly Compensated Employees for the same Plan Year multiplied by 1.25; or

(2) The ACP for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the ACP for Participants who are Non-highly Compensated Employees for the same Plan Year multiplied by two (2), provided that the ACP for Participants who are Highly Compensated Employees does not exceed the ACP for Participants who are Non-highly Compensated Employees by more than two (2) percentage points.

(b) The following special rules apply for purposes of this section:

(1) If one or more Highly Compensated Employees participate in both a qualified cash or deferred arrangement described in Section 401(k) of the Code (hereafter "CODA") and a Plan subject to the ACP test maintained by the Employer and the sum of the ADP and ACP of those Highly Compensated Employees subject to either or both tests exceeds the Aggregate Limit, then the ACP of those Highly Compensated Employees who also participate in a CODA will be reduced (beginning with such Highly Compensated Employee whose ACP is the highest) so that the limit is not exceeded. The amount by which each Highly Compensated Employee's Contribution Percentage Amounts is reduced shall be treated as an Excess Aggregate Contribution. The ADP and ACP of the Highly Compensated Employees are determined after any corrections required to meet the ADP and ACP tests. Multiple use does not occur if either the ADP or ACP of the Highly Compensated Employees does not exceed 1.25 multiplied by the ADP and ACP of the Non-highly Compensated Employees.

(2) For purposes of this section, the Contribution Percentage for any Participant who is a Highly Compensated Employee and who is eligible to have Contribution Percentage Amounts allocated to his or her account under two or more Plans described in section 401(a) of the Code, or arrangements described in section 401(k) of the Code that are maintained by the Employer, shall be determined as if the total of such Contribution Percentage Amounts was made under each Plan. If a Highly Compensated Employee participates in two or more cash or deferred arrangements that have different Plan years, all cash or deferred arrangements ending with or within the same calendar year shall be treated as a single arrangement. Notwithstanding the foregoing, certain Plans shall be treated as separate if mandatorily disaggregated under regulations under Section 401(m) of the Code.

(3) In the event that this Plan satisfies the requirements of Sections 401(m), 401(a)(4) or 410(b) of the Code only if aggregated with one or more other Plans, or if one or more other Plans satisfy the requirements of such sections of the Code only if aggregated with this Plan, then this section shall be applied by determining the Contribution Percentage of Employees as if all such Plans were a single Plan. For Plan years beginning after December 31, 1989, Plans may be aggregated in order to satisfy Section 401(m) of the Code only if they have the same Plan Year.

(4) For purposes of determining the Contribution percentage of a Participant who is a five-percent owner or one of the ten most highly-paid Highly Compensated Employees, the Contribution Percentage Amounts and Compensation of such Participant shall include the Contribution Percentage Amounts and Compensation for the Plan Year of Family Members (as defined in Section 414(q)(6) of the Code). Family Members, with respect to Highly Compensated Employees, shall be disregarded as separate Employees in determining the Contribution Percentage both for Participants who are Non-highly Compensated Employees and for Participants who are Highly Compensated Employees.

(5) For purposes of determining the Contribution Percentage test, Matching Contributions and Qualified Discretionary Contributions will be considered made for a Plan Year if made no later than the end of the twelve-month period beginning on the day after the close of the Plan Year.

(6) The Employer shall maintain records sufficient to demonstrate satisfaction of the ACP test and the amount of Qualified Discretionary Contributions used in such test.

(7) The determination and treatment of the Contribution Percentage of any Participant shall satisfy such other requirements as may be prescribed by the Secretary of Treasury.

(c) The following definitions shall apply for purposes of this Section:

(1) "Aggregate Limit" shall mean the greater of (A) or (B) where (A) is the sum of (i) 125 percent of the greater of the ADP of the Non-highly Compensated Employees for the Plan Year or the ACP of Non-highly Compensated Employees under the Plan subject to Section 401(m) of the Code for the Plan Year beginning with or within the Plan Year of the CODA and (ii) the lesser of 200% or two plus the lesser of such ADP or ACP and where (B) is the sum of (i) 125 percent of the lesser of the ADP of the Non-highly Compensated Employees for the Plan Year or the ACP of Non-highly Compensated Employees under the Plan subject to Section 401(m) of the Code for the Plan Year beginning with or within the Plan Year of the CODA and (ii) the lesser of 200% or two plus the greater of such ADP or ACP.

(2) "Average Contribution Percentage" or "ACP" shall mean the average of the Contribution Percentages of the Eligible Participants in a group.

(3) "Contribution Percentage" shall mean the ratio (expressed as a percentage) of the Participant's Contribution Percentage Amounts to the Participant's Compensation for the Plan Year.

(4) "Contribution Percentage Amounts" shall mean the sum of Matching Contributions made under the Plan on behalf of the Participant for the Plan Year. Such Contribution Percentage Amounts shall not include Matching Contributions that are forfeited either to correct Excess Aggregate Contributions or because the contributions to which they relate are Excess Deferrals, Excess Contributions or Excess Aggregate Contributions. If so elected by the Employer in Section 1.05(b)(3), the Employer may include Qualified Discretionary Contributions in the Contribution Percentage Amounts. The Employer also may elect to use Deferral Contributions in the Contribution Percentage Amounts so long as the ADP test is met before the Deferral Contributions are used in the ACP test and continues to be met following the exclusion of those Deferral Contributions that are used to meet the ACP test.

(5) "Deferral Contribution" shall mean any contribution made at the election of the Participant pursuant to a salary reduction agreement in accordance with Section 4.01(a).

(6) "Eligible Participant" shall mean any Employee who is eligible to make an Employee Contribution or a Deferral Contribution (if the employer takes such contributions into account in the calculation of the Contribution Percentage), or to receive a Matching Contribution.

(7) Reserved

(8) "Matching Contribution" shall mean an Employer Contribution made to this or any other defined contribution Plan on behalf of a Participant on account of a Participant's Deferral Contribution.

(9) "Excess Aggregate Contributions" shall mean, with respect to any Plan Year, the excess of:

(A) The aggregate Contribution Percentage Amounts taken into account in computing the numerator of the Contribution Percentage actually made on behalf of Highly Compensated Employees for such Plan Year, over

(B) The maximum Contribution Percentage Amounts permitted by the ACP test (determined by reducing contributions made on behalf of Highly Compensated Employees in order of their Contribution Percentages beginning with the highest of such percentages).

Such determination shall be made after first determining Excess Deferrals pursuant to Section 4.01 and then determining Excess Contributions pursuant to Section 4.02.

(d) Notwithstanding any other provision of the Plan, Excess Aggregate Contributions, plus any income and minus any loss allocable thereto, shall be forfeited, if forfeitable, or if not forfeitable, distributed no later than

the last day of each Plan Year to Participants to whose accounts such Excess Aggregate Contributions were allocated for the preceding Plan Year. Excess Aggregate Contributions of Participants who are subject to the family member aggregation rules of Section 414(q)(6) of the Code shall be allocated among the family members in proportion Matching Contributions of each family member that is combined to determine the: combined ACP. If such Excess Aggregate Contributions are distributed more than 2-1/2 months after the last day of the Plan Year in which such excess amounts arose, a ten (10) percent excise tax will be imposed on the employer maintaining the Plan with respect to those amounts. Excess Aggregate Contributions shall be treated as annual additions under the Plan.

Excess Aggregate Contributions shall be adjusted for any income or loss up to the date of distribution. The income or loss allocable to Excess Aggregate Contributions is (1) income or loss allocable to the Participant's Matching Contribution account (if any, and if all amounts therein are not used in the ADP test) and if applicable, Qualified Non-elective Contribution account for the Plan Year multiplied by a fraction, the numerator of which is such Participant's Excess Aggregate Contributions for the year and the denominator is the Participant's account balance(s) attributable to Contribution Percentage Amounts without regard to income or loss occurring during such Plan Year, or (2) such other amount determined under any reasonable method, provided that such method is used consistently for all Participants in calculating any distributions required under Section 4.04(d) and Sections 4.01(c) and 4.02(d) for the Plan Year, and is used by the Plan in allocating income or loss to the Participants' accounts. Income or loss allocable to the period between the end of the Plan Year and the date of distribution shall be disregarded in determining income or loss.

Excess Aggregate Contributions shall be forfeited, if forfeitable, or distributed on a prorata basis from the Participant's Matching Contribution Account and if applicable, the Participant's Deferral Contributions Account or Qualified Discretionary Contribution Account or both. Forfeitures of Excess Aggregate Contributions shall be applied to reduce Employer contributions; the forfeitures shall be held in the money market fund, if any, listed in Section 1.14(b) pending such application.

4.05 SPECIAL RULES

Deferral Contributions and Qualified Discretionary Contributions and income allocable to each are not distributable to a Participant or his or her beneficiary or beneficiaries, in accordance with such Participant's or beneficiary or beneficiaries election, earlier than upon separation from service, death, or disability, except as otherwise provided in Section 7.10, 7.11 or 10.06. Such amounts may also be distributed, but after March 31, 1988 in the form of a lump sum only, upon:

(a) Termination of the Plan without establishment of another defined contribution Plan, other than an Employee stock ownership Plan (as defined in Section 4975(e) or Section 409 of the Code) or a simplified Employee pension Plan as defined in Section 408(k) of the Code.

(b) The disposition by a corporation to an unrelated corporation of substantially all of the assets (within the meaning of Section 409(d)(2) of the Code) used in a trade or business of such corporation if such corporation continues to maintain this Plan after the disposition, but only with respect to Employees who continue employment with the corporation acquiring such assets.

(c) The disposition by a corporation to an unrelated entity of such corporation's interest in a subsidiary (within the meaning of Section 409(d)(2) of the Code) if such corporation continues to maintain this Plan, but only with respect to Employees who continue employment with such subsidiary.

The Participant's accrued benefit derived from Deferral Contributions and Qualified Discretionary Contributions is nonforfeitable. Separate accounts for Deferral Contributions, Qualified Discretionary Contributions, and Matching Contributions will be maintained for each Participant. Each account will be credited with the applicable contributions and earnings thereon.

4.06 DISCRETIONARY EMPLOYER CONTRIBUTIONS

If so provided by the Employer in Sections 1.05(a)(1), for the Plan Year in which the Plan is adopted and for each Plan Year thereafter, the Employer may make Discretionary Employer Contributions to the Trust in accordance with Section 1.05 to be allocated among eligible Participants, in the ratio that each Participant's Compensation bears to the total Compensation paid to all eligible Participants for the Plan Year.

4.07 TIME OF MAKING EMPLOYER CONTRIBUTIONS

The Employer will pay its contribution for each Plan Year not later than the time prescribed by law for filing the Employer's Federal income tax return for the fiscal (or taxable) year with or within which such Plan Year ends (including extensions thereof). The Trustee will have no authority to inquire into the correctness of the amounts contributed and paid over to the Trustee, to determine whether any contribution is payable under this Article 4, or to enforce, by suit or otherwise, the Employer's obligation, if any, to make a contribution to the Trustee.

4.08 RETURN OF EMPLOYER CONTRIBUTIONS

The Trustee shall, upon request by the Employer, return to the Employer the amount (if any) determined under Section 14.22. Such amount shall be reduced by amounts attributable thereto which have been credited to the Accounts of Participants who have since received distributions from the Trust, except to the extent such amounts continue to be credited to such Participants' Accounts at the time the amount is returned to the Employer. Such amount shall also be reduced by the losses of the Trust attributable thereto, if and to the extent such losses exceed the gains and income attributable thereto, but will not be increased by the gains and income of the Trust attributable thereto, if and to the extent such gains and income exceed the losses attributable thereto. In no event will the return of a contribution hereunder cause the balance of the individual Account of any Participant to be reduced to less than the balance which would have been credited to the Account had the mistaken amount not been contributed.

4.09 EMPLOYEE CONTRIBUTIONS

The Employer shall not allow Participants to make any Employee Contributions to the Plan. However, the Plan may accept a frozen Participant Employee Contribution Account. For purposes of this Plan, "Employee Contributions" shall mean any voluntary non-deductible contribution made to the Plan by or on behalf of a Participant that is or was included in the Participant's gross income in the year in which made and that is maintained under a separate account to which applicable earnings and losses are allocated. A Participant shall have a fully vested 100% nonforfeitable right to his Employee Contributions.

4.10 ROLLOVER CONTRIBUTIONS

(a) ROLLOVER OF ELIGIBLE ROLLOVER DISTRIBUTIONS

(1) An Employee who is or was a distributee of an "eligible rollover distribution" (as defined in Section 402(c)(4) of the Code and the regulations issued thereunder) from a qualified Plan or Section 403(b) annuity may directly transfer all or any portion of such distribution to the Trust or transfer all or any portion of such distribution to the Trust within sixty (60) days, of payment. The transfer shall be made in the form of cash or allowable Fund Shares only.

(2) The Employer may refuse to accept rollover contributions or instruct the Trustee not to accept rollover contributions under the Plan.

(b) TREATMENT OF ROLLOVER AMOUNT.

(1) An Account will be established for the transferring Employee under Article 5, the rollover amount will be credited to the account and such amount will be subject to the terms of the Plan, including Section 8.01, except as otherwise provided in this Section 4.10.

(2) The rollover account will at all times be fully vested in and nonforfeitable by the Employee.

(c) ENTRY INTO PLAN BY TRANSFERRING EMPLOYEE. Although an amount may be transferred to the Trust Fund under this Section 4.10 by an Employee who has not yet become a Participant in accordance with Article 4, and such amount is subject to the terms of the Plan as described in paragraph (b) above, the Employee will not become a Participant entitled to share in Employer Contributions until he has satisfied such requirements.

(d) MONITORING OF ROLLOVERS.

(1) The Administrator shall develop such procedures and require such information from transferring Employees as it deems necessary to insure that amounts transferred under this Section 4.10 meet the requirements for tax-free rollovers established by such Section and by Section 402(c) of the Code. No such amount may be transferred until approved by the Administrator.

(2) If a transfer made under this Section 4.10 is later determined by the Administrator not to have met the requirements of this Section or of the Code or Treasury regulations, the Trustee shall, within a reasonable time after such determination is made, and on instructions from the Administrator, distribute to the Employee the amounts then held in the Trust attributable to the transferred amount.

4.11 DEDUCTIBLE VOLUNTARY EMPLOYEE CONTRIBUTIONS

The Administrator will not accept deductible Employee contributions which are made for a taxable year beginning after December 31, 1986. Contributions made prior to that date will be maintained in a separate account which will be nonforfeitable at all times and which will share in the gains and losses of the trust in the same manner as described in Section 5.02. No part of the deductible voluntary contribution account will be used to purchase life insurance. Subject to Article 8, the Participant may withdraw any part of the deductible voluntary contribution account upon request.

4.12 RESERVED

ARTICLE 5 PARTICIPANTS' ACCOUNTS

5.01 INDIVIDUAL ACCOUNTS

The Administrator will establish and maintain an Account for each Participant which will reflect Employer and Employee Contributions made on behalf of the Participant and earnings, expenses, gains and losses attributable thereto, and investments made with amounts in the Participant's Account. The Administrator will establish and maintain such other Accounts and records as it decides in its discretion to be reasonably required or appropriate in order to discharge its duties under the Plan.

5.02 VALUATION OF ACCOUNTS

Participant Accounts will be valued at their fair market value at least annually as of a date specified by the Administrator in accordance with a method consistently followed and uniformly applied, and on such date earnings,

expenses, gains and losses on investments made with amounts in each Participant's Account will be allocated to such Account. Participants will be furnished statements of their Account values at least once each Plan Year.

5.03 CODE SECTION 415 LIMITATIONS

Notwithstanding any other provisions of the Plan:

Subsections (a)(1) through (a)(4)--(THESE SUBSECTIONS APPLY TO EMPLOYERS WHO DO NOT MAINTAIN ANY QUALIFIED PLAN INCLUDING A WELFARE BENEFIT FUND, AN INDIVIDUAL MEDICAL ACCOUNT, OR A SIMPLIFIED EMPLOYEE PENSION IN ADDITION TO THIS PLAN.)

(a)(1) If the Participant does not participate in, and has never participated in any other qualified Plan, Welfare Benefit Fund, Individual Medical Account, or a simplified Employee pension, as defined in section 408(k) of the Code, maintained by the Employer, which provides an annual addition as defined in Section 5.03(e)(1), the amount of Annual Additions to a Participant's Account for a Limitation Year shall not exceed the lesser of the Maximum Permissible Amount or any other limitation contained in this Plan. If the Employer contribution that would otherwise be contributed or allocated to the Participant's account would cause the annual additions for the limitation year to exceed the maximum permissible amount, the amount contributed or allocated will be reduced so that the annual additions for the limitation year will equal the maximum permissible amount.

(a)(2) Prior to the determination of the Participant's actual Compensation for a Limitation Year, the Maximum Permissible Amount may be determined on the basis of a reasonable estimation of the Participant's Compensation for such Limitation Year, uniformly determined for all Participants similarly situated. Any Employer contributions based on estimated annual Compensation shall be reduced by any Excess Amounts carried over from prior years.

(a)(3) As soon as is administratively feasible after the end of the Limitation Year, the Maximum Permissible Amount for such Limitation Year shall be determined on the basis of the Participant's actual Compensation for such Limitation Year.

(a)(4) If, pursuant to subsection (a)(3) or as a result of the allocation of forfeitures, or a reasonable error in determining the total Elective Deferrals there is an Excess Amount with respect to a Participant for a Limitation Year, such Excess Amount shall be disposed of as follows:

(A) Any Elective Deferrals, to the extent they would reduce the Excess Amount, will be returned to the Participant.

(B) If after the application of paragraph (A) an Excess amount still exists and the Participant is in the service of the Employer which is covered by the Plan at the end of the Limitation Year, then such Excess Amount shall be reapplied to reduce future Employer contributions under this Plan for the next Limitation Year (and for each succeeding year, as necessary) for such Participant, so that in each such Year the sum of actual Employer contributions plus the reapplied amount shall equal the amount of Employer contributions which would otherwise be made to such Participant's Account.

(C) If after the application of paragraph (A) an Excess Amount still exists and the Participant is not in the service of the Employer which is covered by the Plan at the end of a Limitation Year, then such Excess Amount will be held unallocated in a suspense account. The suspense account will be applied to reduce future Employer contributions for all remaining Participants in the next Limitation Year and each succeeding Limitation Year if necessary.

(D) If a suspense account is in existence at any time during the Limitation Year pursuant to this subsection, it will not participate in the allocation of the Trust Fund's investment gains and losses. All amounts in the suspense account must be allocated to the Accounts of Participants before any

Employer contribution may be made for the Limitation Year. Except as provided in paragraph (A), Excess Amounts may not be distributed to Participants or former Participants.

Subsections (b)(1) through (b)(6)--(THESE SUBSECTIONS APPLY TO EMPLOYERS WHO, IN ADDITION TO THIS PLAN, MAINTAIN ONE OR MORE PLANS, ALL OF WHICH ARE QUALIFIED MASTER OR PROTOTYPE DEFINED CONTRIBUTION PLANS, ANY WELFARE BENEFIT FUND, ANY INDIVIDUAL MEDICAL ACCOUNT, OR ANY SIMPLIFIED EMPLOYEE PENSION.)

(b)(1) If, in addition to this Plan, the Participant is covered under any other qualified defined contribution Plans (all of which are qualified Master or Prototype Plans), Welfare Benefit Funds, Individual Medical Accounts, or simplified Employee pension Plans, maintained by the Employer, that provide an annual addition as defined in Section 5.03(e)(1), the amount of Annual Additions to a Participant's Account for a Limitation Year, shall not exceed the lesser of:

(A) the Maximum Permissible Amount, reduced by the sum of any Annual Additions to the Participant's accounts for the same Limitation Year under such other qualified Master or Prototype defined contribution Plans, and Welfare Benefit Funds, Individual Medical Accounts, and simplified Employee pensions, or

(B) any other limitation contained in this Plan.

If the annual additions with respect to the Participant under other qualified Master or Prototype defined contribution Plans Welfare Benefit Funds, Individual Medical Accounts and simplified Employee pensions maintained by the Employer are less than the maximum permissible amount and the Employer contribution that would otherwise be contributed or allocated to the Participant's Account under this Plan would cause the annual additions for the limitation year to exceed this limitation, the amount contributed or allocated will be reduced so that the annual additions under all such Plans and funds for the limitation year will equal the maximum permissible amount. If the annual additions with respect to the Participant under such other qualified Master or Prototype defined contribution Plans, Welfare Benefit Funds, Individual Medical Accounts and simplified Employee pensions in the aggregate are equal to or greater than the maximum permissible amount, no amount will be contributed or allocated to the Participant's Account under this Plan for the limitation year.

(b)(2) Prior to the determination of the Participant's actual Compensation for the Limitation Year, the amounts referred to in (b)(1)(A) above may be determined on the basis of a reasonable estimation of the Participant's Compensation for such Limitation Year, uniformly determined for all Participants similarly situated. Any Employer contribution based on estimated annual Compensation shall be reduced by any Excess Amounts carried over from prior years.

(b)(3) As soon as is administratively feasible after the end of the Limitation Year, the amounts referred to in (b)(1)(A) shall be determined on the basis of the Participant's actual Compensation for such Limitation Year.

(b)(4) If a Participant's Annual Additions under this Plan and all such other Plans result in an Excess Amount, such Excess Amount shall be deemed to consist of the Annual Additions last allocated, except that Annual Additions attributable to a simplified Employee pension will be deemed to have been allocated first, followed by Annual Additions to a Welfare Benefit Fund or Individual Medical Account regardless of the actual allocation date.

(b)(5) If an Excess Amount was allocated to a Participant on an allocation date of this Plan which coincides with an allocation date of another Plan, the Excess Amount attributed to this Plan will be the product of:

(A) the total Excess Amount allocated as of such date (including any amount which would have been allocated but for the limitations of Section 415 of the Code), times

(B) the ratio of (i) the Annual Additions allocated to the Participant as of such date under this Plan, divided by (ii) the Annual Additions allocated as of such date under all qualified defined contribution Plans (determined without regard to the limitations of Section 415 of the Code).

(b)(6) Any Excess Amounts attributed to this Plan shall be disposed of as provided in subsection (a)(4).

Subsection (c)--(THIS SUBSECTION APPLIES ONLY TO EMPLOYERS WHO, IN ADDITION TO THIS PLAN, MAINTAIN ONE OR MORE QUALIFIED PLANS WHICH ARE QUALIFIED DEFINED CONTRIBUTION PLANS OTHER THAN MASTER OR PROTOTYPE PLANS.)

(c) If the Employer also maintains another Plan which is a qualified defined contribution Plan other than a Master or Prototype Plan, Annual Additions allocated under this Plan on behalf of any Participant shall be limited in accordance with the provisions of (b)(1) through (b)(6), as though the other Plan were a Master or Prototype Plan, unless the Employer provides other limitations in the Adoption Agreement.

Subsection (d)--(THIS SUBSECTION APPLIES ONLY TO EMPLOYERS WHO, IN ADDITION TO THIS PLAN, MAINTAIN OR AT MY TIME MAINTAINED A QUALIFIED DEFINED BENEFIT PLAN.)

(d) If the Employer maintains, or at any time maintained, a qualified defined benefit Plan, the sum of any Participant's Defined Benefit Fraction and Defined Contribution Fraction shall not exceed the combined Plan limitation of 1.0 in any Limitation Year. The combined Plan limitation will be met as provided by the Employer in the Adoption Agreement.

SUBSECTIONS (E)(1) THROUGH (E)(9)--(DEFINITIONS.)

(e)(1) "Annual Additions" means the sum of the following amounts credited to a Participant for a Limitation Year:

(A) all Employer contributions,

(B) all Employee contributions,

(C) all forfeitures,

(D) Amounts allocated, after March 31, 1984, to an Individual Medical Account which is part of a pension or annuity Plan maintained by the Employer are treated as Annual Additions to a defined contribution Plan. Also, amounts derived from contributions paid or accrued after December 31, 1985, in taxable years ending after such date, which are attributable to post-retirement medical benefits allocated to the separate account of a key Employee, as defined in Section 419A(d)(3) of the Code, under a Welfare Benefit Fund maintained by the Employer are treated as Annual Additions to a defined contribution Plan, and

(E) Allocations under a simplified Employee pension.

For purposes of this Section 5.03, amounts reapplied to reduce Employer contributions under subsection (a)(4) shall also be included as Annual Additions.

(e)(2) "Compensation" means wages as defined in Section 3401(a) of the Code and all other payments of Compensation to an Employee by the employer (in the course of the employer's trade or business) for which the employer is required to furnish the Employee a written statement under Sections 6041(d) and 6051(a)(3) of the Code. Compensation must be determined without regard to any rules under Section 3401(a) of the Code that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Section 3401(a)(2) of the Code.) For any Self-Employed Individual Compensation will mean Earned Income.

For limitation years beginning after December 31, 1991, for purposes of applying the limitations of this article, Compensation for a limitation year is the Compensation actually paid or made available during such limitation year.

(e)(3) "Defined Benefit Fraction" means a fraction, the numerator of which is the sum of the Participant's annual benefits (adjusted to an actuarially equivalent straight life annuity if such benefit is expressed in a form other than a straight life annuity or qualified joint and survivor annuity) under all the defined benefit Plans (whether or not terminated) maintained by the Employer, each such annual benefit computed on the assumptions that the Participant will remain in employment until the normal retirement age under each such Plan (or the Participant's current age, if later) and that all other factors used to determine benefits under such Plan will remain constant for all future Limitation Years, and the denominator of which is the lesser of 125 percent of the dollar limitation determined for the Limitation Year under Sections 415(b)(1)(A) and 415(d) of the Code or 140 percent of the Participant's average Compensation for the 3 highest consecutive calendar years of service during which the Participant was active in each such Plan, including any adjustments under Section 415(b) of the Code. However, if the Participant was a Participant as of the first day of the first Limitation Year beginning after December 31, 1986 in one or more defined benefit Plans maintained by the Employer which were in existence on May 6, 1986 then the denominator of the Defined Benefit Fraction shall not be less than 125 percent of the Participant's total accrued benefit as of the close of the last Limitation Year beginning before January 1, 1987, disregarding any changes in the terms and conditions of the Plan after May 5, 1986, under all such defined benefit Plans as met, individually and in the aggregate, the requirements of Section 415 of the Code for all Limitation Years beginning before January 1, 1987.

(e)(4) "Defined Contribution Fraction" means a fraction, the numerator of which is the sum for the current and all prior Limitation Years of (A) all Annual Additions (if any) to the Participant's accounts under each defined contribution Plan (whether or not terminated) maintained by the Employer, and (B) all Annual Additions attributable to the Participant's nondeductible Employee contributions to all defined benefit Plans (whether or not terminated) maintained by the Employer, and the Participant's Annual Additions attributable to all Welfare Benefit Funds, Individual Medical Accounts, and simplified Employee pensions, maintained by the Employer, and the denominator of which is the sum of the maximum aggregate amounts for the current and all prior Limitation Years during which the Participant was an Employee (regardless of whether the Employer maintained a defined contribution Plan in any such year).

The maximum aggregate amount in any Limitation Year is the lesser of 125 percent of the dollar limitation in effect under Section 415(c)(1)(A) of the Code for each such year or 35 percent of the Participant's Compensation for each such year.

If the Participant was a Participant as of the first day of the first Limitation Year beginning after December 31, 1986 in one or more defined contribution Plans maintained by the Employer which were in existence on May 6, 1986 then the numerator of the Defined Contribution Fraction shall be adjusted if the sum of this fraction and the Defined Benefit Fraction would otherwise exceed 1.0 under the terms of this Plan. Under the adjustment an amount equal to the product of (i) the excess of the sum of the fractions over 1.0 times (ii) the denominator of this fraction will be permanently subtracted from the numerator of this fraction. The adjustment is calculated using the fractions as they would be computed as of the end of the last Limitation Year beginning before January 1, 1987, and disregarding any changes in the terms and conditions of the Plan made after May 6, 1986, but using the Section 415 limitation applicable to the first Limitation Year beginning on or after January 1, 1987. The annual addition for any limitation year beginning before January 1, 1987 shall not be recomputed to treat all Employee contributions as annual additions.

(e)(5) "Employer" means the Employer and any Related Employer that adopts this Plan. In the case of a group of employers which constitutes a controlled group of corporations (as defined in Section 414(b) of the Code as modified by Section 415(h)) or which constitutes trades or businesses (whether or not incorporated) which are under common control (as defined in Section 414(c) of the Code as modified by Section 415(h) of the Code) or which constitutes an affiliated service group (as defined in Section 414(m) of the Code) and any other entity required to be aggregated with the Employer pursuant to regulations issued under Section 414(o) of the Code, all such employers shall be considered a single employer for purposes of applying the limitations of this Section 5.03.

(e)(6) "Excess Amount" means the excess of the Participant's Annual Additions for the Limitation Year over the Maximum Permissible Amount.

(e)(7) "Individual Medical Account" means an individual medical account as defined in Section 415(l)(2) of the Code.

(e)(8) "Limitation Year" means the Plan Year. All qualified Plans of the Employer must use the same Limitation Year. If the Limitation Year is amended to a different 12-consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.

(e)(9) "Master or Prototype Plan" means a Plan the form of which is the subject of a favorable opinion letter from the Internal Revenue Service.

(e)(10) "Maximum Permissible Amount" means for a Limitation Year with respect to any Participant the lesser of (i) $30,000 or, if greater, 25 percent of the dollar limitation set forth in Section 415(b)(1) of the Code, as in effect for the Limitation Year, or (ii) 25 percent of the Participant's Compensation for the Limitation Year. If a short Limitation Year is created because of an amendment changing the Limitation Year to a different 12-consecutive month period, the Maximum Permissible Amount will not exceed the limitation in (e)(10)(i) multiplied by a fraction whose numerator is the number of months in the short Limitation Year and whose denominator is 12.

The Compensation limitation referred to in subsection (e)(10)(ii) shall not apply to any contribution for medical benefits within the meaning of Section 401(h) or Section 419A(f)(2) of the Code after separation from service which is otherwise treated as an Annual Addition under Section 419A(d)(2) or Section 415(l)(1) of the Code.

(e)(11) "Welfare Benefit Fund" means a welfare benefit fund as defined in Section 419(e) of the Code.

ARTICLE 6 INVESTMENT OF CONTRIBUTIONS

6.01 MANNER OF INVESTMENT

All contributions made to the Accounts of Participants shall be held for investment by the Trustee. The Accounts of Participants shall be invested and reinvested only in eligible investments selected by the Employer in Section 1.14(b), subject to Section 14.10.

6.02 INVESTMENT DECISIONS

Investments shall be directed by each Participant in accordance with this Section and Section 1.14(a). Pursuant to Section 14.04, the Trustee shall have no discretion or authority with respect to the investment of the Trust Fund.

(a) Reserved

(b) Each Participant shall direct the investment of his Account among the Fidelity Funds listed in Section 1.14(b). The Participant shall file initial investment instructions with the Administrator, on such form as the Administrator may provide, selecting the Funds in which amounts credited to his Account will be invested.

(1) Except as provided in this Section 6.02, only authorized Plan contacts and the Participant shall have access to a Participant's Account. While any balance remains in the Account of a Participant after his death, the Beneficiary of the Participant shall make decisions as to the investment of the Account as though the Beneficiary were the Participant. To the extent required by a qualified

domestic relations order as defined in Section 414(p) of the Code, an alternate payee shall make investment decisions with respect to a Participant's Account as though such alternate payee were the Participant.

(2) If the Trustee receives any contribution under the Plan as to which investment instructions have not been provided, the Trustee shall promptly notify the Administrator and the Administrator shall take steps to elicit instructions from the Participant. The Trustee shall credit any such contribution to the Participant's Account and such amount shall be invested in the Fidelity Fund selected by the Employer for such purposes or, absent Employer selection, in the most conservative Fidelity Fund listed in Section 1.14(b), until investment instructions have been received by the Trustee.

(c) All dividends, interest, gains and distributions of any nature received in respect of Fund Shares shall be reinvested in additional shares of that Fidelity Fund.

(d) Expenses attributable to the acquisition of investments shall be charged to the Account of the Participant for which such investment is made.

6.03 PARTICIPANT DIRECTIONS TO TRUSTEE

All Participant initial investment instructions filed with the Administrator pursuant to the provisions of Section 6.02 shall be promptly transmitted by the Administrator to the Trustee. A Participant shall transmit subsequent investment instructions directly to the Trustee by means of the telephone exchange system maintained by the Trustee for such purposes. The method and frequency for change of investments will be determined under the (a) rules applicable to the investments selected by the Employer in Section 1.14(b) and (b) the additional rules of the Employer, if any, limiting the frequency of investment changes, which, are included in a separate written administrative procedure adopted by the Employer and accepted by the Trustee. The Trustee shall have no duty to inquire into the investment decisions of a Participant or to advise him regarding the purchase, retention or sale of assets credited to his Account.

ARTICLE 7 RIGHT TO BENEFITS

7.01 NORMAL OR EARLY RETIREMENT

Each Participant who attains his Normal Retirement Age or, if so provided by the Employer in Section 1.06(b), Early Retirement Age will have a 100 percent nonforfeitable interest in his Account regardless of any vesting schedule elected in Section 1.07. If a Participant retires upon the attainment of Normal or Early Retirement Age, such retirement is referred to as a normal retirement. Upon his normal retirement the balance of the Participant's Account, plus any amounts thereafter credited to his Account, subject to the provisions of Section 7.08, will be distributed to him in accordance with Article 8.

If a Participant separates from service before satisfying the age requirements for early retirement, but has satisfied the service requirement, the Participant will be entitled to elect an early retirement distribution upon satisfaction of such age requirement.

7.02 LATE RETIREMENT

If a Participant continues in the service of the Employer after attainment of Normal Retirement Age, he will continue to have a 100 percent nonforfeitable interest in his Account and will continue to participate in the Plan until the date he establishes with the Employer for his late retirement. Until he retires, he has a continuing election to receive all or any portion of his Account. Upon the earlier of his late retirement or the distribution date required

under Section 8.08, the balance of his Account, plus any amounts thereafter credited to his Account, subject to the provisions of Section 7.08, will be distributed to him in accordance with Article 8 below.

7.03 DISABILITY RETIREMENT

If so provided by the Employer in Section 1.06(c), a Participant who becomes disabled will have a 100 percent nonforfeitable interest in his Account, the balance of which Account, plus any amounts thereafter credited to his Account, subject to the provisions of Section 7.08, will be distributed to him in accordance with Article 8 below. A Participant is considered disabled if he cannot engage in any substantial, gainful activity because of a medically determinable physical or mental impairment likely to result in death or to be of a continuous period of not less than 12 months, and terminates his employment with the employer. Such termination of employment is referred to as a disability retirement. Determinations with respect to disability shall be made by the Administrator who may rely on the criteria set forth in Section 1.06(c) as evidence that the Participant is disabled.

7.04 DEATH

Subject, if applicable, to Section 8.04, if a Participant dies before the distribution of his Account has commenced, or before such distribution has been completed, his Account shall become 100 percent vested and his designated Beneficiary or Beneficiaries will be entitled to receive the balance or remaining balance of his Account, plus any amounts thereafter credited to his Account, subject to the provisions of Section 7.08. Distribution to the Beneficiary or Beneficiaries will be made in accordance with Article 8.

A Participant may designate a Beneficiary or Beneficiaries, or change any prior designation of Beneficiary or Beneficiaries by giving notice to the Administrator on a form designated by the Administrator. If more than one person is designated as the Beneficiary, their respective interests shall be as indicated on the designation form. In the case of a married Participant the Participant's spouse shall be deemed to be the designated Beneficiary unless the Participant's spouse has consented to another designation in the manner described in Section 8.03(d).

A copy of the death notice or other sufficient documentation must be filed with and approved by the Administrator. If upon the death of the Participant there is, in the opinion of the Administrator, no designated Beneficiary for part or all of the Participant's Account, such amount will be paid to his surviving spouse or, if none, to his estate (such spouse or estate shall be deemed to be the Beneficiary for purposes of the Plan). If a Beneficiary dies after benefits to such Beneficiary have commenced, but before they have been completed, and, in the opinion of the Administrator, no person has been designated to receive such remaining benefits, then such benefits shall be paid in a lump sum to the deceased Beneficiary's estate.

7.05 OTHER TERMINATION OF EMPLOYMENT

If a Participant terminates his employment for any reason other than death or normal, late, or disability retirement, he will be entitled to a termination benefit equal to (a) the vested percentage(s) of the value of the Matching and/or Discretionary Contributions to his Account, as adjusted for income, expense, gain, or loss, such percentage(s) determined in accordance with the vesting schedule(s) selected by the Employer in Section 1.07, and (b) the value of the Deferral, Qualified Discretionary and Rollover Contributions to his Account as adjusted for income, expense, gain or loss. The amount payable under this Section 7.05 will be subject to the provisions of Section 7.08 and will be distributed in accordance with Article 8 below.

7.06 SEPARATE ACCOUNT

If a distribution from a Participant's Account has been made to him at a time when he has a nonforfeitable right to less than 100 percent of his Account, the vesting schedule in Section 1.07 will thereafter apply only to amounts in his Account attributable to Employer Contributions allocated after such distribution. The balance of his Account

immediately after such distribution will be transferred to a separate account which will be maintained for the purpose of determining his interest therein according to the following provisions.

At any relevant time prior to a forfeiture of any portion thereof under Section 7.07 a Participant's nonforfeitable interest in his Account held in a separate account described in the preceding paragraph will be equal to P(AB + (RxD))-(RxD), where P is the nonforfeitable percentage at the relevant time determined under Section 7.05; AB is the account balance of the separate account at the relevant time; D is the amount of the distribution; and R is the ratio of the account balance at the relevant time to the account balance after distribution. Following a forfeiture of any portion of such separate account under Section 7.07 below, any balance in the Participant's separate account will remain fully vested and nonforfeitable.

7.07 FORFEITURES

If a Participant terminates his employment, any portion of his Account (including any amounts credited after his termination of employment) not payable to him under Section 7.05 will be forfeited by him upon the complete distribution to him of the vested portion of his Account, if any, subject to the possibility of reinstatement as described in the following paragraph. For purposes of this paragraph, if the value of an Employee's vested account balance is zero, the Employee shall be deemed to have received a distribution of his vested interest immediately following termination of employment. Such forfeitures will be applied to reduce the contributions of the Employer next payable under the Plan (or administrative expenses of the Plan); the forfeitures shall be held in a money market fund pending such application.

If a Participant forfeits any portion of his Account under the preceding paragraph but does again become an Employee after such date, then the amount so forfeited, without any adjustment for the earnings, expenses, or losses or gains of the assets credited to his Account since the date forfeited, will be re-credited to his Account (or to a separate account as described in Section 7.06, if applicable) but only if he repays to the Plan before the earlier of five years after the date of his re-employment or the date he incurs 5 consecutive 1-year breaks in service following the date of the distribution the amount previously distributed to him, without interest, under Section 7.05. If an Employee is deemed to receive a distribution pursuant to this Section 7.07, and the Employee resumes employment before 5 consecutive 1-year breaks in service, the Employee shall be deemed to have repaid such distribution on the date of his re-employment. Upon such an actual or deemed repayment, the provisions of the Plan (including Section 7.06) will thereafter apply as if no forfeiture had occurred. The amount to be re-credited pursuant to this paragraph will be derived first from the forfeitures, if any, which as of the date of re-crediting have yet to be applied as provided in the preceding paragraph and, to the extent such forfeitures are insufficient, from a special Employer contribution to be made by the Employer.

If a Participant elects not to receive the nonforfeitable portion of his Account following his termination of employment, the non-vested portion of his Account shall be forfeited after the Participant has incurred five consecutive 1-year breaks in service as defined in Section 2.01(a)(33).

No forfeitures will occur solely as a result of a Participant's withdrawal of Employee contributions.

7.08 ADJUSTMENT FOR INVESTMENT EXPERIENCE

If any distribution under this Article 7 is not made in a single payment, the amount retained by the Trustee after the distribution will be subject to adjustment until distributed to reflect the income and gain or loss on the investments in which such amount is invested and any expenses properly charged under the Plan and Trust to such amounts.

7.09 PARTICIPANT LOANS

If permitted under Section 1.09, the Administrator shall allow Participants to apply for a loan from the Plan, subject to the following:

(a) LOAN APPLICATION. All Plan loans shall be administered by the Administrator. Applications for loans shall be made to the Administrator on forms available from the Administrator. Loans shall be made available to all Participants on a reasonably equivalent basis. For this purpose, the term "Participant" means any Participant or Beneficiary, including an alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, who is a party-in-interest (as determined under ERISA Section 3(14)) with respect to the Plan except no loans will be made to: (i) an Employee who makes a rollover contribution in accordance with Section 4.10 who has not satisfied the requirements of Section 3.01, or (ii) a shareholder-Employee or Owner-Employee. For purposes of this requirement, a shareholder-Employee means an Employee or officer of an electing small business (Subchapter S) corporation who owns (or is considered as owning within the meaning of Section 318(a)(1) of the Code), on any day during the taxable year of such corporation, more than 5% of the outstanding stock of the corporation.

A Participant with an existing loan may not apply for another loan until the existing loan is paid in full and may not refinance an existing loan or attain a second loan for the purpose of paying off the existing loan. A Participant may not apply for more than one loan during each Plan Year.

(b) LIMITATION OF LOAN AMOUNT/PURPOSE OF LOAN. Loans shall not be made available to Highly Compensated Employees in an amount greater than the amount made available to other Employees. No loan to any Participant or Beneficiary can be made to the extent that such loan when added to the outstanding balance of all other loans to the Participant or Beneficiary would exceed the lesser of (a) $50,000 reduced by the excess (if any) of the highest outstanding balance of loans during the one year period ending on the day before the loan is made over the outstanding balance of loans from the Plan on the date the loan is made, or (b) one-half the present value of the nonforfeitable Account of the Participant. For the purpose of the above limitation, all loans from all Plans of the Employer and Related Employers are aggregated. A Participant may not request a loan for less than $1,000. The Employer may provide that loans only be made from certain contribution sources within Participant Account(s) by notifying the Trustee in writing of the restricted source.

Loans may be made for any purpose or if elected by the Employer in Section 1.09(a), on account of hardship only. A loan will be considered to be made on account of hardship only if made on account of an immediate and heavy financial need described in Section 7.10(b)(1).

(c) TERMS OF LOAN. All loans shall bear a reasonable rate of interest as determined by the Administrator based on the prevailing interest rates charged by persons in the business of lending money for loans which would be made under similar circumstances. The determination of a reasonable rate of interest must be based on appropriate regional factors unless the Plan is administered on a national basis in which case the Administrator may establish a uniform reasonable rate of interest applicable to all regions.

All loans shall by their terms require that repayment (principal and interest) be amortized in level payments, not less than quarterly, over a period not extending beyond five years from the date of the loan unless such loan is for the purchase of a Participant's primary residence, in which case the repayment period may not extend beyond ten years from the date of the loan. A Participant may prepay the outstanding loan balance prior to maturity without penalty.

(d) SECURITY. Loans must be secured by the Participant's Accounts not to exceed 50 percent of the Participant's vested Account. A Participant must obtain the consent of his or her spouse, if any, to use a Participant Account as security for the loan, if the provisions of Section 8.03 apply to the Participant. Spousal consent shall be obtained no earlier than the beginning of the 90-day period that ends on the date on which the loan is to be so secured. The consent must be in writing, must acknowledge the effect of the loan, and must be witnessed by a Plan representative or notary public. Such consent shall thereafter be binding with respect to the consenting spouse or any subsequent spouse with respect to that loan.

(e) DEFAULT. The Administrator shall treat a loan in default if:

(1) any scheduled repayment remains unpaid more than 90 days;

(2) there is an outstanding principal balance existing on a loan after the last scheduled repayment date.

Upon default or termination of employment, the entire outstanding principal and accrued interest shall be immediately due and payable. If a distributable event (as defined by the Code) has occurred, the Administrator shall direct the Trustee to foreclose on the promissory note and offset the Participant's vested Account by the outstanding balance of the loan. If a distributable event has not occurred, the Administrator shall direct the Trustee to foreclose on the promissory note and offset the Participant's vested Account as soon as a distributable event occurs.

(f) PRE-EXISTING LOANS. The provision in paragraph (a) of this Section 7.09 limiting a Participant to one outstanding loan shall not apply to loans made before the Employer adopted this prototype Plan document. A Participant may not apply for a new loan until all outstanding loans made before the Employer adopted this prototype Plan have been paid in full. The Trustee may accept any loans made before the Employer adopted this prototype Plan document except such loans which require the Trustee to hold as security for the loan property other than the Participant's vested Account.

As of the effective date of amendment of this Plan in Section 1.01(g)(2), the Trustee shall have the right to re-amortize the outstanding principal balance of any Participant loan that is delinquent. Such re-amortization shall be based upon the remaining life of the loan and the original maturity date may not be extended.

Notwithstanding any other provision of this Plan, the portion of the Participant's vested Account used as a security interest held by the Plan by reason of a loan outstanding to the Participant shall be taken into account for purposes of determining the amount of the Account payable at the time of death or distribution, but only if the reduction is used as repayment of the loan. If less than 100% of the Participant's vested Account (determined without regard to the preceding sentence) is payable to the surviving spouse, then the Account shall be adjusted by first reducing the vested Account by the amount of the security used as repayment of the loan, and then determining the benefit payable to the surviving spouse.

No loan to any Participant or Beneficiary can be made to the extent that such loan when added to the outstanding balance of all other loans to the Participant or Beneficiary would exceed the lesser of (a) $50,000 reduced by the excess (if any) of the highest outstanding balance of loans during the one year period ending on the day before the loan is made over the outstanding balance of loans from the Plan on the date the loan is made, or (b) one-half the present value of the nonforfeitable Account of the Participant. For the purpose of the above limitation, all loans from all Plans of the Employer and Related Employers are aggregated.

7.10 IN-SERVICE/HARDSHIP WITHDRAWALS

Subject to the provisions of Article 8, a Participant shall not be permitted to withdraw any Employer or Employee Contributions (and earnings thereon) prior to retirement or termination of employment, except as follows:

(a) AGE 59-1/2. If permitted under Section 1.11(b), a Participant who has attained the age of 59-1/2 is permitted to withdraw upon request all or any portion the Accounts specified by the Employer in 1.11(b).

(b) HARDSHIP. If permitted under Section 1.10, a Participant may apply to the Administrator to withdraw some or all of his Deferral Contributions (and earnings thereon accrued as of December 31, 1988) and, if applicable, Rollover Contributions and such other amounts allowed by a predecessor Plan, if such withdrawal is made on account of a hardship. For purposes of this Section, a distribution is made on account of hardship if made on account of an immediate and heavy financial need of the Employee where such Employee lacks other available resources. Determinations with respect to hardship shall be made by the Administrator and shall be conclusive for purposes of the Plan, and shall be based on the following special rules:

(1) The following are the only financial needs considered immediate and heavy: expenses incurred or necessary for medical care (within the meaning of Section 213(d) of the Code) of the Employee, the

Employee's spouse, children, or dependents; the purchase (excluding mortgage payments) of a principal residence for the Employee; payment of tuition and related educational fees for the next twelve (12) months of post-secondary education for the Employee, the Employee's spouse, children or dependents; or the need to prevent the eviction of the Employee from, or a foreclosure on the mortgage of, the Employee's principal residence.

(2) A distribution will be considered as necessary to satisfy an immediate and heavy financial need of the Employee only if:

(i) The Employee has obtained all distributions, other than the hardship distributions, and all nontaxable (at the time of the loan) loans currently available under all Plans maintained by the Employer;

(ii) The Employee suspends Deferral Contributions and Employee Contributions to the Plan for the 12-month period following the date of his hardship distribution. The suspension must also apply to all elective contributions and Employee contributions to all other qualified Plans and non-qualified Plans maintained by the Employer, other than any mandatory employer contribution portion of a defined benefit Plan, including stock option, stock purchase and other similar Plans, but not including health and welfare benefit Plans (other than the cash or deferred arrangement portion of a cafeteria Plan);

(iii) The distribution is not in excess of the amount of an immediate and heavy financial need (including amounts necessary to pay any Federal, state or local income taxes or penalties reasonably anticipated to result from the distribution); and

(iv) The Employee agrees to limit Deferral Contributions (elective contributions) to the Plan and any other qualified Plan maintained by the Employer for the Employee's taxable year immediately following the taxable year of the hardship distribution to the applicable limit under Section 402(g) of the Code for such taxable year less the amount of such Employee's Deferral Contributions for the taxable year of the hardship distribution.

(3) A Participant must obtain the consent of his or her spouse, if any, to obtain a hardship withdrawal, if the provisions of Section 8.03 apply to the Participant.

(c) EMPLOYEE CONTRIBUTIONS. A Participant may elect to withdraw, in cash, up to one hundred percent of the amount then credited to his Employee Contribution Account. Such withdrawals shall be limited to one (1) per Plan Year unless this prototype Plan document is an amendment of a prior Plan document, in which case the rules and restrictions governing Employee contribution withdrawals, if any, are incorporated herein by reference.

7.11 PRIOR PLAN IN-SERVICE DISTRIBUTION RULES

If designated by the Employer in Section 1.11(b), or Section 1.11(c)(2) or (3)a Participant shall be entitled to withdraw at anytime prior to his termination of employment, subject to the provisions of Article 8 and the prior Plan, any vested Employer Contributions maintained in a Participant's Account for the specified period of time.

ARTICLE 8 DISTRIBUTION OF BENEFITS PAYABLE AFTER TERMINATION OF SERVICE.

8.01 DISTRIBUTION OF BENEFITS TO PARTICIPANTS AND BENEFICIARIES

(a) Distributions from the Trust to a Participant or to the Beneficiary of the Participant shall be made in a lump sum in cash or, if elected by the Employer in Section 1.11, under a systematic withdrawal Plan

(installment(s)) upon retirement, death, disability, or other termination of employment, unless another form of distribution is required or permitted in accordance with paragraph (d) of this Section 8.01 or Sections 1.11(c), 8.02, 8.03, 8.04 or 11.02. A distribution may be made in Fund Shares, at the election of the Participant, pursuant to the qualifying rollover of such distribution to a Fidelity Investments individual retirement account.

(b) Distributions under a systematic withdrawal Plan must be made in substantially equal annual, or more frequent, installments, in cash, over a period certain which does not extend beyond the life expectancy of the Participant or the joint life expectancies of the Participant and his Beneficiary, or, if the Participant dies prior to the commencement of his benefits the life expectancy of the Participant's Beneficiary, as further described in Section 8.04.

(c) Notwithstanding the provisions of Section 8.01(b) above, if a Participant's Account is, and at the time of any prior distribution(s) was, $3,500 or less, the balance of such Account shall be distributed in a lump sum as soon as practicable following retirement, disability, death or other termination of employment.

(d) This paragraph (d) applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Article 8, a distributee may elect, at the time and in the manner prescribed by the Administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement Plan specified by the distributee in a direct rollover. The following definitions shall apply for purposes of this paragraph (d):

(1) Eligible rollover distribution. An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

(2) Eligible retirement plan. An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity Plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to a surviving spouse, an eligible retirement Plan is an individual retirement account or individual retirement annuity.

(3) Distributee. A distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(4) Direct rollover. A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

(5) If a distribution is one to which Sections 401(a)(11) and 417 of the Code do not apply, such distribution may commence less than 30 days after the notice required under Section 1.411(a) - 11(c) of the Income Tax Regulations is given, provided that:

(A) the Plan Administrator clearly informs the Distributee that the Distributee has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and

(B) the Distributee after receiving the notice affirmatively elects a distribution.

8.02 ANNUITY DISTRIBUTIONS

If so provided in Section 1.11(c), a Participant may elect distributions made in whole or in part in the form of an annuity contract subject to the provisions of Section 8.03.

(a) An annuity contract distributed under the Plan must be purchased from an insurance company and must be nontransferable. The terms of an annuity contract shall comply with the requirements of the Plan and distributions under such contract shall be made in accordance with Section 401(a)(9) of the Code and the regulations thereunder.

(b) The payment period of an annuity contract distributed to the Participant pursuant to this Section may be as long as the Participant lives. If the annuity is payable to the Participant and his spouse or designated Beneficiary, the payment period of an annuity contract may be for as long as either the Participant or his spouse or designated Beneficiary lives. Such an annuity may provide for an annuity certain feature for a period not exceeding the life expectancy of the Participant. If the annuity is payable to the Participant and his spouse such period may not exceed the joint life and last survivor expectancy of the Participant and his spouse, or, if the annuity is payable to the Participant and a designated Beneficiary, the joint life and last survivor expectancy of the Participant and such Beneficiary. If the Participant dies prior to the commencement of his benefits, the payment period of an annuity contract distributed to the Beneficiary of the Participant may be as long as the Participant's Beneficiary lives, and may provide for an annuity certain feature for a period not exceeding the life expectancy of the Beneficiary. Any annuity contract distributed under the Plan must provide for non increasing payments.

8.03 JOINT AND SURVIVOR ANNUITIES/PRE-RETIREMENT SURVIVOR ANNUITIES

(a) APPLICATION. The provisions of this Section supersede any conflicting provisions of the Plan; provided, however, that paragraph (b) of this Section shall not apply if the Participant's Account does not exceed or at the time of any prior distribution did not exceed $3,500. A Participant is described in this Section only if (i) the Participant has elected distribution of his Account in the form of an Annuity Contract in accordance with Section 8.02, or (ii) the Trustee has directly or indirectly received a transfer of assets from another Plan (including a predecessor Plan) to which Section 401(a)(11) of the Code applies with respect to such Participant.

(b) RETIREMENT ANNUITY. Unless the Participant elects to waive the application of this subsection in a manner satisfying the requirements of subsection (d) below, to the extent applicable to the Participant, within the 90-day period preceding his Annuity Starting Date (which election may be revoked, and if revoked, remade, at any time in such period), the vested Account due any Participant to whom this subsection (b) applies will be paid to him by the purchase and delivery to him of an annuity contract described in Section 8.02 providing a life annuity only form of benefit or, if the Participant is married as of his Annuity Starting Date, providing an immediate annuity for the life of the Participant with a survivor annuity for the life of the Participant's spouse (determined as of the date of distribution of the contract) which is 50 percent of the amount of the annuity which is payable during the joint lives of the Participant and such spouse. The Participant may elect to receive distribution of his benefits in the form of such annuity as of the earliest date on which he could elect to receive retirement benefits under the Plan. Within the period beginning 90 days prior to the Participant's Annuity Starting Date and ending 30 days prior to such Date, the Administrator will provide such Participant with a written explanation of (i) the terms and conditions of the annuity contract described herein, (ii) the Participant's right to make and the effect of an election to waive application of this subsection, (iii) the rights of the Participant's spouse under subsection (d), and (iv) the right to revoke and the period of time effect of a revocation of the election to waive application of this subsection.

(c) ANNUITY DEATH BENEFIT. Unless the Participant elects to waive the application of this subsection in a manner satisfying the requirements of subsection (d) below at any time within the applicable election period (which election may be revoked, and if revoked, remade, at any time in such period), if a married Participant to whom this Section applies dies before his Annuity Starting Date, then notwithstanding any designation of a Beneficiary to the contrary, 50 percent of his vested Account will be applied to purchase an annuity contract described in Section 8.02 providing an annuity for the life of the Participant's surviving spouse, which contract will then be promptly distributed to such spouse. In lieu of the purchase of such an annuity contract, the spouse may elect in writing to receive distributions under the Plan as if he or she had been designated by the Participant as his Beneficiary with respect to 50 percent of his Account. For purposes of this subsection, the applicable election period will commence on the first day of the Plan Year in which the Participant attains age 35 and will end on the date of the Participant's death, provided that in the case of a Participant who terminates his employment the applicable election period with respect to benefits accrued prior to the date of such termination will in no event commence later than the date of his termination of employment. A Participant may elect to waive the application of this subsection prior to the Plan Year in which he attains age 35, provided that any such waiver will cease to be effective as of the first day of the Plan Year in which the Participant attains age 35.

The Administrator will provide a Participant to whom this subsection applies with a written explanation with respect to the annuity death benefit described in this subsection (c) comparable to that required under subsection (b) above. Such explanation shall be furnished within whichever of the following periods ends last: (i) the period beginning with the first day of the Plan Year in which the Participant reaches age 32 and ending with the end of the Plan Year preceding the Plan Year in which he reaches age 35, (ii) a reasonable perod ending after the Employee becomes a Participant, (iii) a reasonable period ending after this Section 8.04 first becomes applicable to the Participant in accordance with Section 8.04(a), (iv) in the case of a Participant who separates from service before age 35, a reasonable period of time ending after separation from service. For purposes of the preceding sentence, the two-year period beginning one year prior to the date of the event described in clause (ii), (iii) or (iv), whichever is applicable, and ending one year after such date shall be considered reasonable, provided, that in the case of a Participant who separates from service under (iv) above and subsequently recommences employment with the Employer, the applicable period for such Participant shall be predetermined in accordance with this subsection.

(d) REQUIREMENTS OF ELECTIONS. This subsection will be satisfied with respect to a waiver or designation which is required to satisfy this subsection if such waiver or designation is in writing and either

(1) the Participant's spouse consents thereto in writing, which consent must acknowledge the effect of such waiver or designation and be witnessed by a notary public or Plan representative, or

(2) the Participant establishes to the satisfaction of the Administrator that the consent of the Participant's spouse cannot be obtained because there is no spouse, because the spouse cannot be located or because of such other circumstances as the Secretary of Treasury may prescribe.

Any consent by a spouse, or establishment that the consent of a spouse may not be obtained, will be effective only with respect to a specific Beneficiary (including any class of beneficiaries or any contingent beneficiaries) or form of benefits identified in the Participant's waiver or designation, unless the consent of the spouse expressly permits designations by the Participant without any requirement of further consent by the spouse. A consent which permits such designations by the Participant shall acknowledge that the spouse has the right to limit consent to a specific Beneficiary and form of benefits and that the spouse voluntarily elects to relinquish both such rights. A consent by a spouse shall be irrevocable once made. Any such consent, or establishment that such consent may not be obtained, will be effective only with respect to such spouse. For purposes of subsections (b) and (c) above, no consent of a spouse shall be valid unless the notice required by such subsection, whichever is applicable, has been provided to the Participant.

(e) FORMER SPOUSE. For purposes of this Section 8.03, a former spouse of a Participant will be treated as the spouse or surviving spouse of the Participant, and a current spouse will not be so treated, to the extent required under a qualified domestic relations order, as defined in Section 414(p) of the Code.

(f) VESTED ACCOUNT BALANCE. For purposes of this Section, vested Account shall include the aggregate value of the Participant's vested Account derived from Employer and Employee contributions (including rollovers), whether vested before or upon death. The provisions of this Section shall apply to a Participant who is vested in amounts attributable to Employer contributions, Employee contributions, or both, upon death or at the time of distribution.

8.04 INSTALLMENT DISTRIBUTIONS

This Section shall be interpreted and applied in accordance with the regulations under Section 401(a)(9) of the Code, including the minimum distribution incidental benefit requirement of section 1.401(a)(9)-2 of the regulations.

(a) IN GENERAL. If a Participant's benefit may be distributed in accordance with Section 8.01(b), the amount to be distributed for each calendar year for which a minimum distribution is required shall be at least an amount equal to the quotient obtained by dividing the Participant's interest in his Account by the life expectancy of the Participant or Beneficiary or the joint life and last survivor expectancy of the Participant and his Beneficiary, whichever is applicable. For calendar years beginning before January 1, 1989, if a Participant's Beneficiary is not his spouse, the method of distribution selected must insure that at least 50 percent of the present value of the amount available for distribution is paid within the life expectancy of the Participant. For calendar years beginning after December 31, 1988 the amount to be distributed for each calendar year shall not be less than an amount equal to the quotient obtained by dividing the Participant's interest in his Account by the lesser of (i) the applicable life expectancy under Section 8.01(b), or (ii) if a Participant's Beneficiary is not his spouse, the applicable divisor determined under Section 1.401(a)(9)-2, Q&A 4 of the Proposed Treasury Regulations, or any successor regulations of similar import. Distributions after the death of the Participant shall be made using the applicable life expectancy under (i) above, without regard to Section 1.401(a)(9)-2 of such regulations.

The minimum distribution required under this subsection (a) for the calendar year immediately preceding the calendar year in which the Participant's required beginning date, as determined under Section 8.08(b), occurs shall be made on or before the Participant's required beginning date, as so determined. Minimum distributions for other calendar years shall be made on or before the close of such calendar year.

(b) ADDITIONAL REQUIREMENTS FOR DISTRIBUTIONS AFTER DEATH OF PARTICIPANT.

(1) DISTRIBUTION BEGINNING BEFORE DEATH. If the Participant dies before distribution of his benefits has begun, distributions shall be made in accordance with the provisions of this paragraph. Distributions under Section 8.01(a) shall be completed by the close of the calendar year in which the fifth anniversary of the death of the Participant occurs. Distributions under Section 8.01(b) shall commence, if the Beneficiary is not the Participant's spouse, not later than the close of the calendar year immediately following the calendar year in which the death of the Participant occurs. Distributions under Section 8.01(b) to a Beneficiary who is the Participant's surviving spouse shall commence not later than the close of the calendar year in which the Participant would have attained age 70-1/2 or, if later, the close of the calendar year immediately following the calendar year in which the death of the Participant occurs. In the event such spouse dies prior to the date distribution to him or her commences, he or she will be treated for purposes of this subsection (other than the preceding sentence) as if he or she were the Participant. If the Participant has not designated a Beneficiary, or the Participant or Beneficiary has not effectively selected a method of distribution, distribution of the Participant's benefit shall be completed by the close of the calendar year in which the fifth anniversary of the death of the Participant occurs.

Any amount paid to a child of the Participant will be treated as if it had been paid to the surviving spouse if the amount becomes payable to the surviving spouse when the child reaches the age of majority.

For purposes of this subsection (b)(1), the life expectancy of a Beneficiary who is the Participant's surviving spouse shall be recalculated annually unless the Participant's spouse irrevocably elects otherwise prior to the time distributions are required to begin. Life expectancy shall be computed in accordance with the provisions of subsection (a) above.

(2) DISTRIBUTION BEGINNING AFTER DEATH. If the Participant dies after distribution of his benefits has begun, distributions to the Participant's Beneficiary will be made at least as rapidly as under the method of distribution being used as of the date of the Participant's death.

For purposes of this Section 8.04(b), distribution of a Participant's interest in his Account will be considered to begin as of the Participant's required beginning date, as determined under Section 8.08(b). If distribution in the form of an annuity irrevocably commences prior to such date, distribution will be considered to begin as of the actual date distribution commences.

(c) LIFE EXPECTANCY. For purposes of this Section, life expectancy shall be recalculated annually in the case of the Participant or a Beneficiary who is the Participant's spouse unless the Participant or Beneficiary irrevocably elects otherwise prior to the time distributions are required to begin. If not recalculated in accordance with the foregoing, life expectancy shall be calculated using the attained age of the Participant or Beneficiary, whichever is applicable, as of such individual's birth date in the first year for which a minimum distribution is required reduced by one for each elapsed calendar year since the date life expectancy was first calculated. For purposes of this Section, life expectancy and joint life and last survivor expectancy shall be computed by use of the expected return multiples in Table V and VI of section 1.72-9 of the income tax Regulations.

A Participant's interest in his Account for purposes of this Section 8.04 shall be determined as of the last valuation date in the calendar year immediately preceding the calendar year for which a minimum distribution is required, increased by the amount of any contributions allocated to, and decreased by any distributions from, such Account after the valuation date. Any distribution for the first year for which a minimum distribution is required made after the close of such year shall be treated as if made prior to the close of such year.

8.05 IMMEDIATE DISTRIBUTIONS

If the Account distributable to a Participant exceeds, or at the time of any prior distribution exceeded, $3,500, no distribution will be made to the Participant before he reaches his Normal Retirement Age (or age 62, if later), unless the written consent of the Participant has been obtained. Such consent shall be made in writing within the 90-day period ending on the Participant's Annuity Starting Date. Within the period beginning 90 days before the Participant's Annuity Starting Date and ending 30 days before such Date, the Administrator will provide such Participant with written notice comparable to the notice described in Section 8.03(b) containing a general description of the material features and an explanation of the relative values of the optional forms of benefit available under the Plan and informing the Participant of his right to defer receipt of the distribution until his Normal Retirement Age (or age 62, if later).

The consent of the Participant's spouse must also be obtained if the Participant is subject to the provisions of Section 8.03(a), unless the distribution will be made in the form of the applicable retirement annuity contract described in Section 8.03(b). A spouse's consent to early distribution, if required, must satisfy the requirements of Section 8.03(d).

Neither the consent of the Participant nor the Participant's spouse shall be required to the extent that a distribution is required to satisfy Section 401(a)(9) or Section 415 of the Code. In addition, upon termination of the Plan if it does not offer an annuity option (purchased from a commercial provider) and if the Employer or any Related Employer does not maintain another defined contribution Plan (other than an

Employee stock ownership Plan as defined in Code Section 4975(e)(7)) the Participant's Account will, without the Participant's consent, be distributed to the Participant. However, if any Related Employer maintains another defined contribution Plan (other than an Employee stock ownership Plan as defined in Section 4975(e)(7) of the Code) then the Participant's Account will be transferred, without the Participant's consent, to the other Plan if the Participant does not consent to an immediate distribution.

8.06 DETERMINATION OF METHOD OF DISTRIBUTION

The Participant will determine the method of distribution of benefits to himself and may determine the method of distribution to his Beneficiary. Such determination will be made prior to the time benefits become payable under the Plan. If the Participant does not determine the method of distribution to his Beneficiary or if the Participant permits his Beneficiary to override his determination, the Beneficiary, in the event of the Participant's death, will determine the method of distribution of benefits to himself as if he were the Participant. A determination by the Beneficiary must be made no later than the close of the calendar year in which distribution would be required to begin under Section 8.04(b) or, if earlier, the close of the calendar year in which the fifth anniversary of the death of the Participant occurs.

8.07 NOTICE TO TRUSTEE

The Administrator Will notify the Trustee in a medium acceptable to the Trustee whenever any Participant or Beneficiary is entitled to receive benefits under the Plan. The Administrator's notice shall indicate the form of benefits that such Participant or Beneficiary shall receive and (in the case of distributions to a Participant) the name of any designated Beneficiary or Beneficiaries.

8.08 TIME OF DISTRIBUTION

In no event will distribution to a Participant be made later than the earlier of the dates described in (a) and (b) below:

(a) Absent the consent of the Participant (and his spouse, if appropriate), the 60th day after the close of the Plan Year in which occurs the later of the date on which the Participant attains age 65, the date on which the Participant, ceases to be employed by the Employer; or the 10th anniversary of the year in which the Participant commenced participation in the Plan; and

(b) April 1 of the calendar year first following the calendar year in which the Participant attains age 70-1/2 or, in the case of a Participant who had attained age 70-1/2 before January 1, 1988, the required beginning date determined in accordance with (1) or (2) below:

(1) The required beginning date of a Participant who is not a 5-percent owner is the first day of April of the calendar year following the calendar year in which the later of retirement or attainment of age 70-1/2 occurs.

(2) The required beginning date of a Participant who is a 5-percent owner during any year beginning after December 31, 1979, is the first day of April following the later of:

(i) the calendar year in which the Participant attains age 70-1/2, or

(ii) the earlier of the calendar year with or within which ends the Plan year in which the Participant becomes a 5-percent owner, or the calendar year in which the Participant retires.

Notwithstanding the foregoing, in the case of a Participant who attained age 70-1/2 during 1988 and who had not retired prior to January 1, 1989, the required beginning date described in this paragraph shall be April 1, 1990.

Notwithstanding (a) above, the failure of a Participant (and spouse) to consent to a distribution while a benefit is immediately distributable, within the meaning of Section 8.05, shall be deemed to be an election to defer

commencement of payment of any benefit sufficient to satisfy (a) above. Once distributions have begun to a 5-percent owner under (b) above, they must continue to be distributed, even if the Participant ceases to be a 5-percent owner in a subsequent year. For purposes of (b) above, a Participant is treated as a 5-percent owner if such Participant is a 5-percent owner as defined in Section 416(i) of the Code (determined in accordance with Section 416 but without regard to whether the Plan is top-heavy) at any time during the Plan year ending with or within the calendar year in which such owner attains age 66-1/2 or any subsequent Plan year.

The Administrator shall notify the Trustee in a medium acceptable to the Trustee whenever a distribution is necessary in order to comply with the minimum distribution rules set forth in this Section.

8.09 WHEREABOUTS OF PARTICIPANTS AND BENEFICIARIES

The Administrator will at all times be responsible for determining the whereabouts of each Participant or Beneficiary who may be entitled to benefits under the Plan and will at all times be responsible for instructing the Trustee in writing as to the current address of each such Participant or Beneficiary. The Trustee will be entitled to rely on the latest written statement received from the Administrator as to such addresses. The Trustee will be under no duty to make any distributions under the Plan unless and until it has received written instructions from the Administrator satisfactory to the Trustee containing the name and address of the distributor, the time when the distribution is to occur, and the form which the distribution will take. Notwithstanding the foregoing, if the Trustee attempts to make a distribution in accordance with the Administrator's instructions but is unable to make such distribution because the whereabouts of the distributee is unknown, the Trustee will notify the Administrator of such situation and thereafter the Trustee will be under no duty to make any further distributions to such distributee until it receives further written instructions from the Administrator. If a benefit is forfeited because the Administrator determines that the Participant or beneficiary cannot be found, such benefit will be reinstated by the Sponsor if a clam is filed by the Participant or Beneficiary with the Administrator and the Administrator confirms the claim to the Sponsor.

ARTICLE 9 TOP-HEAVY PROVISIONS.

9.01 APPLICATION

If the Plan is or becomes a Top-Heavy Plan in any Plan Year or is automatically deemed to be Top-Heavy in accordance with the Employer's election in Section 1.12(a)(1) of the Adoption Agreement, the provisions of this Article 9 shall supersede any conflicting provision in the Plan.

9.02 DEFINITIONS

For purposes of this Article 9, the following terms have the meanings set forth below:

(a) KEY EMPLOYEE. Any Employee or former Employee (and the Beneficiary of any such Employee) who at any time during the determination period was (i) an officer of the Employer whose annual Compensation exceeds 50 percent of the dollar limitation under Section 415(b)(1)(A) of the Code, (ii) an owner (or considered an owner under Section 318 of the Code) of one of the ten largest interests in the Employer if such individual's annual Compensation exceeds the dollar limitation under Section 415(c)(1)(A) of the Code, (iii) a 5-percent owner of the Employer, or (iv) a 1-percent owner of the Employer who has annual Compensation of more than $150,000. For purposes of this paragraph, the determination period is the Plan Year containing the Determination Date and the four preceding Plan Years. The determination of who is a Key Employee shall be made in accordance with Section 416(i)(1) of the Code and the regulations thereunder. Annual Compensation means Compensation as defined in Section 5.03(e)(2), but including amounts contributed by the Employer pursuant to a salary reduction agreement which are excludable from the Employee's gross income under Section 125, Section 402(a)(8), and Section 403(b) of the Code.

(b) TOP-HEAVY PLAN. The Plan is a Top-Heavy Plan if any of the following conditions exists:

(1) the Top-Heavy Ratio for the Plan exceeds 60 percent and the Plan is not part of any Required Aggregation Group or Permissive Aggregation Group;

(2) the Plan is a part of a Required Aggregation Group but not part of a Permissive Aggregation Group and the Top-Heavy Ratio for the Required Aggregation Group exceeds 60 percent; or

(3) the Plan is a part of a Required Aggregation Group and a Permissive Aggregation Group and the Top-Heavy Ratio for both Groups exceeds 60 percent.

(c) TOP-HEAVY RATIO.

(1) With respect to this Plan, or with respect to any Required Aggregation Group or Permissive Aggregation Group that consists solely of defined contribution Plans (including any simplified Employee pension Plans) and the Employer has not maintained any defined benefit Plan which during the 5-year period ending on the determination date(s) has or has had accrued benefits, the Top-Heavy Ratio is a fraction, the numerator of which is the sum of the account balances of all Key Employees under the Plans as of the Determination Date (including any part of any account balance distributed in the 5-year period ending on the Determination Date), and the denominator of which is the sum of all account balances (including any part of any account balance distributed in the 5-year period ending on the Determination Date) of all Participants under the Plans as of the Determination Date. Both the numerator and denominator of the Top-Heavy Ratio shall be increased, to the extent required by Section 416 of the Code, to reflect any contribution which is due but unpaid as of the Determination Date.

(2) With respect to any Required Aggregation Group or Permissive Aggregation Group that includes one or more defined benefit Plans which, during the 5-year period ending on the Determination Date, has covered or could cover a Participant in this Plan, the Top-Heavy Ratio is a fraction, the numerator of which is the sum of the account balances under the defined contribution Plans for all Key Employees and the present value of accrued benefits under the defined benefit Plans for all Key Employees, and the denominator of which is the sum of the account balances under the defined contribution Plans for all Participants and the present value of accrued benefits under the defined benefit Plans for all Participants. Both the numerator and denominator of the Top-Heavy Ratio shall be increased for any distribution of an account balance or an accrued benefit made in the 5-year period ending on the Determination Date and any contribution due but unpaid as of the Determination Date.

(3) For purposes of (1) and (2) above, the value of Accounts and the present value of accrued benefits will be determined as of the most recent Valuation Date that falls within or ends with the 12-month period ending on the Determination Date, except as provided in Section 416 of the Code and the regulations thereunder for the first and second Plan years of a defined benefit Plan. The Account and accrued benefits of a Participant (i) who is not a Key Employee but who was a Key Employee in a prior year, or (ii) who has not been credited with at least one Hour of Service with the Employer at any time during the 5-year period ending on the Determination Date, will be disregarded. The calculation of the Top-Heavy Ratio, and the extent to which distributions, rollovers, and transfers are taken into account, shall be made in accordance with Section 416 of the Code and the regulations thereunder. Deductible Employee contributions shall not be taken into account for purposes of computing the Top-Heavy Ratio. When aggregating Plans, the value of Accounts and accrued benefits shall be calculated with reference to the Determination Dates that fall within the same calendar year.

For purposes of determining if the Plan, or any other Plan included in a Required Aggregation Group of which this Plan is a part, is a Top-Heavy Plan, the accrued benefit in a defined benefit Plan of an Employee other than a Key Employee shall be determined under (a) the method, if any, that uniformly applies for accrual purposes under all Plans maintained by the Employer, or (b) if there is

no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional accrual rate of Section 411(b)(1)(C) of the Code.

(d) PERMISSIVE AGGREGATION GROUP. The Required Aggregation Group plus any other qualified Plans of the Employer or a Related Employer which, when considered as a group with the Required Aggregation Group, would continue to satisfy the requirements of Sections 401(a)(4) and 410 of the Code.

(e) REQUIRED AGGREGATION GROUP.

(1) Each qualified Plan of the Employer or Related Employer in which at least one Key Employee participates, or has participated at any time during the determination period (regardless of whether the Plan has terminated), and

(2) any other qualified Plan of the Employer or Related Employer which enables a Plan described in (1) above to meet the requirements of Sections 401(a)(4) or 410 of the Code.

(f) DETERMINATION DATE. For any Plan Year of the Plan subsequent to the first Plan Year, the last day of the preceding Plan Year. For the first Plan Year of the Plan, the last day of that Plan Year.

(g) VALUATION DATE. The Determination Date.

(h) PRESENT VALUE. Present value shall be based only on the interest rate and mortality table specified in the Adoption Agreement.

9.03 MINIMUM CONTRIBUTION

(a) Except as otherwise provided in (b) and (c) below, the Discretionary Contributions made on behalf of any Participant who is not a Key Employee shall not be less than the lesser of 3 percent (or such other percent elected by the Employer in Section 1.12(c)) of such Participant's Compensation or, in the case where the Employer has no defined benefit Plan which designates this Plan to satisfy Section 401 of the Code, the largest percentage of Employer contributions, as a percentage of the Key Employee's Compensation, as limited by Section 401(a)(17) of the Code, made on behalf of any Key Employee for that year. For purposes of computing the minimum contribution, Compensation shall mean Compensation as limited by Section 401(a)(17) of the Code. Further, the minimum contribution under this Section 9.03, shall be made even though, under other Plan provisions, the Participant would not otherwise be entitled to receive a contribution, or would have received a lesser contribution for the year, because (i) the Participant failed to complete 1,000 Hours of Service or any equivalent service requirement provided in the Adoption Agreement; or (ii) the Participant's Compensation was less than a stated amount.

(b) The provisions of (a) above shall not apply to any Participant who was not employed by the Employer on the last day of the Plan Year.

(c) The Employer contributions for the Plan Year made on behalf of each Participant who is not a Key Employee and who is a Participant in a defined benefit Plan maintained by the Employer shall not be less than 5 percent of such Participant's Compensation, unless the Employer has provided in Section 1.12(c) that the minimum contribution requirement will be met in the other Plan or Plans of the Employer.

(d) The minimum contribution required under (a) above (to the extent required to be nonforfeitable under Section 416(b) of the Code) may not be forfeited under Section 411(a)(3)(B) or 411(a)(3)(D) of the Code.

9.04 ADJUSTMENT TO THE LIMITATION ON CONTRIBUTIONS AND BENEFITS

If this Plan is in Top-Heavy status, the number 100 shall be substituted for the number 125 in subsections (e)(3) and (e)(4) of Section 5.03. However, this substitution shall not take effect with respect to this Plan in any Plan Year in which the following requirements are satisfied:

(a) The Employer contributions for such Plan Year made on behalf of each Participant who is not a Key Employee and who is a Participant in a defined benefit Plan maintained by the Employer is not less than 7-1/2 percent of such Participant's Compensation.

(b) The sum of the present value as of the Determination Date of (i) the aggregate accounts of all Key Employees under all defined contribution Plans of the Employer and (ii) the cumulative accrued benefits of all Key Employees under all defined benefit Plans of the Employer does not exceed 90 percent of the same amounts determined for all Participants under all Plans of the Employer that are Top-Heavy Plans, excluding Accounts and accrued benefits for Employees who formerly were but are no longer Key Employees.

The substitutions of the number 100 for 125 shall not take effect in any limitation Year with respect to any Participant for whom no benefits are accrued or contributions made for such Year.

9.05 MINIMUM VESTING

For any Plan Year in which the Plan is a Top-Heavy Plan and all Plan Years thereafter, the Top-Heavy vesting schedule elected in Section 1.07(a)(1) or 1.12(d), as applicable, will automatically apply to the Plan. The Top-Heavy vesting schedule applies to all benefits within the meaning of Section 411(a)(7) of the Code except those attributable to Employee Contributions or those already subject to a vesting schedule which vests at least as rapidly in all cases as the schedule elected in Section 1.12(d), including benefits accrued before the Plan becomes a Top-Heavy Plan. Further, no decrease in a Participant's nonforfeitable percentage may occur in the event the Plan's status as a Top-Heavy Plan changes for any Plan Year. However, this Section 9.05 does not apply to the Account of any Employee who does not have an Hour of Service after the Plan has initially become a Top-Heavy Plan and such Employee's Account attributable to Employer Contributions will be determined without regard to this Section 9.05.

ARTICLE 10 AMENDMENT AND TERMINATION.

10.01 AMENDMENT BY EMPLOYER

The Employer reserves the authority, subject to the provisions of Article 1 and Section 10.03, to amend the Plan:

(a) CHANGING ELECTIONS CONTAINED IN THE ADOPTION AGREEMENT. By filing with the Trustee an amended Adoption Agreement, executed by the Employer only, on which said Employer has indicated a change or changes in provisions previously elected by it. Such changes are to be effective on the effective date of such amended Adoption Agreement except that retroactive changes to a previous election or elections pursuant to the regulations issued under Section 401(a)(4) of the Code shall be permitted. Any such change notwithstanding, no Participant's Account shall be reduced by such change below the amount to which the Participant would have been entitled if he had voluntarily left the employ of the Employer immediately prior to the date of the change. The Employer may from time to time make any amendment to the Plan that may be necessary to satisfy Sections 415 or 416 of the Code because of the required aggregation of multiple Plans by completing overriding Plan language in the Adoption Agreement. The Employer may also add certain model amendments published by the Internal Revenue Service which specifically provide that their adoption will not cause the Plan to be treated as an individually designed Plan; or

(b) OTHER CHANGES. By amending any provision of the Plan for any reason other than those specified in (a) above. However, upon making such amendment, including a waiver of the minimum funding requirement

under Section 412(d) of the Code, the Employer may no longer participate in this prototype Plan arrangement and will be deemed to have an individually designed Plan. Following such amendment, the Trustee may transfer the assets of the Trust to the trust forming part of such newly adopted Plan upon receipt of sufficient evidence (such as a determination letter or opinion letter from the Internal Revenue Service or an opinion of counsel satisfactory to the Trustee) that such trust will be a qualified trust under the Code.

(c) AMENDMENT PROCEDURE. The Employer reserves the authority to amend the Plan by filing with the Trustee an amended Adoption Agreement, executed by the Employer only, on which said Employer has indicated a change or changes in provisions previously elected by it. Such change(s) is/are to be effective on the effective date of such amended Adoption Agreement. The Employer may from time to time make any amendment to the Plan that may be necessary to satisfy the Internal Revenue Code or ERISA. The Board of Directors for a Corporate Employer or other individual specified in the resolution adopting this Plan shall act on behalf of a Corporation.

10.02 AMENDMENT BY PROTOTYPE SPONSOR

The Prototype Sponsor may in its discretion amend the Plan or the Adoption Agreement at any time, subject to the provisions of Article 1 and Section 10.03, and provided that the Prototype Sponsor mails a copy of such amendment to the Employer at its last known address as shown on the books of the Prototype Sponsor.

10.03 AMENDMENTS AFFECTING VESTED AND/OR ACCRUED BENEFITS

(a) Except as permitted by Section 10.04, no amendment to the Plan shall be effective to the extent that it has the effect of decreasing a Participant's Account or eliminating an optional form of benefit with respect to benefits attributable to service before the amendment. Furthermore, if the vesting schedule of the Plan is amended, the nonforfeitable interest of a Participant in his Account, determined as of the later of the date the amendment is adopted or the date it becomes effective, will not be less than the Participant's nonforfeitable interest in his Account determined without regard to such amendment.

(b) If the Plan's vesting schedule is amended, including any amendment resulting from a change to or from Top-Heavy Plan status, or the Plan is amended in any way that directly or indirectly affects the computation of a Participant's nonforfeitable interest in his Account, each Participant with at least three (3) Years of Service for Vesting with the Employer may elect, within a reasonable period after the adoption of the amendment, to have the nonforfeitable percentage of his Account computed under the Plan without regard to such amendment. The Participant's election may be made within 60 days from the latest of (i) the date the amendment is adopted; (ii) the date the amendment becomes effective; or (iii) the date the Participant is issued written notice of the amendment by the Employer or the Administrator.

10.04 RETROACTIVE AMENDMENTS

An amendment made by the sponsor in accordance with Section 10.02 may be made effective on a date prior to the first day of the Plan Year in which it is adopted if such amendment is necessary or appropriate to enable the Plan and Trust to satisfy the applicable requirements of the Code or to conform the Plan to any change in federal law, or to any regulations or ruling thereunder. Any retroactive amendment by the Employer shall be subject to the provisions of Section 10.01.

10.05 TERMINATION

The Employer has adopted the Plan with the intention and expectation that contributions will be continued indefinitely. However, said Employer has no obligation or liability whatsoever to maintain the Plan for any length

of time and may discontinue contributions under the Plan or terminate the Plan at any time by written notice delivered to the Trustee without any liability hereunder for any such discontinuance or termination.

10.06 DISTRIBUTION UPON TERMINATION OF THE PLAN

Upon termination or partial termination of the Plan or complete discontinuance of contributions thereunder, each Participant (including a terminated Participant with respect to amounts not previously forfeited by him) who is affected by such termination or partial termination or discontinuance will have a fully vested interest in his Account, and, subject to Section 4.05 and Article 8, the Trustee will distribute to each Participant or other person entitled to distribution the balance of the Participant's Account in a single lump sum payment. In the absence of such instructions, the Trustee will notify the Administrator of such situation and the Trustee will be under no duty to make any distributions under the Plan until it receives written instructions from the Administrator. Upon the completion of such distributions, the Trust will terminate, the Trustee will be relieved from all liability under the Trust, and no Participant or other person will have any claims thereunder, except as required by applicable law.

10.07 MERGER OR CONSOLIDATION OF PLAN; TRANSFER OF PLAN ASSETS

In case of any merger or consolidation of the Plan with, or transfer of assets and liabilities of the Plan to, any other Plan, provision must be made so that each Participant would, if the Plan then terminated, receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation or transfer if the Plan had then terminated.

ARTICLE 11 AMENDMENT AND CONTINUATION OF PREDECESSOR PLAN; TRANSFER OF FUNDS TO OR FROM OTHER QUALIFIED PLANS

11.01 AMENDMENT AND CONTINUATION OF PREDECESSOR PLAN

In the event the Employer has previously established a Plan (the "predecessor Plan") which is a defined contribution Plan under the Code and which on the date of adoption of the Plan meets the applicable requirements of section 401(a) of the Code, the Employer may, in accordance with the provisions of the predecessor Plan, amend and continue the predecessor Plan in the form of the Plan and become the Employer hereunder, subject to the following:

(a) Subject to the provisions of the Plan, each individual who was a Participant or former Participant in the predecessor Plan immediately prior to the effective date of such amendment and continuation will become a Participant or former Participant in the Plan;

(b) No election may be made under the vesting provisions of the Adoption Agreement if such election would reduce the benefits of a Participant under the Plan to less than the benefits to which he would have been entitled if he voluntarily separated from the service of the Employer immediately prior to such amendment and continuation;

(c) No amendment to the Plan shall decrease a Participant's accrued benefit or eliminate an optional form of benefit and if the amendment of the predecessor Plan in the form of the Plan results in a change in the method of crediting service for vesting purposes between the general method set forth in Section 2530.200b-2 of the Department of Labor Regulations and the elapsed time method in Section 2.01(a)(33) of the Plan, each Participant with respect to whom the method of crediting vesting service is changed shall be treated in the manner set forth by the provisions of Section 1.410(a)-7(f)(1) of the Treasury Regulations which are incorporated herein by reference.

(d) The amounts standing to the credit of a Participant's Account immediately prior to such amendment and continuation which represent the amounts properly attributable to (i) contributions by the Participant and (ii) contributions by the Employer and forfeitures will constitute the opening balance of his Account or Accounts under the Plan;

(e) Amounts being paid to a former Participant or to a Beneficiary in accordance with the provisions of the predecessor Plan will continue to be paid in accordance with such provisions;

(f) Any election and waiver of the qualified pre-retirement annuity in effect after August 23, 1984, under the predecessor Plan immediately before such amendment and continuation will be deemed a valid election and waiver of Beneficiary under Section 8.04 if such designation satisfies the requirements of Section 8.04(d), unless and until the Participant revokes such election and waiver under the Plan; and

(g) Unless the Employer and the Trustee agree otherwise, all assets of the predecessor trust will be deemed to be assets of the Trust as of the effective date of such amendment. Such assets will be invested by the Trustee as soon as reasonably practicable pursuant to Article 6. The Employer agrees to assist the Trustee in any way requested by the Trustee in order to facilitate the transfer of assets from the predecessor trust to the Trust Fund.

11.02 TRANSFER OF FUNDS FROM AN EXISTING PLAN

The Employer may from time to time direct the Trustee, in accordance with such rules as the Trustee may establish, to accept cash, allowable Fund Shares or Participant loan promissory notes transferred for the benefit of Participants from a trust forming part of another qualified Plan under the Code, provided such Plan is a defined contribution Plan. Such transferred assets will become assets of the Trust as of the date they are received by the Trustee. Such transferred assets will be credited to Participants' Account in accordance with their respective interests immediately upon receipt by the Trustee. A Participant's interest under the Plan in transferred assets which were fully vested and nonforfeitable under the transferring Plan will be fully vested and nonforfeitable at all times. Such transferred assets will be invested by the Trustee in accordance with the provisions of paragraph (g) of Section 11.01 as if such assets were transferred from a predecessor Plan. No transfer of assets in accordance with this Section may cause a loss of an accrued or optional form of benefit protected by Section 411 (d)(6) of the Code.

11.03 ACCEPTANCE OF ASSETS BY TRUSTEE

The Trustee will not accept assets which are not either in a medium proper for investment under the Plan, as set forth in Section 1.14(b), or in cash. Such assets shall be accompanied by written instructions showing separately the respective contributions by the prior employer and by the Employee, and identifying the assets attributable to such contributions. The Trustee shall establish such accounts as may be necessary or appropriate to reflect such contributions under the Plan. The Trustee shall hold such assets for investment in accordance with the provisions of Article 6, and shall in accordance with the written instructions of the Employer make appropriate credits to the Accounts of the Participants for whose benefit assets have been transferred.

11.04 TRANSFER OF ASSETS FROM TRUST

The Employer may direct the Trustee to transfer all or a specified portion of the Trust assets to any other Plan or Plans maintained by the Employer or the employer or employers of a former Participant or Participants, provided that the Trustee has received evidence satisfactory to it that such other Plan meets all applicable requirements of the Code. The assets so transferred shall be accompanied by written instructions from the Employer naming the persons for whose benefit such assets have been transferred, showing separately the respective contributions by the Employer and by each Participant, if any, and identifying the assets attributable to the various contributions. The Trustee shall have no further liabilities with respect to assets so transferred.

ARTICLE 12 MISCELLANEOUS

12.01 COMMUNICATION TO PARTICIPANTS

The Plan will be communicated to all Participants by the Employer promptly after the Plan is adopted.

12.02 LIMITATION OF RIGHTS

Neither the establishment of the Plan and the Trust, nor any amendment thereof, nor the creation of any fund or account, nor the payment of any benefits, will be construed as giving to any Participant or other person any legal or equitable right against the Employer, Administrator or Trustee, except as provided herein; and in no event will the terms of employment or service of any Participant be modified or in any way affected hereby. It is a condition of the Plan, and each Participant expressly agrees by his participation herein, that each Participant will look solely to the assets held in the Trust for the payment of any benefit to which he is entitled under the Plan.

12.03 NONALIENABILITY OF BENEFITS AND QUALIFIED DOMESTIC RELATIONS ORDERS

The benefits provided hereunder will not be subject to alienation, assignment, garnishment, attachment, execution or levy of any kind, either voluntarily or involuntarily, and any attempt to cause such benefits to be so subjected will not be recognized, except to such extent as may be required by law. The preceding sentence shall also apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant pursuant to a domestic relations order, unless such order is determined by the Plan Administrator to be a qualified domestic relations order, as defined in Section 414(p) of the Code, or any domestic relations order entered before January 1, 1985. The Administrator must establish reasonable procedures to determine the qualified status of a domestic relations order. Upon receiving a domestic relations order, the Administrator will promptly notify the Participant and any alternate payee named in the order, in writing, of the receipt of the order and the Plan's procedures for determining the qualified status of the order. Within a reasonable period of time after receiving the domestic relations order, the Administrator must determine the qualified status of the order and must notify the Participant and each alternate payee, in writing, of its determination. The Administrator must provide notice under this paragraph by mailing to the individual's address specified in the domestic relations order, or in a manner consistent with the Department of Labor regulations.

If any portion of the Participant's Account is payable during the period the Administrator is making its determination of the qualified status of the domestic relations order, the Administrator must make a separate accounting of the amounts payable. If the Administrator determines the order is a qualified domestic relations order within 18 months of the date amounts first are payable following receipt of the order, the Administrator will direct the Trustee to distribute the payable amounts in accordance with the order. If the Administrator does not make his determination of the qualified status of the order within the 18 month determination period, the Administrator will direct the Trustee to distribute the payable amounts in the manner the Plan would distribute if the order did not exist and will apply the order prospectively if the Administrator later determines the order is a qualified domestic relations order.

A domestic relations order will not fail to be deemed a qualified domestic relations order merely because it requires the distribution or segregation of all or part of a Participant's Account with respect to an alternate payee prior to the Participant's earliest retirement age (as defined in Section 414(p) of the Code) under the Plan. A distribution to an alternate payee prior to the Participant's attainment of the earliest retirement age is available only if (1) the order specifies distribution at that time; and (2) if the present value of the alternate payee's benefits under the Plan exceeds $3,500, and the order requires, the alternate payee consents to any distribution occurring prior to the Participant's attainment of earliest retirement age.

12.04 FACILITY OF PAYMENT

In the event the Administrator determines, on the basis of medical reports or other evidence satisfactory to the Administrator, that the recipient of any benefit payments under the Plan is incapable of handling his affairs by reason of minority, illness, infirmity or other incapacity, the Administrator may direct the Trustee to disburse such payments to a person or institution designated by a court which has jurisdiction over such recipient or a person or institution otherwise having the legal authority under State law for the care and control of such recipient. The receipt by such person or institution of any such payments shall be complete acquittance therefore, and any such payment to the extent thereof, shall discharge the liability of the Trust for the payment of benefits hereunder to such recipient.

12.05 INFORMATION BETWEEN EMPLOYER AND TRUSTEE

The Employer agrees to furnish the Trustee, and the Trustee agrees to furnish the Employer with such information relating to the Plan and Trust as may be required by the other in order to carry out their respective duties hereunder, including without limitation information required under the Code and any regulations issued or forms adopted by the Treasury Department thereunder or under the provisions of ERISA and any regulations issued or forms adopted by the Labor Department thereunder.

12.06 EFFECT OF FAILURE TO QUALIFY UNDER CODE

Notwithstanding any other provision contained herein, if the Employer fails to obtain or retain approval of the Plan by the Internal Revenue Service as a qualified Plan under the Code, the Employer may no longer participate in this prototype Plan arrangement and will be deemed to have an individually designed Plan.

12.07 NOTICES

Any notice or other communication in connection with this Plan shall be deemed delivered in writing if addressed as provided below and if either actually delivered at said address or, in the case of a letter, three business days shall have elapsed after the same shall have been deposited in the United States mails, first-class postage prepaid and registered or certified:

(a) If to the Employer or Administrator, to it at the address set forth in the Adoption Agreement, to the attention of the person specified to receive notice in the Adoption Agreement;

(b) If to the Trustee, to it at the address set forth in the Adoption Agreement;

or, in each case at such other address as the addressee shall have specified by written notice delivered in accordance with the foregoing to the addresser's then effective notice address.

12.08 GOVERNING LAW

The Plan and the accompanying Adoption Agreement will be construed, administered and enforced according to ERISA, and to the extent not preempted thereby, the laws of the Commonwealth of Massachusetts.

12.09 NON-DISCRIMINATION DATA SUBSTANTIATION

The Employer may elect to follow the guidelines for substantiating compliance with the non-discrimination rules pursuant to Internal Revenue Service Revenue Procedure 93-42, Data Substantiation Guidelines and Non-Discrimination Requirements of Section 401(a)(4), 410(b), and Related Code Sections. The guidance in this

Revenue Procedure is designed to allow Employers to use alternative methods for substantiating compliance with the non-discrimination requirements.

ARTICLE 13 PLAN ADMINISTRATION

13.01 POWERS AND RESPONSIBILITIES OF THE ADMINISTRATOR

The Administrator has the full power and the full responsibility to administer the Plan in all of its details, subject, however, to the requirements of ERISA. The Administrator's powers and responsibilities include, but are not limited to, the following:

(a) To make and enforce such rules and regulations as it deems necessary or proper for the efficient administration of the Plan;

(b) To interpret the Plan, its interpretation thereof in good faith to be final and conclusive on all persons claiming benefits under the Plan;

(c) To decide all questions concerning the Plan and the eligibility of any person to participate in the Plan;

(d) To administer the claims and review procedures specified in Section 13.03;

(e) To compute the amount of benefits which will be payable to any Participant, former Participant or Beneficiary in accordance with the provisions of the Plan;

(f) To determine the person or persons to whom such benefits will be paid;

(g) To authorize the payment of benefits and provide for the distribution of Code Section 402(f) notices;

(h) To comply with the reporting and disclosure requirements of Part 1 of Subtitle B of Title I of ERISA;

(i) To appoint such agents, counsel, accountants, and consultants as may be required to assist in administering the Plan;

(j) By written instrument, to allocate and delegate its fiduciary responsibilities in accordance with Section 405 of ERISA including the formation of an Administrative Committee to administer the Plan;

(k) To provide bonding coverage as required under Section 412 of ERISA.

13.02 NONDISCRIMINATORY EXERCISE OF AUTHORITY

Whenever, in the administration of the Plan, any discretionary action by the Administrator is required, the Administrator shall exercise its authority in a nondiscriminatory manner so that all persons similarly situated will receive substantially the same treatment.

13.03 CLAIMS AND REVIEW PROCEDURES

(a) CLAIMS PROCEDURE. If any person believes he is being denied any rights or benefits under the Plan, such person may file a claim in writing with the Administrator. If any such claim is wholly or partially denied, the Administrator will notify such person of its decision in writing. Such notification will contain (i) specific reasons for the denial, (ii) specific reference to pertinent Plan provisions, (iii) a description of any additional

material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (iv) information as to the steps to be taken if the person wishes to submit a request for review. Such notification will be given within 90 days after the claim is received by the Administrator (or within 180 days, if special circumstances require an extension of time for processing the claim, and if written notice of such extension and circumstances is given to such person within the initial 90-day period). If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his claim.

(b) REVIEW PROCEDURE. Within 60 days after the date on which a person receives a written notice of a denied claim (or, if applicable, within 60 days after the date on which such denial is considered to have occurred), such person (or his duly authorized representative) may (i) file a written request with the Administrator for a review of his denied claim and of pertinent documents and (ii) submit written issues and comments to the Administrator. The Administrator will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The decision on review will be made within 60 days after the request for review is received by the Administrator (or within 120 days, if special circumstances require an extension of time for processing the request, such as an election by the Administrator to hold a hearing, and if written notice of such extension and circumstances is given to such person within the initial 60-day period). If the decision on review is not made within such period, the claim will be considered denied.

13.04 NAMED FIDUCIARY

The Administrator is a "named fiduciary" for purposes of Section 402(a)(1) of ERISA and has the powers and responsibilities with respect to the management and operation of the Plan described herein.

13.05 COSTS OF ADMINISTRATION

Unless some or all are paid by the Employer, all reasonable costs and expenses (including legal, accounting, and Employee communication fees) incurred by the Administrator and the Trustee in administering the Plan and Trust will be paid first from the forfeitures (if any) resulting under Section 7.07, then from the remaining Trust Fund. All such costs and expenses paid from the Trust Fund will, unless allocable to the Accounts of particular Participants, be charged against the Accounts of all Participants on a prorata basis or in such other reasonable manner as may be directed by the Employer.

ARTICLE 14 TRUST AGREEMENT

14.01 ACCEPTANCE OF TRUST RESPONSIBILITIES

By executing the Adoption Agreement, the Employer establishes a trust to hold the assets of the Plan. By executing the Adoption Agreement, the Trustee agrees to accept the rights, duties and responsibilities set forth in this Article 14.

14.02 ESTABLISHMENT OF TRUST FUND

A trust is hereby established under the Plan and the Trustee will open and maintain a Trust account for the Plan and, as part thereof, Participants' Accounts for such individuals as the Employer shall from time to time give written notice to the Trustee of Participants in the Plan. The Trustee will accept and hold in the Trust Fund such contributions on behalf of Participants as it may receive from time to time from the Employer. The Trust Fund shall

be fully invested and reinvested in accordance with the applicable provisions of the Plan in Fund Shares or as otherwise provided in Section 14.10.

14.03 EXCLUSIVE BENEFIT

The Trustee shall hold the assets of the Trust Fund for the exclusive purpose of providing benefits to Participants and Beneficiaries and defraying the reasonable expenses of administering the Plan. No assets of the Plan shall revert to the Employer except as specifically permitted by the terms of the Plan.

14.04 POWERS OF TRUSTEE

The Trustee shall have no discretion or authority with respect to the investment of the Trust Fund but shall act solely as a directed trustee of the funds contributed to it. In addition to and not in limitation of such powers as the Trustee has by law or, under any other provisions of the Plan, the Trustee will have the following powers, each of which the Trustee exercises solely as directed Trustee in accordance with the written direction of the Employer except to the extent a Plan asset is subject to Participant direction of investment and provided that no such power shall be exercised in any manner inconsistent with the provisions of ERISA:

(a) to deal with all or any part of the Trust Fund and to invest all or a part of the Trust Fund in investments available under the Plan, without regard to the law of any state regarding proper investment;

(b) to retain uninvested such cash as it may deem necessary or advisable, without liability for interest thereon, for the administration of the Trust;

(c) to sell, convert, redeem, exchange, or otherwise dispose of all or any part of the assets constituting the Trust Fund;

(d) to enforce by suit or otherwise, or to waive, its rights on behalf of the Trust, and to defend claims asserted against it or the Trust, provided that the Trustee is indemnified to its satisfaction against liability and expenses;

(e) to employ such agents and counsel as may be reasonably necessary in collecting, managing, administering, investing, distributing and protecting the Trust Fund or the assets thereof and to pay them reasonable Compensation;

(f) to compromise, adjust and settle any and all claims against or in favor of it or the Trust;

(g) to oppose or participate in and consent to the reorganization, merger, consolidation, or readjustment of the finances of any enterprise, to pay assessments and expenses in connection therewith, and to deposit securities under deposit agreements;

(h) to apply for or purchase annuity contracts in accordance with Section 8.02;

(i) to hold securities unregistered, or to register them in its own name or in the name of nominees;

(j) to appoint custodians to hold investments within the jurisdiction of the district courts of the United States and to deposit securities with stock clearing corporations or depositories or similar organizations;

(k) to make, execute, acknowledge and deliver any and all instruments that it deems necessary or appropriate to carry out the powers herein granted; and

(l) generally to exercise any of the powers of an owner with respect to all or any part of the Trust Fund.

The Employer specifically acknowledges and authorizes that affiliates of the Trustee may act as its agent in the performance of ministerial, non fiduciary duties under the Trust. The expenses and compensation of such agent shall be paid by the Trustee.

The Trustee shall provide the Employer with reasonable notice of any claim filed against the Plan or Trust or with regard to any related matter, or of any claim filed by the Trustee on behalf of the Plan or Trust or with regard to any related matter.

14.05 ACCOUNTS

The Trustee will keep full accounts of all receipts and disbursements and other transactions hereunder. Within 60 days after the close of each Plan Year, within 60 days after termination of the Trust, and at such other times as may be appropriate, the Trustee will determine the then net fair market value of the Trust Fund as of the close of the Plan Year, as of the termination of the Trust, or as of such other time, whichever is applicable, and will render to the Employer and Administrator an account of its administration of the Trust during the period since the last such accounting, including all allocations made by it during such period.

14.06 APPROVING OF ACCOUNTS

To the extent permitted by law, the written approval of any account by the Employer or Administrator will be final and binding, as to all matters and transactions stated or shown therein, upon the Employer, Administrator, Participants and all persons who then are or thereafter become interested in the Trust. The failure of the Employer or Administrator to notify the Trustee within six (6) months after the receipt of any account of its objection to the account will, to the extent permitted by law, be the equivalent of written approval. If the Employer or Administrator files any objections within such six (6) month period with respect to any matters or transactions stated or shown in the account, and the Employer or Administrator and the Trustee cannot amicably settle the question raised by such objections, the Trustee will have the right to have such questions settled by judicial proceedings. Nothing herein contained will be construed so as to deprive the Trustee of the right to have judicial settlement of its accounts. In any proceeding for a judicial settlement of any account or for instructions, the only necessary parties will be the Trustee, the Employer and the Administrator.

14.07 DISTRIBUTION FROM TRUST FUND

The Trustee shall make such distribution from the Trust Fund as the Employer or Administrator may, in writing or any other form(s) acceptable to the Trustee, direct, as provided by the terms of the Plan, upon certification by the Employer or Administrator that the same is for the exclusive benefit of Participants or their Beneficiaries, or for the payment of expenses of administering the Plan.

14.08 TRANSFER OF AMOUNTS FROM QUALIFIED PLAN

If the Plan provides that amounts may be transferred to the Plan from another qualified Plan or trust under Section 401(a) of the Code, such transfer shall be made in accordance with the provisions of the Plan and with such rules as may be established by the Trustee. The Trustee will only accept assets which are in a medium proper for investment under the Agreement or in cash. Such amounts shall be accompanied by written instructions showing separately the respective contributions by the prior employer and the transferring Employee, and identifying the assets attributable to such contributions. The Trustee shall hold such assets for investment in accordance with the provisions of this Agreement.

14.09 TRANSFER OF ASSETS FROM TRUST

Subject to the provisions of the Plan, the Employer may direct the Trustee to transfer all or a specified portion of the Trust assets to any other Plan or Plans maintained by the Employer or the employer or employers of a former Participant or Participants, provided that the Trustee has received evidence satisfactory to it that such other Plan meets all applicable requirements of the Code. The assets so transferred shall be accompanied by written instructions from the Employer naming the persons for whose benefit such assets have been transferred, showing separately the respective contributions by the Employer and by each Participant, if any, and identifying the assets attributable to the various contributions. The Trustee shall have no further liabilities with respect to assets so transferred.

14.10 RESERVED

14.11 VOTING; DELIVERY OF INFORMATION

The Trustee shall deliver, or cause to be executed and delivered, to the Employer or Plan Administrator all notices, prospectuses, financial statements, proxies and proxy soliciting materials received by the Trustee relating to securities held the Trust or, if applicable, deliver these materials to the appropriate Participant or the Beneficiary of a deceased Participant. The Trustee shall not vote any securities held by the Trust except in accordance with the written instructions of the Employer, Participant or the Beneficiary of the Participant, if the Participant is deceased; provided, however, that the Trustee may, in the absence of instructions, vote "present" for the sole purpose of allowing such shares to be counted for establishment of a quorum at a shareholders' meeting. The Trustee shall have no duty to solicit instructions from Participants, the Beneficiary or the Employer.

14.12 COMPENSATION AND EXPENSES OF TRUSTEE

The Trustee's fee for performing its duties hereunder will be such reasonable amounts as the Trustee may from time to time specify by written agreement with the Employer. Such fee, any taxes of any kind which may be levied or assessed upon or in respect of the Trust Fund and any and all expenses, including without limitation legal fees and expenses of administrative and judicial proceedings, reasonably incurred by the Trustee in connection with its duties and responsibilities hereunder will, unless some or all have been paid by said Employer, be paid first from forfeitures resulting under Section 7.07, then from the remaining Trust Fund and will, unless allocable to the Accounts of particular Participants, be charged against the respective Accounts of all Participants, in such reasonable manner as the Trustee may determine.

14.13 RELIANCE BY TRUSTEE ON OTHER PERSONS

The Trustee may rely upon and act upon any writing from any person authorized by the Employer or Administrator to give instructions concerning the Plan and may conclusively rely upon and be protected in acting upon any written order from the Employer or Administrator or upon any other notice, request, consent, certificate, or other instructions or paper reasonably believed by it to have been executed by a duly authorized person, so long as it acts in good faith in taking or omitting to take any such action. The Trustee need not inquire as to the basis in fact of any statement in writing received from the Employer or Administrator.

The Trustee will be entitled to rely on the latest certificate it has received from the Employer or Administrator as to any person or persons authorized to act for the Employer or Administrator hereunder and to sign on behalf of the Employer or Administrator any directions or instructions, until it receives from the Employer or Administrator written notice that such authority has been revoked.

Notwithstanding any provision contained herein, the Trustee will be under no duty to take any action with respect to any Participant's Account (other than as specified herein) unless and until the Employer or Administrator furnishes

the Trustee with written instructions on a form acceptable to the Trustee, and the Trustee agrees thereto in writing. The Trustee will not be liable for any action taken pursuant to the Employer's or Administrator's written instructions (nor for the collection of contributions under the Plan, nor the purpose or propriety of any distribution made thereunder).

14.14 INDEMNIFICATION BY EMPLOYER

The Employer shall indemnify and save harmless the Trustee from and against any and all liability to which the Trustee may be subjected by reason of any act or conduct (except willful misconduct or negligence) in its capacity as Trustee, including all expenses reasonably incurred in its defense.

14.15 CONSULTATION BY TRUSTEE WITH COUNSEL

The Trustee may consult with legal counsel (who may be but need not be counsel for the Employer or the Administrator) concerning any question which may arise with respect to its rights and duties under the Plan and Trust, and the opinion of such counsel will, to the extent permitted by law, be fall and complete protection in respect of any action taken or omitted by the Trustee hereunder in good faith and in accordance with the opinion of such counsel.

14.16 PERSONS DEALING WITH THE TRUSTEE

No person dealing with the Trustee will be bound to see to the application of any money or property paid or delivered to the Trustee or to inquire into the validity or propriety of any transactions.

14.17 RESIGNATION OR REMOVAL OF TRUSTEE

The Trustee may resign at any time by written notice to the Employer, which resignation shall be effective 60 days after delivery to the Employer. The Trustee may be removed by the Employer by written notice to the Trustee, which removal shall be effective 60 days after delivery to the Trustee.

Upon resignation or removal of the Trustee, the Employer may appoint a successor trustee. Any such successor trustee will, upon written acceptance of his appointment, become vested with the estate, rights, powers, discretion, duties and obligations of the Trustee hereunder as if he had been originally named as Trustee in this Agreement.

Upon resignation or removal of the Trustee, the Employer will no longer participate in this prototype Plan and will be deemed to have adopted an individually designed Plan. In such event, the Employer shall appoint a successor trustee within said 60-day period and the Trustee will transfer the assets of the Trust to the successor trustee upon receipt of sufficient evidence (such as a determination letter or opinion letter from the Internal Revenue Service or an opinion of counsel satisfactory to the Trustee) that such trust will be a qualified trust under the Code.

The appointment of a successor trustee shall be accomplished by delivery to the Trustee of written notice that the Employer has appointed such successor trustee, and written acceptance of such appointment by the successor trustee. The Trustee may, upon transfer and delivery of the Trust Fund to a successor trustee, reserve such reasonable amount as it shall deem necessary to provide for its fees, Compensation, costs and expenses, or for the payment of any other liabilities chargeable against the Trust Fund for which it may be liable. The Trustee shall not be liable for the acts or omissions of any successor trustee.

14.18 FISCAL YEAR OF THE TRUST

The fiscal year of the Trust will coincide with the Plan Year.

14.19 DISCHARGE OF DUTIES BY FIDUCIARIES

The Trustee and the Employer and any other fiduciary shall discharge their duties under the Plan and this Trust Agreement solely in :he interests of Participants and their Beneficiaries in accordance with the requirements of ERISA.

14.20 AMENDMENT

In accordance with provisions of the Plan, and subject to the limitations set forth therein, this Trust Agreement may be amended by an instrument in writing signed by the Employer and the Trustee. No amendment to this Trust Agreement shall divert any part of the Trust Fund to any purpose other than as provided in Section 2 hereof.

14.21 PLAN TERMINATION

Upon termination or partial termination of the Plan or complete discontinuance of contributions thereunder, the Trustee will make distributions to the Participants or other persons entitled to distributions as the Employer or Administrator directs in accordance with the provisions of the Plan. In the absence of such instructions and unless the Plan otherwise provides, the Trustee will notify the Employer or Administrator of such situation and the Trustee will be under no duty to make any distributions under the Plan until it receives written instructions from the Employer or Administrator. Upon the completion of such distributions, the Trust will terminate, the Trustee will be relieved from all liability under the Trust, and no Participant or other person will have any claims thereunder, except as required by applicable law.

14.22 PERMITTED REVERSION OF FUNDS TO EMPLOYER

If it is determined by the Internal Revenue Service that the Plan does not initially qualify under Section 401 of the Code, all assets then held under the Plan will be returned by the Trustee, as directed by the Administrator, to the Employer, but only if the application for determination is made by the time prescribed by law for filing the Employer's return for the taxable year in which the Plan was adopted or such later date as may be prescribed by regulations. Such distribution will be made within one year after the date the initial qualification is denied. Upon such distribution the Plan will be considered to be rescinded and to be of no force or effect.

Contributions under Plan are conditioned upon their deductibility under Section 404 of the Code. In the event the deduction of a contribution made by the Employer is disallowed under Section 404 of the Code, such contribution (to the extent disallowed) must be returned to the Employer within one year of the disallowance of the deduction.

Any contribution made by the Employer because of a mistake of fact must be returned to the Employer within one year of the contribution.

14.23 GOVERNING LAW

This Trust Agreement will be construed, administered and enforced according to ERISA and, to the extent not preempted thereby, the laws of the Commonwealth of Massachusetts.

December 21, 1998

Uli Hacksell, Ph.D.

Dear Uli:

As discussed, I am pleased to offer you the position of Executive Vice President, Drug Discovery of ACADIA Pharmaceuticals Inc. I firmly believe that with your joining our team, ACADIA Pharmaceuticals will have the potential to not only quickly surpass such short term goals as completing additional significant corporate partnerships and a successful public offering, but that we will be able to flourish in facing the challenges to be met in the years ahead as we build an extremely valuable, technology driven, integrated drug discovery company. All of us associated with ACADIA Pharmaceuticals look forward to working with you. The terms of our offer are as follows:

1. Your title will be Executive Vice President, Drug Discovery and you will report to Mark Brann, President and Chief Scientific Officer. You will be based at our headquarters in San Diego and be a key member of the senior management team. You will be responsible for leading ACADIA's worldwide discovery research efforts, including pharmacology and chemistry. You agree to devote all of your business time, attention and energies to the business of the Company.

2. Your initial annual salary will be $212,835, subject to adjustment as determined by the Board as of January 1 of each year.

3. You will be eligible to receive an annual bonus with a target of 20% of the base salary you receive in each calendar year payable within 90 days of the end of such Calendar year. The amount of the annual bonus will be determined by the Board of Directors based upon your individual performance and the financial performance of the Company.

4. The Company will also provide you a signing bonus of $75,000 payable immediately after your beginning employment with ACADIA Pharmaceuticals Inc. You agree to return such bonus to the Company if you voluntarily terminate your employment within one year of the start date of your employment.

5. Naturally, what I consider to be the most important part of your compensation is your participation in the Company's stock option plan. You will receive stock options that will vest 25% after 12 months of employment with additional vesting of 1/48% after each additional month of employment through your 48th month of employment with the

Company. The stock options that you will be entitled to, subject to the aforementioned vesting schedule and other terms of the plan, will be equal to options to purchase 200,000 shares of common stock of the Company. The exercise price at which these options will be issued will be equal to the fair market value of the common shares of the Company at the date of grant of the options, which will be the start date of your employment. In the event the company is acquired or completes an Acquisition Event as defined in the Company's 1997 Stock Option Plan, any unvested options you then hold will be immediately vested, subject to your continued employment for a period of at least six months following completion of the Acquisition Event if so requested by the Company. Enclosed is a copy of the ACADIA Pharmaceuticals 1997 Stock Option Plan.

6. The Company will also pay for your relocation costs, including customary closing costs, legal fees, real estate broker fees, house hunting trips, temporary housing, movement of household goods, and related costs and any necessary tax gross-up payments, but up to a total cost to the Company not to exceed $100,000. You agree to reimburse the Company one half of the total relocation costs paid by the Company if you voluntarily terminate your employment within one year of the start date of your employment. In addition, the Company will provide you with a loan of up to $100,000 to help facilitate the purchase of a primary residence in San Diego. Such loan will bear interest at the prime rate, have a security interest in the shares underlying your stock options and will be due and payable at the end of four years, or earlier in the event of termination of your employment.

7. In the event the Company terminates your employment, other than for cause as defined below, you will receive severance in the form of the continuation of your salary for the one year period following the termination of your employment plus the benefits you were receiving at the time of your termination (subject to the terms of the Company's benefit plans).

For purposes of the above, "cause" for termination shall be deemed to exist upon (a) a good faith finding by the Company of material failure of the Employee to perform his assigned duties for the Company, dishonesty, gross negligence or other material misconduct, or (b) the conviction of the Employee of, or the entry of a pleading of guilty or nolo contendere by the Employee to, any crime involving moral turpitude or any felony.

8. You will be provided all of the standard United States company benefits, including four weeks paid vacation, health and dental insurance, group term life and accidental death and dismemberment insurance, group disability insurance, travel accident insurance, and the ability to participate in the Company's 401k plan which includes matching of employees' contributions to the plan up to 5% of your compensation (salary and bonus), subject to the limitations imposed by sections 401(a)(17), 404(1) and 402(g)(1) of the Internal Revenue Service Code. Enclosed is information regarding the Company's various benefit programs.

9. As a condition of your employment you will be required to agree to and sign the Company's standard Disclosure and Inventions Agreement, a copy of which is attached.

10. The start date for your employment will be January 11, 1999 or other mutually agreeable date.

11. As you realize, this offer is contingent on your having the appropriate authorization to work in the United States. If you currently do not have the right to work in the United States, and should reasonable efforts by both you and on the part of the Company fail to obtain such right within a reasonable period of time, then you agree to explore with the Company other suitable alternatives for employment until such authorization can be obtained, including, but not limited to, your being based out of our Copenhagen subsidiary.

Uli, we hope the provisions as outlined above address all of the relevant issues. I am very confident that your joining the ACADIA team will prove extremely beneficial to both you and the Company and its shareholders. If you have any questions, please do not hesitate to call me at the office or at home, my home number is 1-(619) 990-8474. We would appreciate receiving your response to this offer by December 24, 1998.

Sincerely yours,

/s/ Mark R. Brann

Mark R. Brann, Ph.D.
President and Chief Scientific Officer

I accept your offer to become Executive Vice President, Drug Discovery of ACADIA Pharmaceuticals Inc. in accordance with the terms included above:

Signature: /s/ Uli Hacksell Date: December 23, 1998

Uli Hacksell

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "AGREEMENT"), made this 31st day of January 1997, is entered into by RECEPTOR TECHNOLOGIES, INC., a Delaware corporation with its principal place of business at 276 East Allen Street, Winooski, Vermont 05404 (the "COMPANY"), and MARK R. BRANN, residing at 25 Cavendish Cove Road, South Hero, Vermont 05486 (the "OFFICER").

The Company desires to employ the Officer, and the Officer desires to be employed by the Company. In consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties agree as follows:

1. TERM OF EMPLOYMENT. The Company hereby agrees to employ the Officer, and the Officer hereby accepts employment with the Company, upon the terms set forth in this Agreement until such employment is terminated in accordance with the provisions of Section 4 (the "EMPLOYMENT PERIOD").

2. TITLE; CAPACITY. The Officer shall serve as President and Chief Scientific Officer or in such other position or positions as the Company or its Board of Directors (the "BOARD") may determine from time to time. The Officer shall be based initially at the Company's headquarters in Winooski, Vermont. The Officer shall be subject to the supervision of, and shall have such authority as is delegated to him by, the Board or such officer of the Company as may be designated by the Board.

The Officer hereby accepts such employment and agrees to undertake the duties and responsibilities inherent in such position and such other duties and responsibilities as the Board or its designee shall from time to time reasonably assign to him. Subject to the next paragraph of this Section 2, the Officer agrees to devote his entire business time, attention and energies to the business and interests of the Company during the term of his employment with the Company (subject to the right of the Officer to devote up to 20% of his business time, energies and attention to other positions PROVIDED THAT such positions otherwise conform to the provisions of this paragraph and PROVIDED FURTHER that the Officer's devotion of time to such other positions shall not be to the detriment of the Company's material interests). The Officer shall not engage in any other business activity or service in any industry, trade, professional, governmental or academic position during the term of this Agreement which is competitive with the business of the Company or which the Officer reasonably expects would be detrimental to, or have an adverse effect on, the Company. The other positions currently held by the Officer are described on SCHEDULE A hereto. The Officer shall provide written notice to the Company of each other position he accepts during the term of his employment with the Company. If the Board determines that the Officer's decision to hold such position is not in the best interests of the Company, then the Board shall, within 60 days of receipt of written notice from the Officer, notify the Officer that the Company wishes the Officer to resign from such position and the Officer shall, within 60 days of receipt of such notice, resign such position.

Notwithstanding the other provisions of this Section 2, the Officer may, for the period ending April 15, 1997, devote more than 20% of his business time, energies and attention other positions set forth on SCHEDULE A attached hereto in connection with his transition from those positions, PROVIDED THAT such positions otherwise conform to the provisions of the second paragraph of this Section 2 and PROVIDED FURTHER that the Officer's devotion of time to such other positions shall not be to the detriment of the Company's material interests.

The Officer agrees to abide by the rules, regulations, instructions, personnel practices and policies of the Company and any changes therein which may be adopted from time to time by the Company. The Officer acknowledges receipt of copies of all such rules and policies committed to writing as of the date of this Agreement.

3. COMPENSATION AND BENEFITS.

3.1 SALARY The Company shall pay the Officer, in twice-monthly installments, an annual base salary of $160,000 for the one-year period commencing on the Commencement Date. Such salary shall be subject to adjustment thereafter as determined by the Board (as so adjusted, the "BASE SALARY").

3.2 BONUS. The Officer shall be eligible to receive an annual bonus in an amount up to 20% of Base Salary (the "ANNUAL BONUS"), which bonus shall be paid solely at the discretion of the Board based on achievement by the Officer of reasonable, measurable performance objectives to be established by the Board of Directors at the commencement of each fiscal year. Each Annual Bonus, if any, shall be made to the Officer within 90 days after the end of the fiscal year for which such Annual Bonus is being paid.

3.3 BENEFITS. The Officer shall be entitled to participate in all benefit programs that the Company establishes and makes available to its Officers, if any, to the extent that the Officer's position, tenure, salary, age, health and other qualifications make him eligible to participate. The Officer shall be entitled to four weeks paid vacation per year, to be taken at such times as may be approved by the Board or its designee.

3.4 RELOCATION. The Company may require the Officer to relocate. In the event that the Officer is required to relocate more than 35 miles from Winooski, Vermont, then (i) the Base Salary shall be increased by an amount equal to 20% or more, and (ii) the Company shall reimburse Officer for reasonable moving and travel expenses incurred in relocation of Officer and his immediate family (upon presentation by the Officer of documentation, expense statements, vouchers and/or such other supporting information as the Company may request), and (iii) the Company shall provide the Officer with a loan for the purchase of a home (the "REAL PROPERTY") in the new location. Such loan shall not exceed $400,000, less the amount of financing available to the Officer upon the date of such Officer's relocation from a commercial bank or other sources available to the Officer on terms and conditions customary to such transactions (including, without limitation, the assumption by the Officer of personal liability on the loan and a grant of a first-ranking mortgage interest on the Real Property), and PROVIDED, FURTHER, that in no event shall the Company be obligated to extend any loan to the Officer in a principal amount in excess of the difference between 80% of the value of the Real Property (as assessed by an independent real estate agent) and the outstanding principal amount of all other

loans secured by the Real Property. Any loan made by the Company hereunder shall bear interest at the then Applicable Federal Rate, be subject to a first-ranking mortgage interest (or, if the Officer shall secure financing as contemplated above, a mortgage interest subordinate only to any interest held by the source of such financing) for the benefit of the Company and to the Officer, and shall be repaid (including all interest thereon) no later than five years after such loan is extended.

3.5 REIMBURSEMENT OF EXPENSES. The Company shall reimburse the Officer for all reasonable travel, entertainment and other expenses incurred or paid by the Officer in connection with, or related to, the performance of his duties, responsibilities or services under this Agreement, upon presentation by the Officer of documentation, expense statements, vouchers and/or such other supporting information as the Company may request, PROVIDED, HOWEVER, that the amount available for such travel, entertainment and other expenses may be fixed in advance by the Board.

4. EMPLOYMENT TERMINATION. The employment of the Officer by the Company pursuant to this Agreement shall terminate upon the occurrence of any of the following:

4.1 At the election of the Company, for cause, immediately upon written notice by the Company to the Officer. For the purposes of this Section 4.1, cause for termination shall be deemed to exist upon (a) dishonesty, gross negligence or misconduct of the Officer, or (b) the conviction of the Officer of, or the entry of a pleading of guilty or nolo contendere by the Officer to, any crime involving moral turpitude or any felony;

4.2 Thirty days after the death or disability of the Officer. As used in this Agreement, the term "DISABILITY" shall mean the inability of the Officer, due to a physical or mental disability, for a period of 90 days, whether or not consecutive, during any 360-day period to perform the services contemplated under this Agreement. A determination of disability shall be made by a physician satisfactory to both the Officer and the Company, PROVIDED THAT if the Officer and the Company do not agree on a physician, the Officer and the Company shall each select a physician and these two together shall select a third physician, whose determination as to disability shall be binding on all parties;

4.3 At the election of either party, upon not less than six months' prior written notice of termination.

4.4 At the election of the Officer upon not less than thirty days prior written notice for Good Reason. For purposes of this Section 4.5, "GOOD REASON" shall mean (i) the assignment to the Officer of any duties inconsistent with the Officer's position as President and Chief Scientific Officer, or (ii) the failure by the Company to comply with the provisions of this Agreement, if such failure is not remedied by the Company within fifteen days after receipt of written notice.

5. EFFECT OF TERMINATION.

5.1 TERMINATION FOR CAUSE OR AT ELECTION OF OFFICER. In the event the Officer's employment is terminated for cause pursuant to Section 4.1, or at the election of the Officer pursuant to Section 4.3, the Company shall pay to the Officer (a) the Base Salary and

benefits otherwise payable to him under Section 3 through the last day of his actual employment by the Company, and, (b) at the time that an Annual Bonus, if any, would be paid for such year, a portion of such Annual Bonus (prorated from the beginning of the then current fiscal year through the last day of actual employment).

5.2 TERMINATION AS A RESULT OF DEATH OR DISABILITY OR AT ELECTION OF COMPANY OR BY OFFICER FOR GOOD REASON. In the event of termination by the Company in accordance with Section 4.2 or Section 4.3 or by the Officer in accordance with Section 4.4, the Company shall pay the Officer (i) compensation and benefits which would otherwise be payable to the Officer through the last day of his actual employment by the Company, and (d) forty-eight twice-monthly severance payments, each in an amount equal to the Officer's semi-monthly salary at the time of termination (i.e., 1/48th of the Base Salary), plus benefits, and (iii) at the time that an Annual Bonus, if any, would be paid for the year during which such termination occurs, the full amount of such Annual Bonus as would have been paid to him if he had remained in the employ of the Company through the end of such year.

5.3 SURVIVAL. The provisions of Sections 6 and 7 shall survive the termination of the Officer's employment by the Company.

6. NON-COMPETE.

(a) During the Employment Period and (i) any period of time subsequent to the Employment Period in which the Officer is receiving severance payments pursuant to Section 5.2 above, (ii) unless the Officer leaves employment with the Company for Good Reason, for an additional one-year period commencing at the end of the time period described in (i) above, (iii) if the Officer leaves employment with the Company for cause pursuant to Section 4.1 above, for a two-year period commencing at the end of the Employment Period, and (iv) during any period of time that the Officer is serving as a consultant to the Company, the Officer will not directly or indirectly, anywhere in the world:

(i) as an individual proprietor, partner, stockholder, officer, Officer, director, joint venturer, investor, lender, or in any other capacity whatsoever (other than as the holder of not more than one percent (1%) of the total outstanding stock of a publicly held company), engage in any business of materially the same nature as the Company's business, including, without limitation, the business of researching, developing, producing, marketing or selling products based on receptor-transfected mammalian cells developed or being developed, produced, marketed or sold by the Company while the Officer was employed by the Company; or

(ii) recruit, solicit or induce, or attempt to induce, any Officer or Officers of the Company to terminate their employment with, or otherwise cease their relationship with, the Company; or

(iii) solicit, divert or take away, or attempt to divert or to take away, the business or patronage of any of the clients, customers or accounts, or prospective clients, customers or accounts, of the Company which were contacted, solicited or served by the Officer while employed by the Company.

(b) If any restriction set forth in this Section 6 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

(c) The restrictions contained in this Section 6 are necessary for the protection of the business and goodwill of the Company and are considered by the Officer to be reasonable for such purpose. The Officer agrees that any breach of this Section 6 will cause the Company substantial and irrevocable damage and therefore, in the event of any such breach, in addition to such other remedies which may be available, the Company shall have the right to seek specific performance and injunctive relief.

(d) In the event the Officer creates, discovers or is presented with an opportunity to engage in a business activity in which the Company might reasonably wish to engage, the Officer shall promptly notify the Board of Directors of the Company in writing of such opportunity. Unless otherwise limited under the terms of this Agreement, in the event the Company does not elect to pursue or evaluate the feasibility of such opportunity within thirty (30) days after receipt by the Company of such notice, the Officer may pursue such opportunity.

7. REPRESENTATION OF OFFICER. As of the date of this Agreement, and except for unreimbursed expenses and accrued but unpaid salary amounts, the Officer represents and warrants to the Company that, (i) the Officer has no claims or causes of action against the Company, whether arising out of his employment with the Company or otherwise, and (ii) no facts or circumstances exist which, with the giving of notice or passage of time (or both) would give rise to a claim or cause of action by the Officer against the Company.

8. ASSIGNMENT OF DISCOVERIES AND WORKS.

(a) The Officer will promptly disclose and assign to the Company, without charge to it, all rights to discoveries and works which the Officer may make or conceive, either solely or jointly with others, during the time of employment with the Company and which relate to the Company's activities.

(b) The Officer agrees that any discovery or work (including, without limitation, any invention, technical improvement, process or drawing) (i) which the Officer may disclose to anyone within one year after the termination of employment with the Company or (ii) which is reduced to tangible form, such as by a model, a drawing, or a written description, within one year after termination of employment with the Company, or (iii) for which the Officer may file application for letters patent or registration of copyright within one year after the termination of employment with the Company, or (iv) which is reduced to practice within one year after the termination of employment with the Company, shall be presumed to have been made and conceived during the period of employment with the Company; PROVIDED, HOWEVER, that if the Officer proves by corroborated documentation that any discovery it or work was in fact conceived and made after termination of employment, then such presumption shall not apply to that discovery or work.

(c) The Officer will protect the aforesaid discoveries and works as part of the Company's trade secrets and confidential information. Nothing in this agreement grants to the Officer any ownership rights to any of the Company's trade secrets and confidential information or any rights to use them in any form, except for uses authorized by the Company in furtherance of the Company's interests.

(d) Without charge to the Company, but without expense to the Officer, the Officer will execute and deliver to the Company such papers, including applications and assignments, as may be presented to him for the purpose of obtaining patents, copyrights or other protection for the aforesaid discoveries and works in any and all countries. The Officer further agrees to cooperate with and assist in the Company's efforts to establish and maintain the Company's rights and benefits in the aforesaid discoveries and works, and, if such cooperation and assistance is required after termination of employment with the Company, the Company will reimburse the Officer for his reasonable expenses.

9. CONFIDENTIALITY.

(a) During the Officer's employment with the Company the Officer will not use or disclose any of the Company's trade secrets and confidential information, except as authorized by the Company in furtherance of the Company's interests. The Officer further agrees to cooperate with and assist in the Company's efforts to protect its trade secrets and confidential information. Pursuant to this end, the Officer agrees never to remove any tangible materials relating to the Company's trade secrets and confidential information from the Company's premises, except as authorized b the Company in furtherance of the Company's interests.

(b) After the termination of the Officer's employment with the Company the Officer will not use or disclose any of the Company's trade secrets and confidential information except, and only, to the extent such information:

(i) becomes part of the public domain other than through a breach of this Agreement, or

(ii) is disclosed to the Officer by a third party who is entitled to receive and disclose such information.

(c) For purposes of this Section 9, the Company's "TRADE SECRETS AND CONFIDENTIAL INFORMATION" include, without limitation, (i) matters of a technical nature, such as scientific, trade and engineering secrets, know-how, formulae, secret processes or machines, inventions, technical improvements, drawings, designs, computer programs and research projects, (ii) matters of a business nature, such as information about costs, profits, markets, sales and lists of customers, and (iii) plans for the Company's future development.

10. RETURN OF TANGIBLE MATERIALS. Upon termination of employment with the Company, or upon Company request, the Officer will return to the Company all the tangible materials which were obtained from the Company, or which were purchased at the Company's expense, or which were prepared by the Officer during the time of employment with the Company and relate to the Company's activities. For purposes of this Section 10, "TANGIBLE

MATERIALS" include, without limitation, tools, papers, documents, memoranda, notes, notebooks, books, records, manuals, sketches, drawings, blueprints, computer software, designs, forms, price lists, brochures, samples, and customer lists, including all copies of such materials.

11. OBLIGATIONS ABSOLUTE. The obligations of the Officer under Sections 6, 8, 9 and 10 of this Agreement are absolute and are not subject to, nor shall they be affected by, any rights of set-off or claims by the Officer against the Company.

12. NOTICES. All notices required or permitted under this Agreement shall be in writing and shall be deemed effective upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail, postage prepaid, addressed to the other party at the address shown above, or at such other address or addresses as either party shall designate to the other in accordance with this Section 7.

13. PRONOUNS. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular forms of nouns and pronouns shall include the plural, and vice versa.

14. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement. Notwithstanding the foregoing, the Agreement, dated January 31, 1997 between the Company and the Officer shall remain in full force and effect.

15. AMENDMENT. This Agreement may be amended or modified only by a written instrument executed by both the Company and the Officer.

16. GOVERNING LAW. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of Delaware.

17. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation with which or into which the Company may be merged or which may succeed to its assets or business, PROVIDED, HOWEVER, that the obligations of the Officer are personal and shall not be assigned by him.

18. MISCELLANEOUS.

18.1 No delay or omission by the Company in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

18.2 The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

18.3 In case any provision of this Agreement shall be invalid, illegal or otherwise unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year set forth above.

RECEPTOR TECHNOLOGIES, INC.

By: /s/ Mark R. Brann

Title: President

Officer

/s/ Mark R. Brann

MARK R. BRANN

[SIGNATURE PAGE TO EMPLOYMENT AGREEMENT]

March 4, 1998

VIA HAND DELIVERY

Thomas H. Aasen
17823 Toltec Court
San Diego, CA 92127

Dear Tom:

As discussed, I am pleased to offer you the position of Vice President - Chief Financial Officer of ACADIA Pharmacuticals Inc. I firmly believe that with your joining our team, ACADIA Pharmaceuticals will have the potential to not only quickly surpass such short term goals as completing additional significant corporate partnerships and a successful public offering, but that we will be able to flourish in facing the challenges to be met in the years ahead as we build an extremely valuable, technology driven, integrated drug discovery company. All of us associated with ACADIA Pharmaceuticals look forward to working with you. The terms of our offer are as follows:

1. Your title will be Vice President - Chief Financial Officer (or in such other position as the Company or its Board may determine) and you will report to the Chief Excutive Officer of the Company. As discussed, you will be a key member of the senior management team and you will be involved in virtually all important decisions on the strategy and future operations of the Company. Your initial duties will encompass all financial matters as well as legal, human resources, and other matters. You agree to devote all of your business time, attention and energies to the business of the Company.

2. Your initial annual salary will be $160,000, subject to adjustment as determined by the Board as of January 1 of each year.

3. You will be eligible to receive an annual bonus with a target of 20% of the base salary you receive in each calendar year payable within 90 days of the end of such Calendar year. The amount of the annual bonus will be determined by the Board of Directors based upon your individual performance and the financial performance of the Company.

4. The Company will also provide you a signing bonus of $20,000 payable immediately after your beginning employment with ACADIA Pharmaceuticals Inc. You agree to return such bonus to the Company if you voluntarily terminate your employment within six months of the start date of your employment.

5. Naturally, what I consider to be the most important part of your compensation is your participation in the Company's stock option plan. You will receive stock options that

will vest 25% after 12 months of employment with additional vesting of 1/48% after each additional month of employment through your 48th month of employment with the Company. The stock options that you will be entitled to, subject to the aforementioned vesting schedule and other terms of the plan, will be equal to options to purchase 75,000 shares of common stock of the Company. The exercise price at which these options will be issued will be equal to the fair market value of the common shares of the Company at the date of grant of the options, which will be the start date of your employment. In the event the company is acquired or completes an Acquisition Event as defined in the Company"s 1997 Stock Option Plan, any unvested options you then hold will be immediately vested, subject to your continued employment for a period of at least six months following the completion of the Acquisition Event if so requested by the Company. Enclosed is a copy of the ACADIA Pharmaceuticals 1997 Stock Option Plan. Note that there are currently approximately 7.4 million common equivalent shares outstanding, fully diluted for the shares reserved for the 1997 Stock Option Plan.

6. In the event the Company terminates your employment, other than for cause as defined below, you will receive severance in the form of the continuation of your salary for the one year period following the termination of your employment plus the benefits you were receiving at the time of your termination (subject to the terms of the Company's benefit plans).

For purposes of the above, "cause" for termination shall be deemed to exist upon (a) a good faith finding by the Company of material failure of the Employee to perform his assigned duties for the Company, dishonesty, gross negligence or other material misconduct, or (b) the conviction of the Employee of, or the entry of a pleading of guilty or nolo contendere by the Employee to, any crime involving moral turpitude or any felony.

7. You will be provided all of the standard company benefits, including four weeks paid vacation, health insurance, group term life and accidental death and dismemberment insurance, group disability insurance, travel accident insurance, and the ability to participate in the Company's 401k plan which includes matching of employees' contributions to the plan up to 5% of compensation. Enclosed is information regarding the Company's various benefit programs.

With respect to the Company's matching of contributions to the 401k Plan up to 5% of compensation, note that it is the intention of the Company to provide the 5% payment to all employees interested in deferring 5% of their compensation even if their deferrals to the 401k plan are otherwise limited to less than 5% of total compensation due to various IRS rules. After you join the Company, and with your input, we can conclude on an appropriate non-qualified or other arrangement in this regard.

8. As a condition of your employment you will be required to agree to and sign the Company's standard Disclosure and Inventions Agreement, a copy of which is attached.

9. The start date for your employment will be April 1, 1998 or other mutually agreeable date.

Tom, I am very confident that your joining the ACADIA team will prove extremely beneficial to both you and the Company and its shareholders. If you have any questions, please do not hesitate to call me at the office or at home, my home number is (619) 793-4674. We would appreciate receiving your response to this offer by March 9, 1998.

Sincerely yours,

/s/ Mark R. Brann

Mark R. Brann, Ph.D.
Founder, Chief Executive and Scientific Officer and President

I accept your offer to become Vice President - Chief Financial Officer of ACADIA Pharmaceuticals Inc. in accordance with the terms included above:

Signature: /s/ Thomas H. Aasen Date: March 9, 1998
---------- ----------
Thomas H. Aasen

SECURED PROMISSORY NOTE

$100,000.00 May 11, 2000
San Diego, California

FOR VALUE RECEIVED, ULI HACKSELL ("BORROWER"), an employee of ACADIA PHARMACEUTICALS INC. ("COMPANY"), hereby unconditionally promises to pay to the order of Company, in lawful money of the United States of America and in immediately available funds, the principal sum of One Hundred Thousand Dollars ($100,000.00) (the "LOAN"), together with accrued and unpaid interest thereon, each due and payable on the dates and in the manner set forth below.

It is the intent of the parties that the purpose of this Note is not for consumer, family or household purposes.

This Secured Promissory Note is the Note referred to in and is executed and delivered in connection with that certain Stock Pledge Agreement as of even date herewith and executed and delivered by Borrower in favor of Company (as the same may from time to time be amended, modified or supplemented or restated, the "SECURITY AGREEMENT"). Additional rights of Company are set forth in the Security Agreement. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Security Agreement.

1. INTEREST RATE. Borrower promises to pay interest on the outstanding principal amount hereof from the date hereof until payment in full, which interest shall be calculated at 9.0 percent per annum (the prime rate as reported by Silicon Valley Bank (the "PRIME RATE")) or the maximum rate permissible by law (which under the laws of the State of California shall be deemed to be the laws relating to permissible rates of interest on commercial loans), whichever is less. Interest shall be calculated on the basis of a 360 day year for the actual number of days elapsed.

2. PRINCIPAL AND INTEREST REPAYMENT. The outstanding principal amount and all accrued interest of the Loan shall be due and payable on the fourth anniversary of this Note.

3. INTEREST RATE UPON ACCELERATION. Any principal repayment or interest payment on the Loan hereunder not paid when due, whether at stated maturity, by acceleration or otherwise, shall bear interest at the Prime Rate plus 2% per annum.

4. PLACE OF PAYMENT; PREPAYMENT. All amounts payable hereunder shall be payable at the office of Company unless another place of payment shall be specified in writing by Company. Prepayment is permitted.

5. APPLICATION OF PAYMENTS. Payment on this Note shall be applied first to accrued interest and thereafter to the outstanding principal balance hereof.

6. SECURED NOTE. The full amount of this Note is secured by the collateral identified and described as security therefor in the Security Agreement. Borrower shall not, directly or

indirectly, create, permit or suffer to exist, and shall defend the collateral against and take such other action as is necessary to remove, any lien on or in the collateral, or in any portion thereof, except as permitted pursuant to the Security Agreement.

7. DEFAULT. Each of the following events shall be an "EVENT OF DEFAULT" hereunder:

(a) Borrower fails to pay timely any of the principal amount due under this Note on the date the same becomes due and payable or any accrued interest or other amounts due under this Note, if any, on the date the same becomes due and payable, or fails to perform any other obligations hereunder;

(b) Borrower files a petition or action for relief under any bankruptcy, insolvency or moratorium law or any other law for the relief of, or relating to, debtors, now or hereafter in effect, or makes any assignment for the benefit of creditors or takes any action in furtherance of any of the foregoing;

(c) An involuntary petition is filed against Borrower (unless such petition is dismissed or discharged within sixty (60) days) under any bankruptcy statute now or hereafter in effect, or a custodian, receiver, trustee, assignee for the benefit of creditors (or other similar official) is appointed to take possession, custody or control of any property of Borrower; or

(d) Borrower defaults on an obligation contained in the Security Agreement; or

(e) Borrower's employment by or association with the Company is terminated for any reason or no reason, including, without limitation, death of Borrower.

Upon the occurrence of an Event of Default hereunder, all unpaid principal, accrued interest and other amounts owing hereunder, if any, shall, at the option of Company, and, in the case of an Event of Default pursuant to (b) or (c) above, automatically, be immediately due, payable and collectible by Company pursuant to applicable law. Notwithstanding the foregoing, if an Event of Default has occurred under (d) above due to, in the Company's sole discretion, no malfeasance or misfeasance on the part of Borrower, this Note shall be accelerated on or after five (5) days' notice to Borrower or any successor. The Company shall have all rights and may exercise any remedies available to it under law, successively or concurrently. Borrower expressly acknowledges and agrees that Company shall have the right to offset any obligations of Borrower hereunder against salaries, bonuses or other amounts that may be payable to Borrower by Company.

8. WAIVER. Borrower waives presentment and demand for payment, notice of dishonor, protest and notice of protest of this Note, and shall pay all costs of collection when incurred, including, without limitation, reasonable attorneys' fees, costs and other expenses.

The right to plead any and all statutes of limitations as a defense to any demands hereunder is hereby waived to the full extent permitted by law.

9. GOVERNING LAW. This Note shall be governed by, and construed and enforced in accordance with, the laws of the State of California, excluding conflict of laws principles that would cause the application of laws of any other jurisdiction.

10. SUCCESSORS AND ASSIGNS. The provisions of this Note shall inure to the benefit of and be binding on any successor to Borrower and shall extend to any holder hereof. Borrower shall not, without the prior written consent of Company, assign any of its rights or obligations hereunder.

Dated: May 11, 2000

ULI HACKSELL

By: /s/ Uli Hacksell

Printed Name: Uli Hacksell

Title: EVP

April 17, 1998

Via Federal Express

Leonard Borrmann, Pharm D
27 Recodo
Irvine, CA 92620

Dear Leonard,

As discussed, I am pleased to offer you the position of Chief Executive Officer of ACADIA Pharmaceuticals Inc. I firmly believe that with your joining and leading our team, ACADIA Pharmaceuticals will have the potential to not only quickly surpass such short term goals as completing additional significant corporate partnerships and a successful public offering, but that we will be able to flourish in facing the challenges to be met in the years ahead as we build an extremely valuable, technology driven, integrated drug discovery company. All of us associated with ACADIA Pharmaceuticals look forward to working with you. The terms of our offer are as follows:

1. Your title will be Chief Executive Officer and you will report to the Board of Directors of the Company. You agree to devote all of your business time, attention and energies to the business of the Company.

2. You will become a member of the Board of Directors of the Company at the first Board Meeting to be held after your beginning employment with ACADIA, and for so long as you hold the position of Chief Executive Officer, will be nominated by the Board to the Stockholders for election as Director.

3. Your initial annual salary will be $220,000, subject to adjustment as determined by the Board as of January 1 of each year.

4. You will be eligible to receive an annual bonus with a target amount of 20 to 30% of the base salary you receive in each calendar year payable within 90 days of the end of such Calendar year. The amount of the annual bonus will be determined by the Board of Directors based upon the accomplishment of significant goals determined by the Board and you at the beginning of each year.

5. Naturally, what I consider to be the most important part of your compensation is your participation in the Company's 1997 Stock Option Plan. You will receive stock options to purchase 300,000 shares of Common Stock of the Company. The options will vest 25% of the shares after 12 months of employment with additional vesting of 1/48th of the shares after each additional month of employment through your 48th month of employment with the Company. The stock options will be subject to the aforementioned vesting schedule and other terms of the Plan. The exercise price at which these options will be issued will be equal to the fair market value of the common shares of the Company at the date of grant of the options, which will be the start date of your employment. In the event the company completes an Acquisition Event as defined in the

Company's 1997 Stock Option Plan, any unvested options you then hold will be immediately vested.

In the event the Company completes an Initial Public Offering (IPO), you will receive options to purchase an additional 50,000 shares of common stock of the Company. These options will vest 1/48th per each additional month of employment with the Company through your 48th month of employment following the grant date of such options. The exercise price at which these options will be issued will be equal to the fair market value of the shares of Common Stock of the Company at the IPO.

Enclosed is a copy of the ACADIA Pharmaceuticals 1997 Stock Option Plan. Note that there are currently approximately 7.4 million common equivalent shares outstanding, fully diluted for the shares reserved for the 1997 Stock Option Plan.

6. The Company will also provide you a signing bonus of $50,000 payable immediately after your beginning employment with ACADIA Pharmaceuticals Inc. You agree to return such bonus to the Company if you voluntarily terminate your employment within six months of the start date of your employment.

7. In the event the Company terminates your employment, other than for cause as defined below, you will receive severance in the form of the continuation of your salary for the one year period following the termination of your employment plus the benefits you were receiving at the time of your termination (subject to the terms of the Company's benefit plans). You will also be entitled to receive a bonus payment equal to the bonus, if any, you would have otherwise received had you been employed for such period. Such amount will be as determined by the Board, but in any event, will not be less than the bonus received from the Company for the year immediately preceding the year of termination. Such payment will be made within 90 days following termination.

For purposes of the above "cause" for termination shall be deemed to exist upon (a) a good faith finding by the Company of material failure of the Employee to perform his assigned duties for the Company, dishonesty, gross negligence or other material misconduct, or (b) the conviction of the Employee of, or the entry of a pleading of guilty or nolo contendere by the Employee to, any crime involving moral turpitude or any felony.

8. You will be provided all of the standard company benefits, including four weeks paid vacation, health insurance, group term life and accidental death and dismemberment insurance, group disability insurance, travel accident insurance, and the ability to participate in the Company's 401k plan which includes matching of employees' contributions to the plan up to 5% of compensation. Enclosed is information regarding the Company's various benefit programs. With respect to the Company's matching of contributions to the 401k plan up to 5% of compensation, note that it is the intention of the Company to provide the 5% payment to all employees interested in deferring 5% of their compensation even if their deferrals to the 401k plan are otherwise limited to less than 5% of total compensation due to various IRS rules. After you join the Company,

and with your input, we can conclude on an appropriate non-qualified or other arrangement in this regard.

9. As a condition of your employment you will be required to agree to and sign the Company's standard Disclosure and Inventions Agreement, a copy of which is attached.

10. The start date for your employment will be May 11, 1998 or other mutually agreeable date.

11. Except as required by law, you and the Company agree that no public announcement of your prospective employment will be made until after you have formally accepted employment and that any related press release will be provided to you in advance for your review and approval.

Leonard, I am very confident that your joining the ACADIA team will prove extremely beneficial to both you and the Company and its shareholders. If you have any questions, please do not hesitate to call me at the office or at home.

Sincerely yours,

/s/ Mark R. Brann, Ph.D.

Mark R. Brann, Ph.D.

Founder, Chief Executive and Scientific Officer and President

I accept your offer to become Chief Executive Officer of ACADIA Pharmaceuticals Inc. in accordance with the terms included above:

Signature: /s/ Leonard Borrmann Date: 4/20/95

Leonard Borrmann, Pharm D

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release ("Agreement") is made and entered into by and between Dr. Leonard Borrmann ("Borrmann") and ACADIA Pharmaceuticals, Inc. (the "Company"), as of September 20, 2000 (the "Effective Date"). Borrmann and the Company hereby agree as follows:

1. SEPARATION DATE. Effective on the last date signed below, Borrmann has tendered and the Company has accepted Borrmann's resignation as an employee and a director and any and all other positions Borrmann may have held with the Company and/or its affiliates (the "Separation Date").

2. ACCRUED SALARY AND VACATION. The Company agrees that immediately upon execution of this Agreement it will pay Borrmann all accrued salary, and all accrued and unused vacation benefits earned through the Separation Date, if any, subject to standard payroll deductions, withholding taxes and other obligations.

3. EXPENSE REIMBURSEMENT. Within thirty (30) business days of Borrmann's execution of this Agreement, Borrmann agrees that Borrmann will submit Borrmann's final documented expense reimbursement statement reflecting all business expenses Borrmann incurred prior to and including the Separation Date, if any, for which Borrmann seeks reimbursement. The Company shall reimburse Borrmann's expenses pursuant to Company policy and regular business practice.

4. SALARY AND BENEFIT CONTINUATION. In exchange for Borrmann's resignation and the releases and waivers given pursuant to this Agreement, the Company agrees to provide Borrmann with the benefits specified in paragraph 7 of Borrmann's employment letter agreement dated April 17, 1998, a copy of which is annexed to this Agreement as Exhibit A, consisting of continuation of Borrmann's base salary, less standard deductions and withholdings, paid twice monthly on the fifteenth (15th) day of each month and on the final day of each month for one year following the Separation Date (the "Salary Continuation Period") and continuation of standard Company benefits of group health insurance coverage for Borrmann and Borrmann's family, travel accident insurance coverage during the Salary Continuation Period, payment of four weeks of vacation which is the sum of $18,569.00, less standard deductions and withholdings, within fifteen (15) days following the Separation Date, and the continuation of Borrmann's and Borrmann's family's right to participate in the Company's group dental plan and the Company's Section 125 Flexible Spending Plan (provided that Borrmann agrees to contribute the same amount he contributed to the dental plan and 125 Flexible Spending Plans during his employment), and the Company's 401k plan during the Salary Continuation Period, subject to the terms of the applicable plans and COBRA where applicable. In addition, pursuant to paragraph 7 of Borrmann's employment letter, the Company will pay Borrmann a bonus payment equal to sixty thousand three hundred fifty-three dollars ($60,353.00), less standard deductions and withholdings, within ninety (90) days following the Separation Date. The Company also agrees to continue Borrmann's base salary, less standard deductions and withholdings, and continue Borrmann's standard Company benefits of group health insurance coverage for Borrmann and Borrmann's family and Borrmann's travel accident insurance

coverage, and provide Borrmannn and Borrmann's family the right to participate in the Company's group dental plan and the Company's Section 125 Flexible Spending Plan (provided that Borrmann agrees to contribute the same amount he contributed to the dental plan and 125 Flexible Spending Plans during his employment), pursuant to the terms of the applicable plans and COBRA where applicable, beyond the last day of the Salary Continuation Period of up to a maximum of six months, determined on a month to month basis, provided that Borrmann is not gainfully employed during such six month period despite his reasonable good faith efforts to obtain gainful employment. Any such payments beyond the last day of the Salary Continuation Period shall be made only once a month. The Company has the right to request proof of Borrmann's efforts to obtain gainful employment.

5. STOCK OPTIONS. In exchange for the promises and covenants set forth herein, the Company agrees to accelerate the vesting of the stock options held by Borrmann as to 31,250 shares of the Company's common stock such that, as of the Separation Date, the number of shares vested under such stock options shall equal 200,000 shares. The Company also agrees to extend the exercise period of Bormann's stock options to September 20, 2007. Borrmann understands that to the extent he does not exercise his vested stock options within three (3) months of the Separation Date, any of the stock options originally granted as incentive stock options will no longer be treated as such, but instead will be treated for tax purposes as if they were non-qualified stock options. Borrmann acknowledges that the Company has advised him to seek guidance from a tax advisor in the event he has questions regarding the tax treatment of his stock options and agrees to hold the Company harmless for any tax consequences he may incur as a result of the extension of the exercise period of his options.

6. OTHER COMPENSATION AND BENEFITS. Except as expressly provided herein, Borrmann acknowledges and agrees that Borrmann is not entitled to and will not receive any additional compensation, severance, stock options, stock or benefits from the Company. Borrmann agrees and understands that all vesting under any stock compensation award (e.g., incentive stock option, nonqualified stock option, stock purchase agreement, or restricted stock bonus agreement) from the Company shall cease upon the Separation Date.

7. NON-COMPETE AND NON-SOLICITATION.

(a) NON-COMPETE: In exchange for the promises and covenants herein, Borrmann agrees that during the Salary Continuation Period.

(i) Borrmann will not act as an owner, employee, officer, director, agent or consultant, in the geographic area of the United States, with a company whose primary business is the discovery of drugs for the treatment of neuro-psychiatric disease, provided, however, that the ownership of two percent (2%) or less of the stock of a company whose shares are listed on a national securities exchange or are quoted on the National Association of Securities Dealers Automated Quotation System shall not be deemed ownership or having an interest which is prohibited hereunder;

(ii) Borrmann will not solicit any business from companies with whom the Company has collaborative agreements as of the Separation Date, for products or services competitive with those of the Company, if such solicitation would negatively impact the business

of the Company with such companies. Borrmann will not request, induce or advise customers of the Company to withdraw, curtail or cancel their business with the Company. For the purposes of this Article 7(a)(ii), "customer" shall mean any company or entity with whom the Company has a material agreement and from which the Company receives substantial revenues as of the Separation Date; and

(b) NONSOLICITATION. Borrmann agrees that for two (2) years following the Separation Date, Borrmann will not, either directly or through others, solicit or attempt to solicit any employee, consultant, or independent contractor of the Company to terminate his or her relationship with the Company in order to become an employee, consultant or independent contractor to or for any other person or entity.

8. TERMINATION OF COMPANY'S OBLIGATIONS. Notwithstanding any provisions in this Agreement to the contrary, the Company's obligations, and Borrmann's rights pursuant to Section 4 herein, regarding the payment of salary continuation, and Section 5 herein, regarding the extension of the exercise period for the stock options, shall cease and be rendered a nullity immediately should Borrmann fail to comply with any of the provisions of Sections 7 and 11 herein.

9. NO FURTHER EMPLOYMENT WITH THE COMPANY. Borrmann understands and agrees that, as a condition of this Agreement, Borrmann shall not be entitled to any employment with the Company, its parents or subsidiaries, and Borrmann hereby waives any right, or alleged right, of employment or re-employment with the Company and any of its parents, affiliates, or subsidiaries. Borrmann further agrees that Borrmann will only be eligible to apply for employment with the Company, its parents or subsidiaries, if Borrmann obtains prior written consent from the Company, which consent may be withheld for any reason or no reason. In order to carry out the intent of this Section and Section 1 of this Agreement, Bormmann shall execture an Action by Written Consent of Sole Incorporator of ACADIA PharmacoGenomics Inc., a copy of which is attached hereto as Exhibit B, naming the directors of such subsidiary of the Company.

10. COMPANY PROPERTY. Upon the Separation Date, Borrmann agrees to return to the Company all Company documents (and all copies thereof) and other Company property in Borrmann's possession or Borrmann's control, including, but not limited to, Company files, business plans, notes, samples, sales notebooks, drawings, specifications, calculations, sequences, data, computer-recorded information, tangible property, including, but not limited to, cellular phones, credit cards, entry cards, keys and any other materials of any nature pertaining to Borrmann's work with the Company, and any documents or data of any description (or any reproduction of any documents or data) containing or pertaining to any proprietary or confidential material of the Company. Notwithstanding the foregoing, the Company agrees that in exchange for the promises and covenants herein, the Company will provide and Borrmann may keep the laptop computer, keyboard, docking station, and monitor and the personal organizer and their related accessories that Borrmann used during his employment with the Company and the Company will transfer ownership of such items to Borrmann.

11. PROPRIETARY INFORMATION OBLIGATIONS. Borrmann acknowledges Borrmann's continuing obligations under Borrmann's Disclosure and Inventions Agreement, a copy of which

is attached hereto as Exhibit C. Pursuant to such agreement Borrmann understands that Borrmann must not use or disclose any confidential or proprietary information of the Company, among other things.

12. NON-DISPARAGEMENT. Borrmann and the Company agree that neither party will at any time disparage the other party, and the other party's officers, directors, employees, shareholders and agents, in any manner likely to be harmful to them or their business, business reputation or personal reputation; provided that each party shall respond accurately and fully to any questions, inquiry or request for information when required by legal process.

13. CONFIDENTIALITY AND PUBLICITY. The provisions of this Agreement shall be held in strictest confidence by Borrmann and the Company and shall not be publicized or disclosed in any manner whatsoever; provided, however, that: (a) Borrmann may disclose this Agreement, in confidence, to Borrmann's immediate family; (b) the parties may disclose this Agreement in confidence to their respective attorneys, accountants, auditors, tax preparers, and financial advisors; (c) the Company may disclose this Agreement as necessary to fulfill standard or legally required corporate reporting or disclosure requirements; and (d) the parties may disclose this Agreement insofar as such disclosure may be necessary to enforce its terms or as otherwise required by law. Notwithstanding the foregoing, in the event the Company issues a public disclosure regarding Borrmann's resignation, the Company shall provide Borrmann with a copy of such proposed disclosure by e-mail and Borrmann shall have the opportunity to review and approve of the disclosure prior to its release, such approval not to be unreasonably withheld. Borrmann agrees that his failure to respond to the Company's delivery of the proposal and request for approval within twenty-four (24) hours shall constitute his approval of the proposal.

14. RELEASE OF CLAIMS. In exchange for the promises and covenants set forth herein, Borrmann hereby releases, acquits, and forever discharges the Company, its parents and subsidiaries, and their officers, directors, agents, servants, employees, attorneys, shareholders, partners, successors, assigns, affiliates, customers, and clients of and from any and all claims liabilities, demands, causes of action, costs, expenses, attorneys' fees, damages, indemnities and obligations of every kind and nature, in law, equity, or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed, arising out of or in any way related to agreements, acts or conduct at any time prior to the Separation Date, including, but not limited to: all such claims and demands directly or indirectly arising out of or in any way connected with the Company's employment of Borrmann, the termination of that employment, and the Company's performance of its obligations as Borrmann's former employer; claims or demands related to salary, bonuses, commissions, stock, stock options, or any other ownership interests in the Company, vacation pay, fringe benefits, expense reimbursements, severance pay, or any form of compensation; claims pursuant to any federal, state or local law or cause of action including, but not limited to, the California Labor Code, the California Fair Employment and Housing Act, the federal Civil Rights Act of 1964, as amended; the federal Americans With Disabilities Act; tort law; contract law; wrongful discharge; discrimination; harassment; fraud; defamation; emotional distress; and breach of the implied covenant of good faith and fair dealing.

15. SECTION 1542 WAIVER. In giving this release, which includes claims which may be unknown to Borrmann at present, Borrmann hereby acknowledges that Borrmann has read and understand Section 1542 of the Civil Code of the State of California which reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Borrmann hereby expressly waives and relinquishes all rights and benefits under this section and any law or legal principle of similar effect in any jurisdiction with respect to claims released hereby.

16. NO ADMISSIONS. The parties hereto hereby acknowledge that this is a compromise settlement of various matters, and that the promised payments in consideration of this Agreement shall not be construed to be an admission of any liability or obligation by either party to the other party or to any other person whomsoever.

17. ENTIRE AGREEMENT. This Agreement, including Exhibits A, B and C, constitutes the complete, final and exclusive embodiment of the entire Agreement between Borrmann and the Company with regard to the subject matter hereof. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein. It may not be modified except in a writing signed by Borrmann and a duly authorized officer of the Company. Each party has carefully read this Agreement, has been afforded the opportunity to be advised of its meaning and consequences by his or its respective attorneys, and signed the same of his or its free will.

18. SUCCESSORS AND ASSIGNS. This Agreement shall bind the heirs, personal representatives, successors, assigns, executors, and administrators of each party, and inure to the benefit of each party, its agents, directors, officers, employees, servants, heirs, successors and assigns.

19. APPLICABLE LAW. This Agreement shall be deemed to have been entered into and shall be construed and enforced in accordance with the laws of the State of California.

20. INJUNCTIVE RELIEF. Borrmann and the Company are each obligated under this Agreement to render services and comply with covenants of a special, unique, unusual and extraordinary character, thereby giving this Agreement peculiar value, so that the loss of such service or violation by either party of this Agreement could not reasonably or adequately be compensated in damages in an action at law. Therefore, in addition to any other remedies or sanctions provided by law, whether criminal or civil, and without limiting the right of either party and their respective successors or assigns to pursue all other legal and equitable rights available to them, Borrmann and the Company shall each have the right to compel specific performance hereof by the other party or to obtain temporary and permanent injunctive relief against violations hereof by the other party, including, but not limited to violations of Sections 11, 12 and 13 herein and the Disclosure and Inventions Agreement, and, in furtherance thereof, to apply to any court with jurisdiction over the parties to enforce the provisions hereof.

21. SEVERABILITY. If a court of competent jurisdiction determines that any term or provision of this Agreement is invalid or unenforceable, in whole or in part, then the remaining terms and provisions hereof shall be unimpaired. Such court will have the authority to modify or replace the invalid or unenforceable term or

provision with a valid and enforceable term or provision that most accurately represents the parties' intention with respect to the invalid or unenforceable term or provision.

22. INDEMNIFICATION. Each party will indemnify and save harmless each other party hereto from any loss incurred directly or indirectly by reason of the falsity or inaccuracy of any representation made herein.

23. AUTHORIZATION. Each party warrants and represents that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein and, further, that Borrmann is fully entitled and duly authorized to give the Company complete and final general release and discharge. The Company represents that it is fully entitled and duly authorized to comply with the promises and covenants stated herein.

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

25. SECTION HEADINGS. The section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

LEONARD BORRMANN,
an individual.

/s/ Leonard Borrmann
- ---------------------------------
Leonard Borrmann

Dated: September 20, 2000

ACADIA PHARMACEUTICALS, INC.

By: /s/ Thomas H. Aasen

Dated: September 20, 2000

Vaekstfonden
Tagensvej 137
DK-2200 Kobenhaven
Telephone 35868635
Facsimile 35868636

Receptor Technologies A/S

December 4, 1996
Ref: MN/SG
Proj. NR. 1529

Re: Project Copenhagen Lead Discovery Project

The Fund for Industrial Growth is prepared to finance your development project subject to the following conditions being met:

- - Receptor Technologies A/S shall be incorporated with a paid up share capital of DKK 500,000 and shall have appointed a full time Manager;

- - A revised balance sheet for Receptor Technologies Inc. per 30th September 1996 or later which does not deviate appreciably from the internal statements provided in the application submitted;

- - Letter of Support from the parent company, Receptor Technologies Inc.;

- - Receptor Technologies Inc. shall have received a total capital injection of USD 3.0m of which a minimum of USD 2.0m shall derive from Dansk Kapitalanlaeg A/S and/or other Danish investors. Said capital injection shall be documented with an auditor's endorsement showing that the capital has been paid in cash to the company;

- - At the date of payment of the first tranche of the loan, the Fund for Industrial Growth shall have accepted the structure of the ownership and Board of Receptor Technologies Inc. as well as Receptor Technologies A/S;

- - Signed mortgage document pledging the rights in the project. Before payment of the second tranche of the loan, said mortgage shall have been registered without endorsement;

And the following special terms shall be applicable to the loan:

- - The borrower may as part of project development conclude a licence agreement with Receptor Technologies Inc. or other parties for the rights to use Patent or other intellectual property rights. The Licence shall contain a statement that said rights may be assigned to the Fund for Industrial Growth on unaltered terms if the Fund for Industrial Growth takes over the project by agreement or in accordance with its mortgage rights. Such licence agreement shall be approved by the Fund for Industrial Growth;

- - The loan shall be liable to full redemption if the number of employees engaged in Research and Development in Receptor Technologies A/S in the period from 1st January 1998 until the loan has been redeemed does not comprise at least eight persons;

- - Before the portion of the loan paid out exceeds DKK 15m, and DKK 30m respectively, the Fund for Industrial Growth shall undertake an appraisal of the project and ensure that Receptor Technologies Inc.'s financial situation continues to assure the project's completion. Appraisal shall include an assessment of to what extent it is still probable that the project will lead to increasing activity in Denmark so that there is still a basis for a viable Danish enterprise. Until appraisal has been conducted with what the Fund for Industrial Growth deems a positive result, no more of the loan shall be payable;

- - The loan shall be liable to full redemption should Receptor Technologies Inc. not have gained by 1st July 1997 a total capital injection of at least USD 6.0m, including a minimum of USD 2.0m from Dansk Kapitalanlaeg A/S and/or other Danish investors. Said capital shall be documented with an auditor's endorsement showing that it has been paid in cash to the company.

We enclose:

- - Loan agreement in duplicate,

- - Fund for Industrial Growth's standard terms for loans,

- - Budget schedule

- - Repayment schedule

- - Mortgage document

- - Information sheet on stamp duty,

- - Pledge Declaration,

- - Letter of Support,

- - Documentation for quarterly reports

- - Auditor's endorsement.

If the loan agreement is acceptable to you, before 1st January 1997, please sign and return:

- - One copy of the loan agreement,

- - Mortgage document,

- - Pledge Declaration

- - A certificate less than one year old of officers empowered to sign for the company

- - Letter of Support

- - Documentation of compliance with the terms of payment,

And state:

- - Bank, sort code and account numbers to which it is wished payment shall be transferred.

We look forward to continuing to work together.

Yours faithfully,
Fund for Industrial Growth

Bent Kiemer
Manager

Maja Nielsen
Industrial Growth Consultant

LOAN AGREEMENT

Borrower: Receptor Technologies A/S

Company Registration No.
VAT No.

Hereby acknowledges its debt to

Lender: Fund for Industrial Growth, Tagensvej 137 DK-2200 Copenhagen N
Project No. and Title K--1529 Copenhagen Lead Discovery Project

Loan type	FU Loan
Amount, DKK	44,573,063
Project No.	1529
Payment	Payable in quarterly instalments in advance
Project budget DKK	99,051,000
Percentage financing	45%
Project term - start*	1st January 1997
Project term - end	31st December 1999
Interest ** p.a. fixed rate	7.7%
Interest** p.a. variable rate	7.7%, Interest determined on first banking day of each month
Interest payable from	Drawdown
Surcharge on overdue accounts	14%
Stamp Duty, loan, DKK	133,719
Mortgage, DKK	150, provided Value Certificate 10,000
Court fees, DKK	700
Repayment - due dates	01.01, 01.04, 01.07 and 01.10
First repayment	01.01.1999
Repayment per due date***	cf repayment schedule of 17.10.1996
Royalty fee****	4.32%
Project report dates	01.01, 01.04, 01.07 and 01.10
First report	01.04.1997 for the period to 31.03.1997
Deadline	3 weeks
Security	Rights in the Project.

* Costs for work conducted before the starting date of the project not co-financed.
** Interest charged quarterly in arrears.
*** Repayments listed on the attached repayment schedule
**** See section on repayment on page 2

PRECONDITIONS
The loan is made on condition that:

- - The project is undertaken as specified in the Application on the basis of which the Fund for Industrial Growth has granted the loan.

- - The project's budget is complied with, cf Budget Schedule from the Fund for Industrial Growth

- - The borrower shall be obliged to put up as surety Patent Applications based on the project.

SPECIAL TERMS:

The provisions noted below shall be applicable irrespective of their conflicting with the standard conditions of the loan:

- - The borrower may as part of project development conclude a licence agreement with Receptor Technologies Inc. or other parties for the rights to exploit Patent or other intellectual property rights. The Licence shall contain a statement that said rights may be assigned to the Fund for Industrial Growth on unaltered terms if the Fund for Industrial Growth takes over the project by agreement or in accordance with its mortgage rights. Such licence agreement shall be approved by the Fund for Industrial Growth;

- - The loan shall be liable to full redemption if the number of employees engaged in Research and Development in Receptor Technologies A/S in the period from 1st January 1998 until the loan has been redeemed does not comprise at least eight persons;

- - Before the portion of the loan paid out exceeds DKK 15m and DKK 30m respectively, the Fund for Industrial Growth shall undertake an appraisal of the project and ensure that Receptor Technologies Inc.'s financial situation continues to assure the project's completion. Appraisal shall include assessment of to what extent it is still probable that the project will lead to increasing activity in Denmark so that there is still a basis for a viable Danish enterprise. Until appraisal has been conducted with what the Fund for Industrial Growth deems a positive result, no more of the loan shall be payable;

- - The loan shall be liable to full redemption should Receptor Technologies Inc. not have gained by 1st July 1997 a total capital injection of at least USD 6.0m, including a minimum of USD 2.0m from Dansk Kapitalanlaeg A/S and/or other Danish investors. Capital injection shall be documented with an auditor's endorsement showing that the capital injection has been paid in cash to the company.

TERMS FOR PAYMENT OF THE FIRST TRANCHE:

The first tranche shall be payable when the Fund for Industrial Growth has received this agreement duly executed together with the other details and documentation stated in the accompanying letter, and when the following terms have been complied with:

- - Receptor Technologies A/S shall be incorporated with a paid up share capital of DKK 500,000 and shall have appointed a full time Manager;

- - A revised balance sheet for Receptor Technologies Inc. per 30th September 1996 or later which does not deviate appreciably from the internal statements provided in the application submitted;

- - Letter of Support from the parent company, Receptor Technologies Inc.;

- - Receptor Technologies Inc. shall have received a total capital injection of USD 3.0m of which a minimum of USD 2.0m shall derive from Dansk Kapitalanlaeg A/S and/or other Danish investors. Said capital injection shall be documented with an auditor's endorsement showing that the capital injection has been paid in cash to the company;

- - At the date of payment of the first tranche of the loan, the Fund for Industrial Growth shall have accepted the structure of the ownership and Board of Receptor Technologies Inc. as well as Receptor Technologies A/S;

- - Signed mortgage document pledging the rights in the project. Before payment of the second tranche of the loan, said mortgage shall have been registered without endorsement;

SECURITY	Mortgage for DKK 44,573,063 with surety in the rights in the project.
REPAYMENT	The loan shall be repaid as stated in the loan agreement and the repayment schedule. Due amounts shall be payable via the Banks Payment System (PBS). Repayment has been determined on the basis of royalty due on the project's forecast turnover. The rate of royalty is stated on page 1 of this loan agreement. If on the last due date for repayment there is an outstanding amount, repayments of the loan shall continue with the same due dates as stated in the loan agreement and at the same rate as that falling due on the last repayment date, cf. repayment schedule. If the results of the project are wholly or partially used in other products, markets, services or projects, Receptor Technologies Inc.'s and Receptor Technologies A/S' turnover therefrom shall be fully included in the turnover on which royalty is calculated. Should proprietorship of patents, rights or know-how in the project or parts thereof be sold or assigned, a royalty shall be payable to the Fund for Industrial Growth of 25% of the gross revenue.
DEBT REDEMPTION	The borrower may at any time request its outstanding debt be redeemed against assignment of all rights the project, including all sales rights in accordance with the section on repayment. Receptor Technologies Inc. and Receptor Technologies A/S shall remain liable for an amount corresponding to the royalty on all turnover the project has engendered. The royalty rate is stated on page 1. The royalty amount shall be regulated in the amount of repayments; regulation shall however not include repayments due more than one year before the Fund for Industrial Growth received the application for debt redemption.
RIGHTS	The borrower has stated that the rights in the development project belong solely to the borrower.
DECLARATION	The borrower hereby declares that it has not applied for nor received other public funds for this or associated projects without having informed the Fund or Industrial Growth in writing
OTHER TERMS	The borrower has received: - Repayment schedule dated 17 October 1996, - Budget schedule from the Fund for Industrial Growth and - The Fund for Industrial Growth's standard terms of loans, August 1995, which shall be applicable to the loan without further signature.
CHOICE OF INTEREST	Interest on the loan is to be: / /Fixed rate / /Variable rate Selection shall apply to the whole term of the loan. The loan agreement shall be executed in duplicate.

Date	Date 4th December 1996
Receptor Technologies A/S	Fund for Industrial Growth
- ----------	----------
(Names to be also typed)	Bent Kiemer Maja Nielsen

In Witness of the Borrower:
(Please type and sign):

Name	Name
Occupation	Occupation
Address	Address
Town/Post code	Town/Post code
Signature	Signature

REPAYMENT SCHEDULE

Company name Receptor Technologies A/S
Loan for Research and Development
Project No. 1529
Project title Copenhagen Lead Discovery Project

Principal DKK	44,573,063
interest calculated for the term of the project:	14,750,705
total repayments	59,323,768

This repayment schedule is based on fixed interest and forecasts for turnover created by the project:

From	To	Turnover DKK
1 Oct 98	31 Dec 98	28,750,000
1 Jan 99	31 Dec 99	86,250,000
1 Jan 00	31 Dec 00	143,750,000
1 Jan 01	31 Dec 01	172,500,000
1 Jan 02	31 Dec 02	207,000,000
1 Jan 03	31 Dec 03	248,400,000
1 Jan 04	31 Dec 04	298,080,000

Repayments shall accordingly be:

Due date	Amount	Due date	Amount
1 Jan 99	1242670	1 Apr 02	2236806
1 Apr 99	932,002	1 Jul 02	2,236,806
1 Jul 99	932,002	1 Oct 02	2,236,806
1 Oct 99	932,002	1 Jan 03	2,236,806
1 Jan 00	9,047,836	1 Apr 03	2,684,167
1 Apr 00	1,555,337	1 Jul 03	2,684,167
1 Jul 00	1,553,337	1 Oct 03	2,684,167
1 Oct 00	1,553,337	1 Jan 04	2,684,167
1 Jan 01	1,553,337	1 Apr 04	3,221,000
1 Apr 01	1,864,005	1 Jul 04	3,221,000
1 Oct 01	1,864,005	1 Oct 05	3,221,000
1 Jan 02	1,864,005	1 Jan 05	3,221,000

[SUPERCEDES PREVIOUS REPAYMENT SCHEDULE]

REPAYMENT SCHEDULE November 10, 1999

Company name:	ACADIA Pharmaceuticals A/S
Loan for:	Research and Development
Project No.:	1529-1
Project Description:	Drug Discovery

Paid out per	June 30, 99	23,267,225.00
Calculated interest per	June 30, 99	2,109,562.00
Paid back per	June 30, 99	-
Payments in the rest of the project period		21,305,700.00
Calculated interest for the rest of the project period DKK		16,133,495.00
Total repayment		62,815,982.00

The repayment schedule has been made on the basis of a fixed interest and on the Basis of the projected return made from the project

From	To	Turnover DKK
Jan 1, 00	Dec 31, 00	84,500,000.00
Jan 1, 01	Dec 31, 01	119,600,000.00
Jan 1, 02	Dec 31, 02	161,119,000.00
Jan 1, 03	Dec 31, 03	206,944,000.00
Jan 1, 04	Dec 31, 04	278,038,000.00
Jan 1, 05	Dec 31, 05	368,713,000.00

The repayments are hereafter:

PERIOD	PAYMENT IN DKK	PERIOD	PAYMENT IN DKK
Apr 1, 00	1,036,311.00	Oct 1, 02	1,975,970.00
Jul 1, 00	1,036,311.00	Jan 1, 03	1,975,970.00
Oct 1, 00	1,036,311.00	Apr 1, 03	2,537,969.00
Jan 1, 01	1,036,311.00	Jul 1, 03	2,537,969.00
Apr 1, 01	4,487,529.00	Oct 1, 03	2,537,969.00
Jul 1, 01	1,466,779.00	Jan 1, 04	2,537,969.00
Oct 1, 02	1,466,779.00	Apr 1, 04	3,409,869.00
Jan 1, 02	1,466,779.00	Jul 1, 04	3,409,869.00
Apr 1, 02	1,975,970.00	Oct 1, 04	3,409,869.00
Jul 2, 02	1,975,970.00	Jan 1, 05	3,409,869.00
		Apr 1, 05	4,521,910.00
		Jul 1, 05	4,521,910.00
		Oct 1, 05	4,521,910.00
		Jan 1, 06	4,521,910.00

ATTACHMENT NO 1 FOR LOAN AGREEMENT OF FEBRUARY 19, 1997

Debtor	ACADIA Pharmaceuticals A/S
Project No.	1529-1 Lead Discovery Project
Loan in DKK	44,573,063

Project Period The project period ends on December 31, 2000

Roaylty The roaylty is a fixed percentage of 4.91

Repayment The repayment schedule for the loan is changed with effect from January 1, 1999

At the same time, repayment schedule of October 17, 1996 is annulled. Repayments of the loan are specified in the attached repayment schedule dated November 10, 1999, which is thus valid.

All other conditions of the loan agreement are still in force.

ACADIA Pharmaceuticals have received:
Repayment schedule dated November 12, 1999

Date November 12, 1999

ACADIA Pharmaceuticals	Vaekstfonden (Growth Fund)	
/S/ ULI HACKSELL	/S/ CLAUS VESTERLIND	/S/ NIELS K. LAUERSEN
Uli Hacksell	Claus Vesterlind	Niels K. Lauersen

As witnesses for ACADIA Pharmaceuticals

Name:	Lotte Sonderbjerg	Name:	Kate Mortensen
Position:	Site Manager	Position:	Administrative Assistant
Address:	Thorvaldsensvej 9	Address:	Ejbbygard 7
City:	DK-1871 Frrederriksberg	Address:	DK-2600 Glostrup

/S/ LOTTE S0NDERBJERG	/S/ KATE MORTENSEN
Signature	Signature

Project title	Copenhagen Lead Discovery Project	Development period start	1 Jan 97
Company name	Receptor Technologies A/S	Development period finish	31 Dec 99
Project No.	1529	Repayment period start	1 Oct 98
Project type	Research and development	Repayment period finish	1 Jan 05
Financing percentage	45%	Repayment over months	75
Interest rate	7.70%	Financial year	01 Jan-31 Dec
Royalty rate	4.32%	L. fig	36%
Manually calculated remainder value	N/A	Consultant	MN

Periodisation

Period	P1	P2	P3	P4	B1	B2	B3	B4	B5	B6	B7
No. months	3	3	3	3	12	12	12	12	12	12	12
From month/yr	1.1.97	1.4.97	1.7.97	1.10.97	1.1.97	1.1.98	1.1.99	1.1.00	1.1.01	1.1.02	1.1.03
To month/yr	31.3.97	30.6.97	30.9.97	31.12.97	31.12.97	31.12.98	31.12.99	31.12.00	31.12.01	31.12.02	31.12.03

Period	B8	B9	B10	Total
No. months				
From month/yr				
To month/yr	12 1.1.04 31.12.04	12 1.1.05	12	96

Project budget

a) Payroll
b) Purchases
c) Investments
d) Basis for calculations
e) General costs
f) Services
g) Project costs total
h) Pay to current staff
i) Group costs in project period

Development Project - effects

j) Jobs as result of project
k) Turnover as result of project
l) Exports as result of project
m) Contribution as result of project

Payments calculated
Interest
Repayment
Balance

Stamp duty DKK 150
Registration fee DKK 700
Total DKK 350

MORTGAGE DEED (PERSONAL)

MORTGAGOR'S NAME/ADDRESS	Receptor Technologies A/S Home Address
COMPANY REGISTRATION NO.	
MORTGAGEE	The same, or any party to whom this mortgage may be assigned, by way of surety or in any other way, without personal liability.
PRINCIPLE	DKK 44,573,063 (Forty four million, five hundred and seventy three thousand and sixty three)
INTEREST AND TERMS OF PAYMENT	16% shall be payable on the mortgage from drawdown. Interest shall be payable every 11th June and 11th December, semi-annually in arrears, the first time on the first due date after drawdown.
PROPERTY MORTGAGED	All the intellectual property rights attaching to the mortgagor's development of active agents for treatment of disease if genes with coded receptors are detected, created within Project No. 1529, including all documentation, software descriptions, source codes and all results of any kind which may belong to or are part of the project, including all descriptions, diagrams, prototypes and the developed product and other possible products which are the result of the above work on development. Rights in the mortgage also include the fund of technical knowhow covered by the project. Further, the mortgage covers all income from the pledged property, including leases, rental and insurance sums.
PRIOR CHARGES	None.
POWER OF ATTORNEY	The Fund for Industrial Growth is authorised on my behalf to sign endorsements or any kind to this mortgage deed, including endorsements of receipt, transfer, moderation or relaxation.
ADDRESS FOR ANY LEGAL PROCEEDINGS, ETC.	Fund for Industrial Growth, Tagensvej 137, DK-2200 Copenhagen N
OTHER CREDIT INFORMATION	Is the mortgage covered by the Credit Agreements Act |_| Yes |_| No
TERMINATION	The mortgage may be terminated at any time by the mortgagor or mortgagee without notice.
NB	Change of address shall be reported to the Mortgagee. If payment of interest and redemption payments is delayed, the mortgagee can require repayment of capital, cf next page, Item 7a.

The Ministry of Justice's Mortgage Schedule "Losore" (last page) shall be also applicable.

Insofar as the mortgage deed is only signed by the mortgagor, said mortgagor states that he/she is unmarried or that the mortgaged property is not subject to Section 19, Judicial Aspects of Marriage Act.

Date

Receptor Technologies A/S

Mortgagor's signature _____

Name to be typed/capitals

If the mortgagor is married, the undersigned spouse hereby agrees to the mortgage. If the spouse is a co-owner of the property, said spouse should sign as debtor and mortgagor.

Spouse _____

As witness that this a true signature, the date is correct and that the undersigned has attained majority.

(Please type):

Name	Name
Occupation	Occupation
Address	Address
Town/Post code	Town/Post code
Signature	Signature

MINISTRY OF JUSTICE - TERMS FOR PLEDGED PROPERTY

1. Payments made in accordance with this mortgage shall be sent post-paid to the mortgagee's address as stated on page 1, or at another place within the borders of the country as stated by the mortgage.

2. All payments shall be deemed to be in due time if paid within seven days after the due date; for settlement date payments, within seven days of the first settlement date. If the due date or the last due settlement day is on a Holy Day, a Saturday or Constitution Day 5th June, the due day shall be the following weekday. The same shall apply to the date of expiry of all deadlines in this mortgage. Payment made within the above limits to a bank in the country, except Greenland, for credit to the place of payment, shall be proper payment.

3. The mortgagor is obliged to inform the mortgagee of a change of address. This may not be done on a payment slip if it is stated on the slip that messages to the payee shall not be made thereon. Communications from the mortgagee, including notice of termination, may be sent or served at the most recent residence of which the mortgagee has been informed, irrespective of change of address, unless the mortgagee is aware of the mortgagor's new address. Should the mortgagee become aware that notice of termination has not reached the mortgagor as a result of change of address, the mortgagee shall immediately serve notice of termination on the mortgagor if the mortgagor's new residence is stated on the Civil Register or other easily accessible source.

4. The mortgagor declares that there is no other party having rights by way of a mortgage deed, contract of sale, leasing contract or otherwise which could prejudice the preferential position of this mortgage.

5. The mortgager undertakes to keep the pledged property properly insured for fire risk.

6. The mortgagee is entitled in accordance with the mortgage deed to payment of principal, interest and other amounts of a comparable nature and to interest surcharge. The mortgagee is further entitled to recover costs properly incurred in serving notice of termination, recovery and in protecting the mortgagee's interests in the event of legal proceedings against the pledged property by a third party.

7. Irrespective of non-terminability or terms of notice, the mortgagee can demand redemption of the capital as a result of the following:

   (a) If interest or repayments are not paid by the last due date. It is however a condition for requiring redemption of the principle that the mortgagor has not paid interest and redemption within seven days of a written request therefor having been sent or served. The mortgagee's demand shall be made after the last due date for payment and shall explicitly state that a demand will be made for the principle to be repaid if interest and repayment are not paid by the expiry of the deadline, cf. Item 2 thereon;

   (b) If the pledged property has seriously deteriorated or been significantly mistreated without there having been provided on demand sufficient surety;

   (c) If the mortgagor refuses to grant access to the mortgagee or its representative to check on the pledged property;

(d) If the mortgagor does not show on request that the pledged property is properly insured for fire risk, and

(e) If the pledged property or significant parts thereof are assigned to a third party or sold at compulsory auction.

INFORMATION ON DECLARATIONS OF VALUE FOR MORTGAGES

In accordance with Section 57 of the Stamp Duty Act, Stamp Duty of 1.5% of the principle is payable on mortgages.

There is an exception to this rule in Section 57 Sec. 4 of the Stamp Duty Act in which it is possible to elect to pay Stamp Duty on the value of the pledged property if it is lower than the principle. Since the Fund for Industrial Growth only has security in development projects, it is thus possible to pay Stamp Duty on the value of the development project at the time it is pledged.

If the development project is still only at the concept stage at the time it is pledged, the value can often be set very low. If the development project is based on a bought-in Patent, the value can most often be set at the cost of acquiring the Patent.

In applying the value of the pledged property instead of the principal of the mortgage as a basis for calculating Stamp Duty, there can often be considerable savings thereon. It is a precondition therefor that the mortgagor shall make a solemn declaration of the pledged property's lower value. This Declaration of Value should be made at the top of page 1 of the mortgage deed.

In order to reduce your costs, the Fund for Industrial Growth will endeavour to use this option for saving on Stamp Duty. It should be noted that the Authorities administering Stamp Duty have not yet taken a position on the option of Declarations of Value for mortgages. Accordingly the Declaration of Value may not be recognised.

Fund for Industrial Growth November 1993

MORTGAGE DECLARATION

MORTGAGOR	Receptor Technologies A/S Address
MORTGAGEE	Fund for Industrial Growth, Tagensvej 137, DK-2200 Copenhagen N
MORTGAGE	As security for the mortgagor's indebtedness to the mortgagee pursuant to loan agreement 1529, a pledge is granted with a first charge in the amount of DKK 44,573,063 in the project for developing a rapid method for identifying active agents for the treatment of disease, if genes with coded receptors are detected. The pledge shall be as surety for redemption of the loan, interest and costs. Rights in the mortgage shall be extended in addition to the amount stated in the mortgage by up to five years. Said extension shall be calculated on the basis of the original sum at the rate of interest stated in the mortgage. The extended term shall begin when the mortgage is pledged to the Fund for Industrial Growth and shall remain in force until final redemption of the sum, although for a maximum of five years.
TERMS	Fund for Industrial Growth's standard terms for loans, August 1995.
DATE	
AS MORTGAGOR	Receptor Technologies A/S Signature --- Name to be also typed In Witness of the Borrower: (Please type and sign):

Name	Name
Occupation	Occupation
Address	Address
Town/Post code	Town/Post code
Signature	Signature

QUARTERLY REPORT

THE DECLARATION OF THE REVERSE PAGE SHOULD BE SIGNED AND SUBMITTED TOGETHER WITH THE REPORT TO THE FUND FOR INDUSTRIAL GROWTH

Company:

Project No.:

Project title:

Report for the period:

The report on the project should contain the following and be signed by the CEO:

A

1. A report on the progress of the project during the period with a brief review of the costs that have been borne.

2. Details of written reports, reviews and the acquisition of knowledge, identified by report number and date or other identification.

3. Details of deviation from the Project Plan or budget, including changes in technical, financial, commercial or managerial circumstances.

4. Details of the consequences of deviations in respect of time, finance, profitability and residual financing. New plans and budgets should be submitted for significant changes.

5. Details of how far the project has got, expressed in percentage terms (divisible by 10) taken in comparison with the timetable and activity plan.

B.

Quarterly report

DKK 1000 excl. VAT	Budget for the period - DKK	Accounts - costs incurred in the period - DKK	Budget for the coming 3 month period DKK
1 Payroll*			
2 Purchases			
3 Investments			
4 Gen. costs (max 25% of Items 1-3)			
5 Services			
Total development costs			

* Total number of hours in the period:

Time used should be documented and payroll should be stated in accordance with the Fund for Industrial Growth's rules, cf Application Notes/Checklist.

DECLARATION ON RESIDUAL PROJECT FINANCING

The company declares that:

- - There is no significant change in the company's financial position compared to the accounts and budgets which the Fund for Industrial Growth has received.

- - It is my/our view that financing is available for the residual part of the project.

- - I/We can show that financing for production and sales after the expiry of the development period will be available.

Date:

Company name

Signature (CEO)
PLEASE TYPE NAME:

AUDITOR'S ENDORSEMENT

Company:

Project No.:

Project title:

Auditor's endorsement relates to development period:

Period costs - DKK:
cf quarterly accounts*

* If an audit occasions corrections, new accounts for the whole period are to be presented with the same entries as for the previously submitted quarterly accounts.

DECLARATION

As auditor for the company, we/I have audited the accounts for the above-identified project and period. We/I state the following:

- - Costs relate to the project and are stated in accordance with the Fund for Industrial Growth's rules (see page 2).

- - Hours used have been documented and pay is stated in accordance with the Fund for Industrial Growth's rules (see page 2).

- - The accounts comply with the loan/guarantee agreement with the Fund for Industrial Growth and the standard loan/guarantee terms associated therewith.

- - The work has been done within the stated development period.

- - The costs have been incurred. Costs have been paid for or the company is liable to do so on standard terms.

- - The materials involved and services purchased are in accordance with invoices and stock registration.

- - Project costs have been stated exclusive VAT.

- - The company has not received other public funds (including Danish, Nordic or EU) for this or associated projects.

Dated:

Signed:
(PLEASE TYPE NAME)

The auditor's endorsement is to relate to all quarterly accounts associated with that part of the development period which is within the company's most recently completed financial year.

The auditor's endorsement should be sent to the Fund for Industrial Growth within five months of closing the financial year.

Notes for the presentation of accounts to the Fund for Industrial Growth

Accounts are to be splits as follows:

1	Payroll*
2	Purchases
3	Investments
4	General costs, max 25% of Items 1-3
5	Services
	Total development costs

* Total hours should also be stated

PAYROLL: Hourly rates should be stated as an average of employees' gross pay divided by 1628 (44 weeks @ 37 hours). For hourly paid workers, pay should be normally stated as gross hourly pay including holiday pay, ATP and AUD. The basis on which payroll costs have been calculated (i.e. a schedule of hours and hourly rates) should be attached.

PURCHASES: Purchases cover all direct external costs associated with the project, such as materials and travelling. Services purchased should be stated separately, see below.

INVESTMENTS: Investments relate to be acquisition of tangible and intangible assets which are assumed to have residual value after the completion of the project.

GENERAL COSTS: The project accounts should only include those costs which are directly attributable/stated in relation to the project. The Fund for Industrial Growth accepts that there should be added to the project accounts 25% of general payroll, purchase and investment costs. No general costs supplement shall be included for services.

SERVICES: These may, for example, be patent costs, services or consultancy fees.

Costs borne by the company's
- - Parent company
- - Subsidiary
- - Affiliate or
- - Owners/shareholders whose holdings exceed 25%, or their close relations (the definition applied in the Insolvency Act Section 2 shall be used),

may only be included at cost price without mark-up.

Costs of consultants associated with preparing applications and regular reporting may not be included in project accounts unless otherwise agreed in writing with the Fund for Industrial Growth, except for routine accountancy costs.

October 1995.

STANDARD TERMS FOR LOANS

THESE TERMS APPLY TO ALL FUND FOR INDUSTRIAL GROWTH LOANS. CERTAIN SECTIONS MAY, HOWEVER, NOT BE APPLICABLE FOR CERTAIN TYPES OF LOAN, AS STATED IN THE INDIVIDUAL SECTIONS CONCERNED.

TYPES OF LOAN:

- FU loans for Research and Development
- I loans for internationalisation
- K loans for skills development
- L loans for use of Fund for Industrial Growth's management consultancy panel.

DRAW-DOWN:

Loans are payable 3 monthly in advance. The first instalment shall be payable on the basis of the project budget in accordance with the Fund for Industrial Growth's budget schedule, when the Fund for Industrial Growth has received the documents stated in the letter accompanying the loan agreement, and when terms for payment of the loan have been complied with.

Later installments are payable on the basis of actual costs in the latest quarterly report and the budget for the next quarterly period. Reports shall not give rise to objections.

The final 10% of loans shall be payable when project development has been completed and the Fund for Industrial Growth has received:

- A full and final project report.
- A schedule of the reports and reviews prepared and knowledge acquired identified by report number and date or other identification.
- Final accounts for the project for the complete development period, with a duly completed endorsement on the Fund for Industrial Growth's form by the company's auditor. The auditor's endorsement shall show that costs only relate to the project concerned.

Irrespective of the amount of the loan agreed, the Fund for Industrial Growth can at most finance development costs at the financing percentage stated in the loan agreement.

QUARTERLY REPORT

Every third month, the Fund for Industrial Growth shall receive a quarterly report on the basis of which instalments of the loan shall be payable. The report is to include:

- An account of progress of the project during the period concerned with a short explanation of the costs incurred.
- Details of written reports, reviews and knowledge acquisition identified by report number and date or other identification.
- Details of any deviation in comparison with the project plan or budget, including altered technical, economic, financial or managerial circumstances.

- The requisite documentation that residual financing for the project is available.

- The consequences of deviation in respect of time, finance and profitability.

- An account of revenues achieved and costs incurred in the completed quarterly period.

- A budget for forecast costs and revenues for the next quarterly period.

If there are deviations between the project's budgeted and actual costs, the Fund for Industrial Growth may require a proposal of how the borrower will ensure that the project can be undertaken profitably.

Quarterly reports are to be submitted to the Fund for Industrial Growth within three weeks of the end of quarterly periods.

Calculated royalties are set against payments. The sum for which the borrower remains liable shall attract interest at the rate stated in the loan agreement.

If the company wishes to retain the rights, purchased equipment and prototypes, etc. no request may be made for the loan to be written down, irrespective of the fact that the project is not creating turnover.

It is a condition for write down of a loan that:

- All rights in the development project shall have been assigned to the Fund for Industrial Growth, at no cost thereto.

- Commercial secrets shall be intact.

- An agreement on write down of the loan on the Fund for Industrial Growth's form shall have been signed.

Outstanding debt cannot be written down if the debt can be redeemed without entitlement to being written down (see Section B below).

TERMINATION

A borrower may at any time redeem a loan including accrued interest.

A. The Fund for Industrial Growth is entitled without notice to cease payment, to regard the loan as having fallen due and to demand the rights assigned with entitlement to debt right down, if:

- The technical, commercial, financial or managerial basis for the project lapses or changes to such an extent that the Fund for Industrial Growth no longer deems that the project will be profitable.

- The results achieved according to quarterly reports deviate in the Fund for Industrial Growth's view significantly from the project's budget, timetable and activity plan.

- In the view of the Fund for Industrial Growth the project is not following the plan, will not be completed, does not live up to sales forecasts, does not appear to be profitable or is not being exploited in a satisfactory manner.

B. The Fund for Industrial Growth shall be entitled without notice to cease payment, to regard the loan as having fallen due without entitlement to debt right down, if:

- Repayments on the loan are not made on time.

- The loan is not used as assumed in the loan agreement.

- The rights in the project are wholly or partially assigned to the ownership of, or as surety to, a third party without written consent from the Fund for Industrial Growth.

- The borrower has permitted a third party to become aware of results of the project or partial results in the project without said third party having undertaken in writing to keep results secret, and not to exploit or further disseminate said results.

- The borrower becomes insolvent (irrespective of whether this involves calling in receivers or filing for insolvency), goes into liquidation, bankruptcy, debt rescheduling, initiates negotiations on any kind of debt rescheduling, is declared incapable, deceases, is arrested or if distress is levied upon the borrower.

- A shareholding/holding with a controlling influence on the borrowing company has changed ownership without the written consent of the Fund for Industrial Growth.

- Operations in the borrower's company cease.

- The borrower fails to submit quarterly reports, auditor's endorsement or annual accounts in due time.

- The borrower fails to inform the Fund for Industrial Growth in writing if public funds (Danish, Nordic or EU) for the project or associated projects have been applied for or granted.

- Consultancy costs, including fees associated with the preparation of applications or regular reporting are included in the project accounts, unless otherwise agreed in writing with the Fund for Industrial Growth.

- In the view of the Fund for Industrial Growth, other significant preconditions for the loan are no longer satisfied.

AUDITOR'S ENDORSEMENT

The borrower shall within five months of the end of the financial year send a copy of the company's externally audited annual accounts with associated internal breakdown or similar to the Fund for Industrial Growth

AND ANNUAL ACCOUNTS

Annual accounts shall be prepared in accordance with the Presentation of Accounts Act and the company's auditor shall be Registered or State Authorized.

Within five months of the borrower's financial year having been completed, the borrower shall submit an Auditor's Endorsement on the Fund for Industrial Growth's form. The Auditor's Endorsement shall be signed by the company's auditor and relate to all the quarterly accounts in the financial year concerned.

At the end of the development project - regardless of the reason therefor - there shall always be submitted an Auditor's Endorsement from the company's auditor showing that all the costs in the project accounts exclusively relate to the project concerned.

ANNUAL PROJECT FOLLOW UP

The Fund for Industrial Growth normally once a year reviews with the company management the work done and compares it with the project's timetable and activity plan and budgets. The following year's project plan and budget are also updated. The project is similarly reviewed together with the management if there are significant changes to the project's technical, financial, commercial or managerial basis.

SUBMISSION OF PROJECT DATA

If the Fund for Industrial Growth wishes to receive data on the project in order to follow progress, the borrower shall provide same.

Representatives of the Fund for Industrial Growth shall be granted access to the borrower to study all matters relating to the project. Such visits are to be agreed in advance.

RIGHTS IN THE PROJECT

As a condition for grant of the loan, all rights in the development project are pledged to the Fund for Industrial Growth.

Until the loan has been redeemed, the rights in the development project shall neither wholly nor partially be assigned to the ownership of a third party, or pledged thereto, without written consent of the Fund for Industrial Growth. Similarly the results of the project shall neither wholly nor partially be exploited by a third party without written consent of the Fund for Industrial Growth.

The borrower shall not permit a third party to become acquainted with the project, or parts thereof, without written consent of the Fund for Industrial Growth.

In connection with any write down of the Fund for Industrial Growth's loan, cf. below, all rights in the development project shall be unconditionally assigned to the Fund for Industrial Growth.

Development project shall be taken to mean the financed project, including all rights in the project, patents, designs, trademarks, know-how and other intellectual property rights, the results of the project, drawings, reports and descriptions.

REPAYMENT

The loan shall be repaid as stated in the loan agreement.

The following section applies only for FU and I loans.

If it becomes apparent that the turnover created by the project is significantly less than forecast when the loan agreement was entered into, the Fund for Industrial Growth will be willing to discuss rescheduling repayments.

Rescheduling the terms of repayment in the loan agreement predicates, INTER ALIA, that in the Fund for Industrial Growth's view, the project will still be able to achieve turnover which can lead to redemption of the loan within the agreed repayment period.

DEBT RESCHEDULING

This section applies only for FU and I loans.

The borrower can require that the loan be written down if the development project is not completed or not exploited.

A request for write down of debt shall be accompanied by a statement of the turnover created by the project. The statement shall be endorsed by a Registered or State Authorized auditor.

Irrespective of whether debt write down is granted, the borrower shall however continue to be liable for an amount corresponding to the royalty on all turnover created by the project during or after the end of the development period. The rate of royalty in the loan agreement shall apply.

OTHER TERMS

The Fund for Industrial Growth will regard the loan agreement as having ceased if:

- The signed agreement is not returned to the Fund for Industrial Growth within 30 days of the date of the agreement (date of dispatch).

- The first tranche of the loan has not been paid out within five months of the Fund for Industrial Growth's having issued the loan agreement.

If the Fund for Industrial Growth so wishes, the borrower shall submit quarterly and half yearly accounts together with further details of company operations.

Stamp Duty and costs in general shall be payable by the borrower.

Legal proceedings any kind associated with the loan agreement and the parties' collaboration in general shall be heard before the Copenhagen City

Court, if the Fund for Industrial Growth so wishes, irrespective of the size and nature of the claim involved.

Appendices to the Fund for Industrial Growth standard terms for loans:

Auditor's endorsement
Accounts and budget sheets for quarterly reports.

August 1995

LETTER OF SUPPORT

LENDER	Receptor Technologies Inc. 276 East Allen Winooski 05404
BORROWER	Receptor Technologies A/S ADDRESS POST CODE/TOWN
LOAN	A loan of DKK 44,573,063 relating to Project No. 1529 with associated ordinary terms dated August 1995. Special terms apply to payment and redemption of the loan cf. loan agreement with borrower.
OWNERSHIP	Receptor Technologies Inc. confirms that we own all the share capital in our subsidiary.
DECLARATION	So long as a subsidiary is indebted to the Fund for Industrial Growth, we shall not wholly or partially dispose of nor pledge the shares. We shall also closely follow developments in our subsidiary which we shall support financially so that the project can be financially undertaken. We shall further use our influence to ensure that our subsidiary can comply with its obligations to the Fund for Industrial Growth in circumstances in which the loan could be terminated in accordance with the standard terms for loans by the Fund for Industrial Growth; if necessary, by providing our subsidiary with sufficient capital so that the Fund for Industrial Growth shall not suffer any loss, or by direct payment to the Fund for Industrial Growth. This declaration shall not affect the borrower's right to debt rescheduling in accordance with the Fund for Industrial Growth's standard terms for loans, dated August 1995. If the loan is written down, this Letter of Support shall cease simultaneously.
DISPUTES AND JURISDICTION	Receptor Technologies Inc. shall accept that any disputes about all claims deriving from or relating to this undertaking shall be heard before the Danish courts and subject to Danish law. Receptor Technologies Inc. accepts that final findings by the Danish courts can be executed in respect of the company in USA.

Dated

Receptor Technologies Inc.

COLLABORATIVE RESEARCH DEVELOPMENT AND LICENSE AGREEMENT

BY AND AMONG

ACADIA PHARMACEUTICALS INC.,
VISION PHARMACEUTICALS L.P.

AND

ALLERGAN, INC.

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Confidential Treatment Requested
Under 17 C.F.R. Sections 200.80(b)(4),
200.83 and 230.406

COLLABORATIVE RESEARCH, DEVELOPMENT AND LICENSE AGREEMENT

THIS COLLABORATIVE RESEARCH, DEVELOPMENT AND LICENSE AGREEMENT (the "Agreement") is entered into as of September 24, 1997 (the "Effective Date") by and between ACADIA PHARMACEUTICALS INC. (previously known as Receptor Technologies, Inc.), a Delaware corporation ("ACADIA") with offices at 276 East Allen, Winooski, VT 05404, VISION PHARMACEUTICALS L.P., a Texas limited partnership ("Allergan"), with offices at 2525 Dupont Drive, Irvine, CA 92623 and ALLERGAN, INC., a Delaware corporation, solely as guarantor of the performance under this Agreement by Vision Pharmaceuticals L.P.

RECITALS

WHEREAS, ACADIA is the owner or licensee of, and has (subject to the Novo Nordisk Rights set forth in Exhibit A) all right, title and interest in, or the right to use and grant licenses in accordance with this Agreement with respect to, certain technologies, including, but not limited to, screening technology for the discovery of compounds that may be useful as therapeutic and prophylactic drugs;

WHEREAS, Allergan is engaged in the research, development, marketing, manufacture and distribution of therapeutic and prophylactic products;

WHEREAS, ACADIA and Allergan desire to enter into a collaborative relationship to, among other things, identify receptor-selective compounds with respect to certain targets, develop receptor arrays and probes specific for G-protein coupled and other receptors and facilitate the establishment of drug discovery programs; and

WHEREAS, concurrently herewith Allergan and ACADIA are entering into a stock purchase agreement under which Allergan will purchase $6 million in ACADIA Series C Preferred Stock on the terms and subject to the conditions set forth therein.

NOW, THEREFORE, in consideration of the foregoing and the covenants and premises contained in this Agreement, the parties agree as follows:

1. DEFINITIONS

As used herein, the following terms shall have the following meanings:

"ACADIA ASSAYS" shall have the meaning ascribed in Section 3.4.

"ACADIA COMPOUND LIBRARIES" shall mean all compounds or sets of compounds owned or controlled by ACADIA to the extent ACADIA is entitled to utilize

*CONFIDENTIAL TREATMENT REQUESTED

such compounds or sets of compounds in the Collaboration and reasonably able to provide such compounds or sets of compounds to Allergan for use in connection with the Collaboration.

"ACADIA DESIGNATED USE" shall mean: (a) with respect to [***] receptors, use with respect to the treatment or prevention of neuropsychiatric disorders (including but not limited to psychoses, bipolar disease, depression and obsessive-compulsive disorder) or the therapeutic use designated by ACADIA which has become effective pursuant to Section 4.7; (b) with respect to [***] receptors, use with respect to the treatment or prevention of [***] or the therapeutic use designated by ACADIA which has become effective pursuant to Section 4.7; and (c) with respect to a Test Target or Program Target, the therapeutic use of such Test Target or Program Target designated by ACADIA which has become effective pursuant to Section 4.6 or 4.7.

"ACADIA DEVELOPMENT CANDIDATE" shall mean a Development Candidate selected as a drug candidate by ACADIA for research and development in the ACADIA Field in a manner consistent with ACADIA's internal standards applicable to potential drug development candidates generally (but in any event at least consistent with industry standards applicable to potential drug candidates with similar commercial potential) and otherwise in accordance with the terms of this Agreement.

"ACADIA FIELD" shall mean (a) with respect to [***] receptors, use with respect to the treatment or prevention of neuropsychiatric disorders (including but not limited to psychoses, bipolar disease, depression and obsessive-compulsive disorder) or the therapeutic use designated by ACADIA which has become effective pursuant to Section 4.7; (b) with respect to [***] receptors, use with respect to the treatment or prevention of [***] or the therapeutic use designated by ACADIA which has become effective pursuant to Section 4.7; and (c) with respect to a Test Target or Program Target, the therapeutic use of such Test Target or Program Target designated by ACADIA which has become effective pursuant to Section 4.6 or 4.7.

"ACADIA KNOW-HOW" shall mean, to the extent useful for purposes of the Collaboration, tangible or intangible know-how, trade secrets, inventions, including the ACADIA Assays (whether or not patentable), data, preclinical and clinical results, physical, chemical or biological material, and other information that (a) ACADIA owns, controls or to which it has a license (with the right to sublicense) on the Effective Date or (b) is independently developed by ACADIA during the Research Term, and, in each case, any replication or any part of such information or material. This definition includes, without limitation, know-how included in the Core Technology.

"ACADIA OPTION" shall have the meaning ascribed in Section 5.1(b)(iii).

"ACADIA PATENTS" shall mean, to the extent useful for purposes of the Collaboration, all foreign and domestic: (a) patents issued or existing as of the Effective Date or during the Research Term, which ACADIA owns or controls or to which ACADIA has a license (with the right to sublicense); (b) patents issuing from patent applications that are pending as of the Effective Date or during the Research Term (including provisionals, divisionals, continuations and continuations-in-part of such applications), which ACADIA owns or controls or to which ACADIA has a license (with the right to sublicense); and (c) substitutions, extensions, reissues, renewals and inventors certificates relating to the foregoing patents, which ACADIA owns or controls or to which ACADIA has a license (with the right to sublicense). ACADIA Patents existing as of the Effective Date include the patents and patent applications are listed in Exhibit C attached hereto. This definition includes, without limitation, patents and patent applications included in the Core Technology.

"ACADIA PRODUCT" shall mean a pharmaceutical product containing an ACADIA Development Candidate, including all formulations, line extensions and modes of administration thereof, developed by ACADIA pursuant to an ACADIA Research Project as to which ACADIA has exercised the ACADIA Option pursuant to Section 5.1(b)(iii), which product has received Regulatory Approval for commercial marketing and sale for use in the ACADIA Field.

"ACADIA RESEARCH PROJECT" shall have the meaning ascribed in Section 4.8.

"ACADIA TECHNOLOGY" shall mean the ACADIA Patents and the ACADIA Know-How.

"ACTIVE COMPOUND" shall mean any chemical compound provided by Allergan or ACADIA or obtained from a Third Party for screening during and screened as part of the Collaboration which chemical compound demonstrates activity against one or more Licensed Targets, Test Targets or Program Targets in the ACADIA Assays.

"AFFILIATE" shall mean any company or entity controlled by, controlling, or under common control with a party hereto and shall include any company fifty percent (50%) or more of whose voting stock or participating profit interest is owned or controlled, directly or indirectly, by a party, and any company which owns or controls, directly or indirectly, fifty percent (50%) or more of the voting stock of a party.

"ALLERGAN COMPOUND LIBRARIES" shall mean all compounds or sets of compounds owned or controlled by Allergan to the extent Allergan is entitled to utilize such compounds or sets of compounds in the Collaboration and reasonably able to provide such compounds or sets of compounds to ACADIA for use in connection with the Collaboration.

"ALLERGAN CORE TECHNOLOGY" shall mean all Allergan Technology existing as of the Effective Date, including but not limited to all in-vitro and in-vivo animal models, pre-existing Allergan compounds and reference compounds, structure-activity relationships derived from and relating to such compounds and any data or information relating to any of the foregoing.

"ALLERGAN DEVELOPMENT CANDIDATE" shall mean a Development Candidate selected as a drug candidate by Allergan for research and development in the Allergan Field in a manner consistent with Allergan's internal standards applicable to potential drug development candidates generally (but in any event at least consistent with industry standards applicable to potential drug candidates with similar commercial potential) and otherwise in accordance with the terms of this Agreement.

"ALLERGAN FIELD" shall mean [***].

"ALLERGAN KNOW-HOW" shall mean, to the extent useful for purposes of the Collaboration, tangible or intangible know-how, trade secrets, inventions (whether or not patentable), data, preclinical and clinical results, physical, chemical or biological material, and other information that (a) Allergan or its Affiliates owns, controls or to which it has a license (with the right to sublicense) on the Effective Date or (b) is independently developed by Allergan or its Affiliates during the Research Term, and, in each case, any replication or any part of such information or material.

"ALLERGAN PATENTS" shall mean, to the extent useful for purposes of the Collaboration, all foreign and domestic: (a) patents issued or existing as of the Effective Date or during the Research Term which Allergan or its Affiliates owns or controls or to which Allergan or its Affiliates has a license (with the right to sublicense); and (b) patents issuing from patent applications that are pending as of the Effective Date or during the Research Term (including provisionals, divisionals, continuations and continuations-in-part of such applications) which Allergan or its Affiliate owns or controls or to which Allergan or its Affiliates has a license (with the right to sublicense); and (c) substitutions, extensions, reissues, renewals and inventors certificates relating to the foregoing patents, which Allergan or its Affiliates owns or controls or to which Allergan or its Affiliates has a license (with the right to sublicense).

"ALLERGAN PRODUCT" shall mean a pharmaceutical product containing an Allergan Development Candidate, which product has received Regulatory Approval for commercial marketing and sale for use in the Allergan Field, and including all formulations, line extensions and modes of administration thereof.

"ALLERGAN TECHNOLOGY" shall mean the Allergan Patents and Allergan Know-How.

"COLLABORATION" shall mean the programs of collaborative research and development for the discovery, selection, synthesis, investigation, and preclinical and clinical development of drugs that are biologically active against one or more of the Licensed Targets, Test Targets or Program Targets, as described in Articles 2, 3 and 4.

"COLLABORATION KNOW-HOW" shall mean any and all tangible or intangible know-how, trade secrets, inventions (whether or not patentable), data, preclinical and clinical results, physical, chemical or biological material, and other information that is (a) useful for purposes of the Collaboration and/or that relates to Active Compounds or Derivative Compounds, and (b) that is in any way derived from or developed pursuant to activities undertaken by either party (or its consultants or collaborators) in the conduct of the Collaboration, and, in each case, any replication or any part of such information or material.

"COLLABORATION PATENTS" shall mean all foreign and domestic patents (including substitutions, extensions, reissues, renewals and inventors certificates relating thereto) that issue from patent applications (including provisionals, divisionals, continuations and continuations-in-part of such applications) that claim inventions in the Collaboration Know-How and that are filed by or on behalf of one or both of the parties hereto.

"COLLABORATION TECHNOLOGY" shall mean the Collaboration Patents and the Collaboration Know-How.

"CONFIDENTIAL INFORMATION" shall mean all information, inventions, know-how or data disclosed by a party to the other pursuant to this Agreement including, without limitation, manufacturing, marketing, financial, personnel, scientific and other business information and plans, and the material terms of this Agreement, whether in oral, written, graphic or electronic form.

"CORE TECHNOLOGY" shall mean patents and know-how developed by ACADIA during the term of this Agreement either as a result of its work pursuant to the Research Plan or otherwise which describe, are primarily related to, or are improvements of, the ACADIA Assays and/or ACADIA's gene-to-screen technologies.

"DERIVATIVE COMPOUND" shall mean a compound that is [***], or isomer of an Active Compound made under an [***] program, or a chemical synthesis program based on [***] relationships.

"DEVELOPMENT CANDIDATE" shall mean an Active Compound (and each of its Derivative Compounds) which has demonstrated activity in applicable animal models and has met basic toxicology, pharmacokinetics, chemistry and pharmacology requirements typically used to support a decision to move into initial human testing.

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"EXCLUDED TARGETS" shall mean receptor targets (other than the Licensed Targets and Test Targets designated by Allergan as of the Effective Date) which meet one of the following criteria: (a) the receptor target has been selected by a Third Party, alone or in conjunction with ACADIA, as a licensed target for research and development pursuant to a written agreement between ACADIA and such Third Party prior to receipt by ACADIA of notice of selection by Allergan of such receptor target as a Test Target or a Program Target and such Third Party has entered into a BONA FIDE collaboration and/or license agreement with ACADIA involving payments to ACADIA and diligence obligations by such Third Party; (b) the receptor target has been selected by ACADIA as a receptor target for development by ACADIA as part of an ACADIA internal research program prior to receipt by ACADIA of notice of selection by Allergan of such receptor target as a Test Target or a Program Target so long as such ACADIA internal development program is commercially reasonable in light of the potential product opportunities with respect to such target (and ACADIA continues to expend resources on the diligent pursuit of compounds/products active against such target), and in light of resources then reasonably available to ACADIA; (c) the receptor target has become, prior to receipt by ACADIA of notice of selection by Allergan of such receptor target as a Test Target or a Program Target, the subject of active negotiations between ACADIA and a Third Party with the objective of entering into an agreement as described in clause (a) above or ACADIA is spending substantial funds in an effort to enter into such negotiations with a Third Party; or (d) the receptor target was already being considered by ACADIA, prior to receipt by ACADIA of notice of selection by Allergan of such receptor target as a Test Target or a Program Target, for an internal ACADIA research program as evidenced by expenditure of substantial resources and commercially reasonable efforts by ACADIA in light of the potential product opportunities with respect to such target. Notwithstanding the foregoing, a target shall only be an Excluded Target to the extent that a Third Party or internal ACADIA development program (as described in clauses (a) through (d) above) would conflict with the proposed Allergan use of such target.

"FIRST COMMERCIAL SALE" of an Allergan Product, ACADIA Product or Independent Product shall mean the first sale for use or consumption of such Allergan Product, ACADIA Product or Independent Product in a country after Regulatory Approval has been granted by the governing health regulatory authority of such country. Sale to an Affiliate or sublicensee shall not constitute a First Commercial Sale unless the Affiliate or sublicensee is the end user of the Allergan Product, ACADIA Product or Independent Product.

"FTE" shall mean full-time equivalent scientific personnel.

"GENE FAMILY" shall mean a collection of genes [***].

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[***]

"IND" shall mean an Investigational New Drug Application filed with the United States Food and Drug Administration, or the equivalent application or filing necessary to commence human clinical trials in another country, as applicable.

"INDEPENDENT PRODUCT" shall mean any pharmaceutical product containing an Active Compound or Derivative Compound developed by ACADIA pursuant to the ACADIA Research Project as to which Allergan has exercised its Participation Right pursuant to Section 5.1(a)(iii) below.

"LICENSED TARGETS" shall mean alpha adrenergic receptors, prostanoid receptors and Test Targets and Program Targets as to which Allergan has exercised its option to license pursuant to Section 4.2 and Section 4.3, respectively, including, as to each of the foregoing, all receptor subtypes.

"MAJOR MARKET" shall mean the [***].

"NDA" shall mean a New Drug Application filed with the United States Food and Drug Administration, or the equivalent community application filed in the European Union, or the equivalent application filed as a national application in Japan.

"NET SALES" shall mean, with respect to any Allergan Product, ACADIA Product or Independent Product that has received Regulatory Approval, the amount billed by a party or its Affiliate or sublicensee to a Third Party which is not an Affiliate or sublicensee of the selling party (unless such Affiliate or sublicensee is the end user of such product, in which case the amount billed therefor shall be deemed to be the amount that would be billed to a Third Party in an arm's length transaction) for sales of such Allergan Product, ACADIA Product or Independent Product to Third Parties less the following items, as allocable to such Allergan Product, ACADIA Product or Independent Product: (i) trade discounts, credits or allowances, (ii) credits or allowances additionally granted upon returns, rejections or recalls (except where any such recall arises out of a party's or its Affiliate's or sublicensee's gross negligence, willful misconduct or fraud), (iii) freight, shipping and insurance charges, (iv) taxes, duties or other governmental tariffs (other than income taxes) and (v) government mandated rebates.

"NOVO NORDISK RIGHTS" shall mean the limited rights of Novo Nordisk A/S in ACADIA Technology and the Collaboration Technology set forth in Exhibit A hereto.

"PARTICIPATION RIGHT" shall have the meaning ascribed in Section 5.1(a)(iii).

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"PROGRAM TARGET" shall mean any novel gene and/or receptor, including all receptor subtypes, discovered as part of the Collaboration pursuant to the Research Plan, which could result from (i) identification of novel receptors by Allergan using ACADIA blots or ACADIA-designed degenerate oligo probes/primers, (ii) demonstration of previously identified orphan receptors in Allergan-owned tissue of interest using ACADIA blots or ACADIA-designed degenerate oligo probes/primers or (iii) demonstration using Receptor Selection and Amplification Technology (R-SAT(TM)) that an Allergan-owned or -controlled compound has activity at an orphan receptor.

"PROGRAM TARGET AVAILABILITY PERIOD" shall mean, with respect to a Program Target, the [***] following the date of notice of discovery of such Program Target in accordance with Section 4.3.

"REGULATORY APPROVAL" shall mean any and all approvals (including price and reimbursement approvals), licenses, registrations, or authorizations of the European Union or any country, federal, state or local regulatory agency, department, bureau or other government entity that is necessary for the manufacture, use, storage, import, transport and/or sale of an Allergan Product, ACADIA Product or Independent Product in such jurisdiction.

"RESEARCH MANAGEMENT COMMITTEE" or "RMC" shall mean the committee formed pursuant to Section 2.2.

"RESEARCH PLAN" shall mean the plan for conducting the research under the Collaboration, as amended from time to time by the RMC. The Research Plan agreed upon by the parties hereto is attached to this Agreement as Exhibit B. Any amendments or revisions to the Research Plan shall be in writing and shall require unanimous approval of the RMC.

"RESEARCH TERM" shall mean [***] following the Effective Date and one additional [***] renewal period at the request of Allergan, subject to (with respect to such renewal period) agreement by the parties following good faith negotiations on research funding to be paid to ACADIA by Allergan.

"ROYALTY TERM" shall mean, in the case of any Allergan Product, ACADIA Product or Independent Product, in any country, the period of time commencing on the First Commercial Sale and ending upon the later of (a) ten (10) years from the date of First Commercial Sale in such country, or (b) the expiration of the last to expire of the Allergan Patents, ACADIA Patents or Collaboration Patents covering such Allergan Product, ACADIA Product or Independent Product in such country.

"STOCK PURCHASE AGREEMENT" shall have the meaning ascribed in Section 6.2.

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"TERM OF THE AGREEMENT" shall have the meaning ascribed in Section 11.1.

"TEST TARGET" shall mean, initially, each of the three (3) receptors listed on Exhibit D hereto, including all receptor subtypes, and any substitute(s) or replacement(s) for such receptor(s) as designated under Sections 4.1 and 4.2, respectively, which substitute(s) and/or replacement(s) are not Excluded Target(s); provided, however, that at no time shall there be more than three (3) Test Targets.

"TEST TARGET AVAILABILITY PERIOD" shall mean, with respect to any of the initial Test Targets listed on Exhibit D hereto, the [***] following the Effective Date, and, with respect to any substitute(s) or replacement(s) for such Test Target(s) as designated under Sections 4.1 and 4.2, respectively, the [***] period following the date of such replacement or substitution in accordance with Sections 4.1 and 4.2, as the case may be.

"THIRD PARTY" shall mean any entity other than Allergan or ACADIA or an Affiliate of Allergan or ACADIA.

2. COLLABORATION SCOPE AND GOVERNANCE

2.1 SCOPE OF THE COLLABORATION. The parties hereby agree to establish and conduct, during the Research Term, a collaborative research program in accordance with the Research Plan and the terms of this Agreement. The initial Research Plan for conducting such research program is attached hereto as Exhibit B. Pursuant to the Collaboration, the parties will collaborate in (a) identifying receptor-selective adrenergic and prostanoid lead compounds, (b) identifying receptor-selective lead compounds with respect to other receptor targets, (c) facilitating the development of gene to screen discovery capabilities by developing receptor arrays and probes specific for G-protein coupled and other receptors, (d) identifying candidate receptors and markers for [***], (e) establishing ACADIA drug discovery programs which leverage certain results of the Collaboration for the benefit of both parties and directed at ACADIA Designated Uses, and (f) conducting such other activities as are unanimously approved by the RMC.

2.2 RESEARCH MANAGEMENT COMMITTEE. Promptly after the Effective Date, the parties will form a Research Management Committee ("RMC") comprised of three (3) representatives of each of ACADIA and Allergan. One member of the RMC shall be selected to act as the chairperson of the RMC, with each chairperson acting for a term of [***]. The chairperson shall be selected alternately by Allergan and ACADIA, and Allergan shall designate the first chairperson. The RMC shall determine the specific goals for the Collaboration, shall manage the ongoing research conducted under the Collaboration, and shall monitor the progress and results of such work. All decisions of the RMC shall be unanimous. The RMC shall meet on a quarterly basis or at

such other frequency as the RMC agrees. The parties shall agree upon the time and place of meetings. Within [***] after each meeting, the RMC chairperson will provide the parties with a written report describing, in reasonable detail, the status of the Collaboration, a summary of the results and progress to date, the issues requiring resolution, and the agreed resolution of previously reported issues. A reasonable number of additional representatives of a party may attend meetings of the RMC in a non-voting capacity.

2.3 RESEARCH MANAGEMENT COMMITTEE FUNCTIONS AND POWERS. The RMC shall encourage and facilitate ongoing cooperation between the parties, establish, update, review and approve the Research Plan and other plans for accomplishing the Collaboration goals, allocate tasks and coordinate activities required to perform the Collaboration, monitor progress of the Collaboration and the parties' diligence in carrying out their responsibilities thereunder, oversee the conduct of all patent matters, and carry out the other duties and responsibilities described for it in this Agreement. The RMC shall also be responsible for developing and approving an annual research budget for activities to be performed by the parties pursuant to the Research Plan for [***] of the Research Term (including any renewal or extension thereof). Such budget shall set forth the research funding to be provided by Allergan to ACADIA pursuant to Section 6.1, which shall be determined based on the number of FTEs required for ACADIA to perform its activities under the Research Plan given the projected costs per activity set forth in Exhibit E hereto.

In addition, the RMC shall maintain and, on a regular basis, update and provide to the parties a list or lists of the following: Licensed Targets, Test Targets (including the dates upon which each became a Test Target), Program Targets (including the date of discovery of each such Program Target), ACADIA Designated Uses, Active Compounds, Allergan Development Candidates, ACADIA Development Candidates, the number of Excluded Targets in any given Gene Family and a list of the Excluded Targets falling within clauses (b) and (d) of that definition. With respect to Excluded Targets falling within clauses (a) and/or (c) of such definition, Allergan shall have the right to inquire of ACADIA as to the availability of any target which Allergan may be considering for selection as a Test Target and as to which Allergan intends to commit internal research funding. In the event of such inquiry, ACADIA shall respond promptly to Allergan (and in any event no later than [***] following receipt of such inquiry) as to whether such receptor would then be deemed an Excluded Target.

2.4 INFORMATION AND REPORTS. Except as otherwise provided in this Agreement, the parties will make available and disclose to one another all results of the work conducted pursuant to the Collaboration prior to and in preparation for RMC meetings, in the form and format to be designated by the RMC.

2.5 RMC DISPUTE RESOLUTION. If the RMC is unable to decide or resolve an issue unanimously, the issue shall be referred to the Chief Scientific Officer of ACADIA and the Corporate Vice President, Science and Technology of Allergan. Such officers of the parties will meet promptly thereafter and shall negotiate in good faith to resolve such issue. If they cannot resolve the issue within [***] of commencing such negotiations, the issue shall be resolved as provided in Section 13.3.

3. TECHNOLOGY TRANSFER; TARGET IDENTIFICATION AND COMPOUND SCREENING

3.1 TRANSFER OF ACADIA TECHNOLOGY. Commencing promptly after the Effective Date and from time to time thereafter, ACADIA will disclose to Allergan such of the ACADIA Patents and ACADIA Know-How as is reasonably necessary to enable Allergan to perform its Collaboration activities hereunder in accordance with the Research Plan and otherwise to exercise fully the licenses granted to Allergan hereunder. During the Term of the Agreement, ACADIA will provide Allergan with reasonable technical assistance relating to the use of such ACADIA Know-How and the practice of such ACADIA Patents, solely to the extent permitted under the licenses granted to Allergan herein. In the event that ACADIA provides any materials to Allergan pursuant to the Research Plan, the parties will enter into a Materials Transfer Agreement in the form attached hereto as Exhibit H with respect to such materials.

3.2 TRANSFER OF ALLERGAN TECHNOLOGY. Commencing promptly after the Effective Date and from time to time thereafter, Allergan shall disclose to ACADIA such of the Allergan Know-How and Allergan Patents as is reasonably necessary to enable ACADIA to perform its Collaboration activities hereunder in accordance with the Research Plan and otherwise to exercise fully the licenses granted to ACADIA hereunder. During the Collaboration, Allergan will provide ACADIA with reasonable technical assistance relating to the use of such Allergan Know-How and the practice of the Allergan Patents, solely to the extent permitted under the license granted to ACADIA herein. In the event that Allergan provides any materials to ACADIA pursuant to the Research Plan, the parties will enter into a Materials Transfer Agreement in the form attached hereto as Exhibit H with respect to such materials.

3.3 IDENTIFICATION OF TARGETS. During the Research Term, the parties shall collaborate in accordance with the Research Plan to perform research to identify receptor targets with the potential to become Licensed Targets, Test Targets or Program Targets. The parties shall report the results of such research promptly to the RMC.

3.4 ASSAY DEVELOPMENT AND SCREENING TO IDENTIFY ACTIVE COMPOUNDS.

(a) Upon selection by Allergan of a receptor target as a Licensed Target, Test Target or Program Target, ACADIA shall use reasonable efforts in accordance with

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the Research Plan and the RMC approved research budget to develop cell-based assays upon each such Licensed Target, Test Target or Program Target (collectively, the "ACADIA Assays"). It is understood that as of the Effective Date, ACADIA has already developed certain assays based on the [***]. All such ACADIA Assays will be optimized for efficient screening of compounds to determine activity, target specificity and dose response of compounds in order to identify Active Compounds. Allergan shall cooperate with ACADIA as reasonable in developing such ACADIA Assays.

(b) During the Research Term, Allergan and ACADIA will make the Allergan Compound Libraries and the ACADIA Compound Libraries, respectively, available for screening in the ACADIA Assays, as directed by the RMC consistent with the applicable Research Plan. In addition, the RMC may agree to obtain from Third Parties rights to screen compounds owned or controlled by such parties; provided, however, that if there would be any amounts payable to such Third Party for screening such compounds, no such Third Party compounds will be screened without the consent of both parties, such consent not to be unreasonably withheld. ACADIA shall use reasonable efforts to conduct the screening in the appropriate ACADIA Assays of all compounds made available by Allergan, ACADIA and Third Parties or selected for screening by the RMC, in accordance with the Research Plan. The primary goal of the screening is to determine the activity of such selected compounds against specific receptors to identify Active Compounds. Promptly after completing the screening of a batch of compounds under this Section 3.4(b) in the appropriate ACADIA Assays, ACADIA will provide to the RMC the results of such screening. The RMC will review such ACADIA Assay results promptly after receipt, will determine which of the screened compounds meet the requirements established by the RMC for identification as Active Compounds, and will add any such Active Compounds to the list maintained by the RMC pursuant to Section 2.3.

4. TARGET AND COMPOUND SELECTION AND DEVELOPMENT

4.1 ALLERGAN SUBSTITUTION OF TEST TARGETS. At any time during the Test Target Availability Period for a given Test Target (but in any case prior to the expiration of the Research Term), Allergan may, by written notice to ACADIA and the RMC, propose to substitute a new receptor target owned or controlled by ACADIA or owned or controlled by Allergan or otherwise available for research and development under this Agreement, which new receptor target is not an Excluded Target, in such Test Target's place. Such notice to the RMC of any such substitution shall identify in reasonable detail the new Test Target and the existing Test Target for which such new Test Target is to substitute and shall include the date of substitution. ACADIA shall have [***] following receipt of notice from Allergan to provide written notice to Allergan and the RMC that such proposed substitute is an Excluded Target. If ACADIA does not provide such notice

within such [***] period, then such proposed new Test Target shall be substituted in such existing Test Target's place, and the information with respect to such new Test Target shall be recorded by the RMC on the lists maintained pursuant to Section 2.3. If ACADIA gives such notice within such [***] period, then any dispute as to whether such proposed substitute is an Excluded Target shall be resolved in accordance with the procedures set forth in Section 2.5.

4.2 ALLERGAN DESIGNATION OF LICENSED TARGETS; REPLACEMENT OF TEST TARGETS.

(a) At any time during the Test Target Availability Period for a given Test Target, Allergan may, at its option, designate such Test Target as a Licensed Target by written notice to ACADIA and the RMC. Such notice to the RMC of any such designation shall identify the Test Target and include the date of designation, which information shall be recorded by the RMC on the lists maintained pursuant to Section 2.3, and Allergan shall deliver within a reasonable period thereafter a written development plan for conducting research and development with respect to such target. Each such development plan shall be prepared by Allergan consistent with reasonable professional standards and practices in the industry as applicable to such target.

(b) Upon or following any exercise by Allergan of its option to designate a Test Target as a Licensed Target pursuant to this section (but in any case prior to the expiration of the Research Term), Allergan may select a new receptor target owned or controlled by ACADIA or owned or controlled by Allergan or otherwise available for research and development under this Agreement as a proposed replacement Test Target, which replacement Test Target is not an Excluded Target, to fill the vacancy left by such option exercise; PROVIDED, HOWEVER, that such replacement Test Target shall be subject to paragraph (c) below. Allergan shall provide ACADIA and the RMC with prompt written notice of any such replacement (including the date thereof). ACADIA shall have [***] following receipt of notice from Allergan to provide written notice to Allergan and the RMC that such proposed replacement is an Excluded Target. If ACADIA does not provide such notice within such [***] period, then, subject to Section 4.2(c), such proposed replacement shall be included as a Test Target, and the information with respect to such replacement Test Target shall be recorded by the RMC on the lists maintained pursuant to Section 2.3. If ACADIA gives such notice within such [***] period, then any dispute as to whether such proposed replacement is an Excluded Target shall be resolved in accordance with the procedures set forth in Section 2.5.

(c) Notwithstanding the provisions of Section 4.2, a target designated as a replacement by Allergan pursuant to Section 4.2(b) shall not be deemed a Test Target for purposes of this Agreement prior to the approval by the RMC, not to be unreasonably withheld, of the development plan submitted with respect to the prior Test Target which has been designated as a Licensed Target by Allergan pursuant to Section 4.2(a). Within

[***] after receipt by the RMC of such a development plan, the RMC shall either approve such plan or provide written revisions to such plan necessary for such approval.

(d) During the Test Target Availability Period for a given Test Target, ACADIA shall not grant any license or other rights to use ACADIA Technology in connection with or otherwise with respect to such Test Target to any Third Party or any Affiliate of ACADIA. In the event that Allergan does not exercise its option to designate a Test Target as a Licensed Target prior to the expiration of the Test Target Availability Period with respect to such Test Target, following such expiration, ACADIA shall be free to develop or grant licenses or other rights with respect to such Test Target to a Third Party or any Affiliate of ACADIA, subject to the limitations set forth in Section 5.3; PROVIDED, HOWEVER, that ACADIA's rights with respect to any Test Target which is or becomes included in the meaning of Allergan Technology shall be solely as is expressly set forth in Section 5.1(b), subject to the terms of this Agreement.

4.3 ALLERGAN OPTION TO LICENSE PROGRAM TARGETS.

(a) Subject Section 4.3(b) below, the parties shall promptly notify the RMC of the discovery of any Program Target (including the date of such discovery), which information shall be recorded by the RMC on the lists maintained pursuant to Section 2.3. Within [***] after receipt by Allergan of any such notification of discovery of a Program Target, Allergan shall notify the RMC as to whether Allergan desires to pursue research and development activities with respect to such Program Target as part of the Collaboration. If Allergan so notifies the RMC that it desires to pursue such research and development, Allergan shall commit resources with respect to such Program Target consistent with Exhibit E (subject to Section 4.3(b)). If Allergan does not so notify the RMC that it desires to pursue such research and development, then such target shall not be deemed a Program Target for purposes of this Agreement.

During the Program Target Availability Period for any such Program Target, Allergan shall have an [***] option to designate a Program Target as a Licensed Target subject to ACADIA's rights under Sections 4.8 and 5.1(b) below; provided that such option may be exercised by Allergan, in its sole discretion, at any time during the Program Target Availability Period upon written notice to ACADIA and the RMC and that during the Program Target Availability Period for a given Program Target, ACADIA shall not grant any license or other rights to use ACADIA Technology in connection with or otherwise with respect to such Program Target to any Third Party or any Affiliate of ACADIA. In the event that Allergan does not exercise such option prior to the expiration of the Program Target Availability Period with respect to a given Program Target, following such expiration, ACADIA shall be free to develop or grant licenses or other rights with respect to such Program Target to a Third Party or any Affiliate of ACADIA, subject to the limitations set forth in this Agreement.

(b) When the RMC is notified that a Program Target has been discovered, ACADIA shall have [***] following the RMC's receipt of such notice to provide written notice to Allergan and the RMC that such Program Target is an Excluded Target. If ACADIA does not provide such notice within such [***] period, then such Program Target shall be subject to Article 5 and the other provisions of this Agreement, and the information with respect to such Program Target shall be recorded by the RMC on the lists maintained pursuant to Section 2.3. If ACADIA gives such notice within such [***] period, then any dispute as to whether such Program Target is an Excluded Target shall be resolved in accordance with the procedures set forth in Section 2.5. If such Program Target is an Excluded Target, then: (i) such Program Target shall not be subject to Article 5 and the other provisions of this Agreement; (ii) ACADIA's rights to use the Allergan Technology pursuant to Article 5 below with respect to such Program Target shall terminate, effective immediately; and (iii) Allergan shall be free to use such Program Target, as well as any Collaboration Technology in any manner or for any purpose in connection with such Program Target, without any obligation to ACADIA, including but not limited to any milestone or royalty obligations.

4.4 DESIGNATION OF TARGETS DURING RENEWAL PERIOD. During any renewal periods of the Research Term, Allergan shall have the right to continue to designate, substitute and replace Licensed Targets, Test Targets and Program Targets subject to the terms of this Agreement; PROVIDED, HOWEVER, that the total number of Licensed Targets, Test Targets and Program Targets taken together as a whole that are the subject of this Agreement during such renewal period shall not exceed the total number of Licensed Targets, Test Targets and Program Targets taken together as a whole on the date of expiration of the initial [***] period of the Research Term.

4.5 DESIGNATION OF DEVELOPMENT CANDIDATES. Allergan and ACADIA shall each designate their own Development Candidates in accordance with the licenses granted hereunder and otherwise in accordance with the terms of this Agreement. Allergan and ACADIA agree that each of them cannot develop an Active Compound or a Derivative Compound without designating such compound as a Development Candidate. Notwithstanding any other provision of this Agreement, however, (i) Allergan shall not be permitted to designate as an Allergan Development Compound an Active Compound [***] that has been previously designated by ACADIA as an ACADIA Development Compound and (ii) ACADIA shall not be permitted to designate as an ACADIA Development Compound an Active Compound [***] that has been previously designated by Allergan as an Allergan Development Compound.

4.6 SELECTION OF ACADIA DESIGNATED USES. At any time following designation by Allergan of a Test Target, Program Target or Licensed Target pursuant to this Agreement, ACADIA shall, by written notice to Allergan and the RMC, designate the

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ACADIA Designated Use for such Test Target, Program Target or Licensed Target. Such notice of any such designation shall specify the ACADIA Designated Use in reasonable detail and shall include the date of designation. Allergan shall have [***] following receipt of notice from ACADIA to provide written notice to ACADIA and the RMC that Allergan is then pursuing (either itself or with a Third Party) or intends to pursue the development of such proposed ACADIA Designated Use itself. If Allergan does not provide such notice within such [***] period, then such proposed ACADIA Designated Use shall become effective, and the information with respect to such ACADIA Designated Use shall be recorded by the RMC on the lists maintained pursuant to Section 2.3. If Allergan gives such notice within such [***] period, then any dispute as to such proposed ACADIA Designated Use shall be resolved in accordance with the procedures set forth in Section 2.5.

4.7 SUBSTITUTION AND ADDITION OF ACADIA DESIGNATED USES.

(a) Once an ACADIA Designated Use has become effective for a given Test Target or Program Target in accordance with Section 4.6, and at any time after the Effective Date with respect to an ACADIA Designated Use for a Licensed Target, ACADIA may thereafter at any time during the Term of the Agreement, by written notice to Allergan and the RMC, propose to substitute a new ACADIA Designated Use therefor. Such notice to the RMC of any such substitution shall specify in reasonable detail the proposed new ACADIA Designated Use and shall include the date of substitution. Allergan shall have [***] following receipt of notice from ACADIA to provide written notice to ACADIA and the RMC that Allergan is then pursuing (either itself or with a Third Party) or intends to pursue the development of such proposed substitute ACADIA Designated Use itself. If Allergan does not provide such notice within such [***] period, then such new ACADIA Designated Use shall become effective, the information with respect to such substitute ACADIA Designated Use shall be recorded by the RMC on the lists maintained pursuant to Section 2.3 and the use with respect to which such new ACADIA Designated Use has been substituted shall no longer be deemed an ACADIA Designated Use or be included within the ACADIA Field for purposes of this Agreement. If Allergan gives such notice within such [***] period, then any dispute as to such proposed ACADIA Designated Use shall be resolved in accordance with the procedures set forth in Section 2.5.

(b) ACADIA may at any time during the Term of the Agreement, by written notice to Allergan and the RMC, propose to add an additional ACADIA Designated Use for an ACADIA Research Project upon the occurrence of any of the following events with respect to such ACADIA Research Project: (i) a Participation Right (as defined below) has been exercised; (ii) a Participation Right has not been exercised after delivery of a ACADIA Notice (as defined below); or (iii) the initial [***] research period for such ACADIA Research Project ends without delivery of an ACADIA

Notice and ACADIA subsequently (A) delivers an ACADIA Notice with respect to such ACADIA Research Project and (B) notwithstanding Section 5.1(a)(iii) below, gives Allergan an additional [***] period from Allergan's receipt of such ACADIA Notice to exercise its Participation Right with respect to such ACADIA Research Project. Such written notice by ACADIA to Allergan and the RMC of any such addition shall specify in reasonable detail the proposed new ACADIA Designated Use and shall include the date of such addition. Allergan shall have [***] following receipt of notice from ACADIA to provide written notice to ACADIA and the RMC that Allergan is then pursuing (either itself or with a Third Party) or intends to pursue the development of such proposed additional ACADIA Designated Use itself. If Allergan does not provide such notice within such [***] period, then such ACADIA Designated Use shall become effective, and the information with respect to such substitute ACADIA Designated Use shall be recorded by the RMC on the lists maintained pursuant to Section 2.3. If Allergan gives such notice within such [***] period, then any dispute as to such proposed ACADIA Designated Use shall be resolved in accordance with the procedures set forth in Section 2.5.

4.8 ACADIA RESEARCH PROJECT. During the Research Term, ACADIA shall conduct research on Licensed Targets, Test Targets and Program Targets in the ACADIA Field (the "ACADIA Research Project"). ACADIA shall promptly notify the RMC upon the commencement of each R-Tech Research Project. Within a reasonable period after the commencement of the ACADIA Research Project, ACADIA shall submit for each ACADIA Research Project to the RMC for review and approval the tests and results of such tests necessary to conclude that ACADIA has demonstrated proof of concept for both efficacy and safety in animal models (the "Proof of Concept Plan"), and thereafter shall submit written reports to the RMC on a regular basis (and in any event no less than once per calendar quarter) updating the RMC on the status of each ACADIA Research Project and describing in reasonable detail any development plans with respect to the results of each ACADIA Research Project. Within [***] after receipt from ACADIA of a Proof of Concept Plan, the RMC shall either approve such Proof of Concept Plan or provide written revisions to such Proof of Concept Plan necessary for such approval. Once approved by the RMC, such Proof of Concept Plan becomes a "Proof of Concept." ACADIA shall thereafter promptly notify the RMC during the course of each ACADIA Research Project of ACADIA's successful achievement of the Proof of Concept for each ACADIA Research Project (an "ACADIA Notice").

4.9 EXCLUDED TARGETS. ACADIA hereby warrants that, as of the Effective Date, all Excluded Targets falling under clauses (b) and (d) of that definition are listed in Exhibit F attached hereto. ACADIA further covenants that it will promptly notify the RMC and Allergan of any additional Excluded Targets following the Effective Date which fall within clauses (b) and/or (d) of that definition. Any notice delivered by ACADIA pursuant to Sections 4.1 or 4.2 above with respect to an Excluded Target shall

be deemed to be a representation by ACADIA that such notice is correct. Any notice delivered by Allergan pursuant to Sections 4.6 or 4.7 above with respect to Allergan's pursuit (either by itself or with a Third Party) or intended pursuit of the development of such proposed substitute ACADIA Designated Use itself shall be deemed to be a representation by Allergan that such notice is correct.

5. LICENSE GRANTS; LIMITED EXCLUSIVITY

5.1 LICENSE GRANTS.

(a) GRANT BY ACADIA. ACADIA hereby grants to Allergan the following license rights:

(i) During the Research Term, ACADIA grants to Allergan an exclusive (except as to the Novo Nordisk Rights and as to ACADIA's rights expressly set forth in this Agreement), worldwide, royalty-free license, without the right to sublicense, under the ACADIA Technology and ACADIA's interest in the Collaboration Technology to use the ACADIA Technology in conjunction with the Test Targets and the Program Targets for drug discovery purposes for use in the Allergan Field and otherwise to carry out the activities contemplated by the Research Plan; PROVIDED, HOWEVER, that such license will continue in effect following the expiration of the Research Term for the duration of any Test Target Availability Period or Program Target Availability Period on a target-by-target basis only for so long as Allergan is continuing to use commercially reasonable efforts to research such Test Targets and Program Targets; and

(ii) ACADIA grants to Allergan an exclusive (except as to the Novo Nordisk Rights and as to ACADIA's rights expressly set forth in this Agreement), worldwide, royalty-bearing license, with the right to sublicense, under the ACADIA Technology and ACADIA's interest in the Collaboration Technology to use the ACADIA Technology in conjunction with the Licensed Targets for drug discovery purposes and to discover, develop, make, have made, use, sell, offer to sell, have sold and import Allergan Development Candidates and Allergan Products in the Allergan Field but excluding the ACADIA Designated Uses; PROVIDED, HOWEVER, that, following the expiration of the Research Term, including any extensions or renewals thereof, such license under the ACADIA Technology shall remain exclusive as to each Licensed Target, on a target-by-target basis, only for so long as Allergan is continuing to use commercially reasonable efforts to pursue research, development, marketing and/or sale of an Allergan Development Candidate or Allergan Product that is biologically active against such Licensed Target; and

(iii) ACADIA hereby grants to Allergan an exclusive and non-transferable option to obtain an exclusive (except as to the Novo Nordisk Rights and as to ACADIA's rights expressly set forth in this Agreement), worldwide, royalty-bearing

license, with the right to sublicense, under the ACADIA Technology and ACADIA's interest in the Collaboration Technology to discover, develop, make, have made, use, sell, offer to sell, have sold and import Independent Products with respect to each ACADIA Research Project (the "Participation Right"); PROVIDED, HOWEVER, that any license obtained by Allergan upon exercise of a Participation Right pursuant to this Section 5.3(a)(iii) shall remain exclusive, only for so long as Allergan is continuing to use commercially reasonable efforts to pursue research, development, marketing and/or sale of a Development Candidate or an Independent Product based on such ACADIA Research Project. The Participation Right with respect to a given Active Compound under a given ACADIA Research Project for which Allergan has received an ACADIA Notice shall be exercisable by written notice to ACADIA and otherwise upon the terms of this subsection (a), at any time prior to the earlier to occur of: (A) [***] following Allergan's receipt of such ACADIA Notice, or (B) the date that is [***] after the date of commencement of the applicable Research Project. In consideration of such license, within [***] following exercise of the Participation Right, Allergan shall pay to ACADIA a one-time license fee of either (X) [***] if such exercise is made following receipt of an ACADIA Notice pursuant to clause (A) above or (Y) [***] if such exercise is made pursuant to clause (B) above, and shall reimburse ACADIA for [***] of all documented research costs incurred by ACADIA in connection with the ACADIA Research Project plus [***] per annum. In addition, Allergan shall make milestone and royalty payments to ACADIA with respect to such Independent Product in accordance with Sections 6.3 and 6.4, respectively.

Notwithstanding the foregoing, in the event that Allergan has not, prior to the earlier of the dates described in subsections (a)(iii)(A) and (B) above, exercised a Participation Right with respect to such R-Tech Research Project, then ACADIA may exercise the ACADIA Option described in subsection (b)(iii) below with respect to such ACADIA Research Project.

(b) GRANT BY ALLERGAN. Allergan hereby grants to ACADIA the following license rights:

(i) During the Research Term, Allergan grants to ACADIA a nonexclusive, worldwide, royalty-free license, without the right to sublicense, under the Allergan Technology and Allergan's interest in the Collaboration Technology, to use the Test Targets and the Program Targets for drug discovery purposes for use in the ACADIA Field and otherwise to carry out the activities contemplated by the Research Plan;

(ii) Allergan grants to ACADIA an exclusive, worldwide, royalty-free license, without the right to sublicense, under the Allergan Technology and Allergan's interest in the Collaboration Technology, subject to the terms of this

Agreement, solely to the extent necessary or appropriate to carry out ACADIA Research Projects pursuant to this Agreement; and

(iii) Provided that an Allergan Participation Right has expired unexercised or been declined in writing by Allergan with respect to an ACADIA Research Project, then Allergan grants to ACADIA an option to obtain an exclusive, worldwide, royalty-bearing license, with the right to sublicense, under the Allergan Technology and Allergan's interest in the Collaboration Technology to discover, develop, make, have made, use, sell, offer to sell, have sold and import ACADIA Products based on such ACADIA Research Project solely within the ACADIA Field (the "ACADIA Option"); PROVIDED, HOWEVER, that in no event shall ACADIA have any right or license to disclose or sublicense to any Third Party any Allergan Core Technology without Allergan's prior written consent; and, PROVIDED FURTHER, that such license under the Allergan Technology shall remain exclusive as to each Active Compound, on a compound-by-compound basis, only for so long as ACADIA is continuing to use commercially reasonable efforts to pursue research, development, marketing and/or sale of an ACADIA Development Candidate or ACADIA Product with respect to such Active Compound or a Derivative Compounds thereof. The ACADIA Option with respect to a given Active Compound shall be exercisable, by written notice to Allergan and otherwise upon the terms of this subsection (iii), at any time prior to the date that is [***] following expiration of the Participation Right or, if earlier, written notification by Allergan to ACADIA of its decision not to exercise the Participation Right with respect to such Active Compound. In consideration of such license, ACADIA shall make milestone and royalty payments to Allergan in accordance with Sections 6.3 and 6.4, respectively.

(iv) If, following exercise of the ACADIA Option with respect to a specific compound under development and in connection with human clinical testing thereof, ACADIA identifies a potential therapeutic use for such compound which is (A) unanticipated at the time that human clinical testing is initiated, (B) outside of the ACADIA Field and (C) not competitive with any Allergan Products or any other products then being sold by Allergan or which Allergan is then pursuing or intends to pursue (as shown by documentation generated prior to ACADIA identifying such use) (the "Additional Therapeutic Use"), then ACADIA shall so notify Allergan in writing. Allergan shall thereupon have [***] following receipt of such written notice to provide written notice to ACADIA that such Additional Therapeutic Use does not meet the provisions set forth in clauses (A), (B) or (C) above. If Allergan gives such notice within such [***] period, then any dispute as to whether such Additional Therapeutic Use meets the provisions set forth in clauses (A), (B) and (C) above shall be resolved in accordance with the procedures set forth in Section 2.5. If Allergan does not provide such notice within such [***] period, then, subject to the provisions of this Section 5.1(b)(iv), Allergan shall grant to ACADIA an exclusive, worldwide, royalty-bearing license, with the right to sublicense, under the Allergan Technology and

Allergan's interest in the Collaboration Technology to develop, make, have made, use, sell, offer to sell, have sold and import ACADIA Products based on such compound solely with respect to such Additional Therapeutic Use.

The license granted under this Section 5.1(b)(iv) shall remain exclusive only for so long as ACADIA is continuing to use commercially reasonable efforts to pursue development, marketing and/or sale of such ACADIA Development Candidate with respect to such Additional Therapeutic Use. In consideration of such license, the practice of the license granted pursuant to this Section 5.1(b)(iv) with respect to such ACADIA Development Candidate shall be subject to the milestone and royalty provisions of Sections 6.3 and 6.4, respectively, and the diligence obligations under Section 5.2 below.

5.2 DILIGENCE OBLIGATIONS. Allergan shall use commercially reasonable efforts to select and pursue research, development, marketing and/or sale of an Allergan Development Candidate with respect to each Licensed Target prior to the end of the Research Term. ACADIA shall use commercially reasonable efforts to select and pursue research, development, marketing and/or sale of an ACADIA Development Candidate with respect to each target within the ACADIA Field prior to the end of the Research Term. Such commercial reasonableness shall include consideration of all Collaboration activities being conducted by a party hereunder.

5.3 LIMITED EXCLUSIVITY. ACADIA hereby warrants that, notwithstanding any other provision of this Agreement, during the Research Term (including any renewals or extensions thereof), it will neither (a) use the ACADIA Technology for the research, discovery, development or commercialization of drugs for the treatment of [***], nor (b) enter into any agreement with a Third Party a primary purpose of which is to use the ACADIA Technology to conduct research, discovery, development or commercialization of compounds for the treatment or prevention of [***] diseases, nor (c) enter into an agreement with a Third Party which has the effect of so increasing the number of Excluded Targets as to substantially decrease the value of this Collaboration to Allergan by excluding a significant proportion of the genes in any given Gene Family. Subject to the foregoing, nothing contained in this Agreement shall be construed (i) to prevent ACADIA from pursuing research or collaborative activities alone or with Third Parties with respect to any receptor targets not designated as Licensed Targets, Program Targets or Test Targets or (ii) to grant Allergan rights to use ACADIA Technology with respect to any receptor target not designated as a Licensed Target, Program Target or Test Target. Upon the Effective Date (and thereafter from time to time as targets are designated as Test Targets and/or Program Targets), ACADIA shall immediately discontinue marketing and selling, directly or indirectly, kits used to screen Licensed Targets, Test Targets and/or Program Targets and shall discontinue all other activities with Third Parties with respect to screening such Licensed Targets, Test Targets

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and/or Program Targets; PROVIDED, HOWEVER, that ACADIA may sell such kits and may continue such screening activities upon the express prior written approval of Allergan.

6. FEES AND PAYMENTS

6.1 RESEARCH FUNDING. During the Research Term, Allergan agrees to pay ACADIA, on a quarterly basis in advance, payable no later than [***] of the quarter, research funding payments to be used by ACADIA to pursue the activities set forth in the Research Plan. Such funding shall be in such amounts as are set forth in the Research Plan, provided that such Plan shall initially provide for at least the following amounts: (a) a total of [***] during [***] of the Research Term; (b) a total of [***] during [***] of the Research Term; (c) a total of [***] during [***] of the Research Term; and (d) for any renewal or extension [***], the amount of support provided by Allergan in the immediately preceding [***] increased or decreased by a factor which reflects changes in the Pharmaceutical Manufacturers' Producer Price Index for the United States as reported as of the date that is [***] prior to the anniversary of the Effective Date in each applicable subsequent year when compared to the comparable statistic for the date that is [***] prior to the anniversary of the Effective Date in the preceding year. The parties hereby acknowledge that the amount of research funding will need to increase, subject to the approval of the RMC, as the number of Licensed Targets, Test Targets and Program Targets increases. It is intended that, as determined by the RMC, Allergan will provide sufficient additional research funding to ACADIA during the Research Term (and any renewal or extension thereof) to support the number of FTEs required to pursue the activities set forth in the Research Plan in accordance with Exhibit E hereto, as such plan is developed and approved by the RMC, in accordance with the annual research budget developed and approved by the RMC as described in Section 2.3. The first and last quarter payments shall be prorated, with the first quarter payment due [***] after the Effective Date.

6.2 EQUITY INVESTMENT. Pursuant to the terms of the Stock Purchase Agreement between the parties entered into concurrently herewith (the "Stock Purchase Agreement"), Allergan shall purchase from ACADIA, and ACADIA shall sell and issue, 1,000,000 shares of ACADIA Series C Preferred Stock, at a purchase price of $6 per share. The parties hereby acknowledge and agree that, pursuant to the Stock Purchase Agreement, Allergan shall have the right to elect one (1) director to the Board of Directors of ACADIA, effective as of the Effective Date.

6.3 MILESTONE PAYMENTS. The appropriate party shall pay to the other the following milestones, as applicable:

(a) Allergan will pay to ACADIA the milestone payments in the amounts listed below for the first Allergan Development Candidate developed for the

treatment or prevention of [***] disorders that is biologically active against a given Licensed Target as demonstrated in the course of the Collaboration, within [***] after notice of the occurrence of the following events, provided that Allergan shall be required to pay each such milestone only once for each Licensed Target and in no event shall Allergan be required to pay more than [***] pursuant to this Section 6.3(a) for each Licensed Target:

MILESTONE EVENT	AMOUNT OF PAYMENT
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

(b) Allergan will pay to ACADIA the milestone payments in the amounts listed below for the first Allergan Development Candidate developed for any indication in the Allergan Field other than the treatment and prevention of [***] diseases and disorders that is biologically active against a given Licensed Target as demonstrated in the course of the Collaboration, within [***] after notice of the occurrence of the following events, provided that Allergan shall be required to pay each such milestone only once for each Licensed Target and in no event shall Allergan be required to pay more than [***] pursuant to this Section 6.3(b) for each Licensed Target:

MILESTONE EVENT	AMOUNT OF PAYMENT
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

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

(c) ACADIA will pay to Allergan the milestone payments in the amounts listed below for the first ACADIA Development Candidate developed for each ACADIA Designated Use in the ACADIA Field that is biologically active against a given Licensed Target, Test Target and/or Program Target as demonstrated in the course of the Collaboration, within [***] after notice of the occurrence of the following events, provided that ACADIA shall be required to pay each such milestone only once for each such Licensed Target, Test Target and Program Target and in no event shall ACADIA be required to pay more than [***] pursuant to this Section 6.3(c) for each Licensed Target, Test Target and Program Target:

MILESTONE EVENT	AMOUNT OF PAYMENT
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

(d) It is the intent of the parties that each party shall be obligated to pay each milestone payment in subsections (a), (b) and (c) above only once even if multiple compounds that are biologically active against a particular target are developed for one or more specified indications.

(e) [***] of each milestone payment made by Allergan pursuant to subsections (a) and (b) above shall be creditable against royalties owed on Net

Sales of such Allergan Product or Independent Product, as the case may be, pursuant to Section 6.4, provided that in no event shall ACADIA receive less than [***] of the royalties otherwise due to it for such Allergan Product or Independent Product in any given quarter (but such excess creditable amounts may be applied to subsequent royalty payments, again subject to a maximum [***] reduction) in any quarterly payment.

(f) [***] of each milestone payment made by ACADIA pursuant to subsection (c) above shall be creditable against royalties owed on Net Sales of such ACADIA Product pursuant to Section 6.4, provided that in no event shall Allergan receive less than [***] of the royalties otherwise due to it for such ACADIA Product in any given quarter (but such excess creditable amounts may be applied to subsequent royalty payments, again subject to a maximum [***] reduction) in any quarterly payment.

6.4 ROYALTIES.

(a) ALLERGAN ROYALTY PAYMENTS TO ACADIA. Allergan shall pay to ACADIA the following royalties on Net Sales: (i) [***] of Net Sales of Allergan Products; and (ii) in the event of exercise of the Participation Right, [***] of Net Sales of Independent Products.

(b) ACADIA ROYALTY PAYMENTS TO ALLERGAN. In the event of exercise of the ACADIA Option, ACADIA shall pay to Allergan a royalty of [***] of Net Sales of ACADIA Products.

(c) ROYALTY TERM. Royalties for sales of any Allergan Product, Independent Product or ACADIA Product in a given country shall be paid for a period equal to the Royalty Term for such product in such country.

(d) CREDIT FOR THIRD PARTY ROYALTIES. In the event that a party obligated to pay royalties under this Agreement must make royalty payments under a license from a Third Party in respect of any patents that are necessary to develop, make, have made, use, sell, have sold or import an Allergan Product, Independent Product or ACADIA Product, as applicable, then such party may reduce the royalty otherwise owing on Net Sales of such product by [***] of the royalty payments made under such Third Party license; PROVIDED, HOWEVER, that the royalty otherwise payable under the applicable provision of this Agreement during any quarter shall not be reduced by more than [***].

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7. PAYMENT; RECORDS; AUDITS.

7.1 PAYMENT; REPORTS. Royalty payments and reports for the sale of Allergan Products, Independent Products and ACADIA Products shall be calculated and reported for each calendar quarter. All royalty payments due to a party under this Agreement shall be paid within [***] of the end of each calendar quarter, unless otherwise specifically provided herein. Each payment of royalties shall be accompanied by a report of Net Sales of Allergan Products, Independent Products and ACADIA Products, as applicable, in sufficient detail to permit confirmation of the accuracy of the royalty payment made, including, without limitation, the number of Allergan Products, Independent Products and ACADIA Products sold, the gross sales and Net Sales of Allergan Products, Independent Products and ACADIA Products, the royalties, in U.S. dollars, payable, the method used to calculate the royalty and the exchange rates used.

7.2 EXCHANGE RATE; MANNER AND PLACE OF PAYMENT. All payments hereunder shall be payable in U.S. dollars. With respect to each quarter, for countries other than the United States, whenever conversion of payments from any foreign currency shall be required, such conversion shall be made at the rate of exchange reported in The Wall Street Journal either on a daily basis or on the last business day of the applicable quarter, at the payor's option consistently applied. All payments owed under this Agreement shall be made by wire transfer to a bank and account designated in writing by the payee, unless otherwise specified by such payee.

7.3 LATE PAYMENTS. In the event that any payment, including royalty, milestone and research payments, due hereunder is not made when due, the payment shall accrue interest from the date due at the rate of [***]; PROVIDED, HOWEVER, that in no event shall such rate exceed the maximum legal annual interest rate. The payment of such interest shall not limit a party from exercising any other rights it may have as a consequence of the lateness of any payment.

7.4 RECORDS AND AUDITS. During the Royalty Term and for a period of [***] thereafter, each party shall keep complete and accurate records pertaining to the development and sale or other disposition of Allergan Products, Independent Products and ACADIA Products, as applicable, in sufficient detail to permit the other party to confirm the accuracy of all payments due hereunder. Each party shall have the right to cause an independent, certified public accountant reasonably acceptable to the other to audit such records to confirm Net Sales and royalty and other payments for a period covering not more than the preceding [***]. Such audits may be exercised during normal business hours once a year upon at least [***] prior written notice to the other party. Prompt adjustments shall be made by the parties to reflect the results of such audit. The party causing such audit shall bear the full cost of such audit unless such audit discloses a variance of more than five percent (5%) from the

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amount of the Net Sales or royalties or other payments due under this Agreement. In such case, the audited party shall bear the full cost of such audit.

7.5 WITHHOLDING OF TAXES. Any withholding of taxes levied by tax authorities on the payments hereunder shall be borne by the party receiving the payment and deducted by the party making the payment from the sums otherwise payable by it hereunder for payment to the proper tax authorities on behalf of the party receiving the payment. The party making the payment agrees to cooperate with the party receiving the payment in the event that the receiving party claims exemption from such withholding or seeks credits or deductions under any double taxation or similar treaty or agreement from time to time in force, such cooperation to consist of providing receipts of payment of such withheld tax or other documents reasonably available to the party making the payment.

7.6 PROHIBITED PAYMENTS. Notwithstanding any other provision of this Agreement, if a party is prevented from paying any such royalty by virtue of the statutes, laws, codes or governmental regulations of the country from which the payment is to be made, then such royalty may be paid by depositing funds in the currency in which accrued to the other party's account in a bank acceptable to such other party in the country whose currency is involved.

8. INTELLECTUAL PROPERTY

8.1 OWNERSHIP OF TECHNOLOGY. Inventorship with respect to inventions made pursuant to work carried out under the Collaboration shall be determined in accordance with United States rules of inventorship. Except as provided below, each party shall own solely all inventions made solely by its employees and agents, and the parties shall own jointly all inventions jointly made hereunder. Allergan acknowledges that ACADIA shall own the Core Technology exclusively, subject to Allergan's rights (other than ownership rights) set forth in this Agreement.

8.2 PATENT PROSECUTION.

(a) It is the intention of the parties to secure broad patent protection for discoveries and inventions made in connection with the Collaboration. Allergan shall be responsible for the filing, prosecution and maintenance of all Allergan Patents and all patent applications and patents covering any inventions owned solely by Allergan under Section 8.1 at Allergan's sole expense. ACADIA shall be responsible for the filing, prosecution and maintenance of all ACADIA Patents and all patent applications and patents covering any inventions owned solely by ACADIA under Section 8.1 at ACADIA's sole expense. Each party shall consider in good faith the requests and suggestions of the other party with respect to strategies for filing and prosecuting such patent applications. The inventing party shall keep the other party informed of progress

with regard to the filing, prosecution, maintenance, enforcement and defense of patents applications and patents subject to this Section 8.2(a).

(b) In the case of patent applications and patents owned jointly by the parties under Section 8.1, Allergan shall be responsible for, and shall initially bear the expense of, the preparation, filing, prosecution, and maintenance of any such patent applications and patents, provided that Allergan shall be entitled to reimbursement by ACADIA of [***] of such expenses. Allergan shall consult with ACADIA as to the preparation, filing, prosecution, and maintenance of such jointly owned patent applications and patents reasonably prior to any deadline or action with the U.S. Patent & Trademark Office or any foreign patent office, and shall furnish to ACADIA copies of all relevant documents reasonably in advance of such consultation. In the event that Allergan desires to abandon any such patent application or patent, or if Allergan later declines responsibility for any such patent application or patent, Allergan shall provide reasonable prior written notice to ACADIA of such intention to abandon or decline responsibility, and ACADIA shall have the right, at its expense, to prepare, file, prosecute, and maintain such patent application or patent.

8.3 COOPERATION OF THE PARTIES. Each party agrees to cooperate fully in the preparation, filing, and prosecution of any patent rights under this Agreement. Such cooperation includes, but is not limited to:

(a) executing all papers and instruments, or requiring its employees or agents, to execute such papers and instruments, so as to effectuate the ownership of patent rights set forth in Section 8.1 above and to enable the other party to apply for and to prosecute patent applications in any country; and

(b) promptly informing the other party of any matters coming to such party's attention that may affect the preparation, filing, or prosecution of any such patent applications.

8.4 INFRINGEMENT BY THIRD PARTIES. ACADIA and Allergan shall promptly notify the other in writing of any alleged or threatened infringement of any patent included in the Allergan Patents, ACADIA Patents or Collaboration Patents of which they become aware. Both parties shall use their best efforts in cooperating with each other to terminate such infringement without litigation. Allergan shall have the first right to bring and control any action or proceeding with respect to infringement of a patent included in the Allergan Patents or any other patent covering inventions owned either solely by Allergan or jointly by the parties at its own expense and by counsel of its own choice, and ACADIA shall have the right, at its own expense, to be represented in any action involving any patent covering inventions owned jointly by the parties by counsel of its own choice. If Allergan fails to bring an action or proceeding with respect to a patent covering inventions owned jointly by the parties within: (i) [***] following the

notice of alleged infringement or (ii) [***] before the time limit, if any, set forth in the appropriate laws and regulations for the filing of such actions, whichever comes first, ACADIA shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Allergan shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. ACADIA shall have the first right to bring and control any action or proceeding with respect to infringement of a patent included in the ACADIA Patents or any other patent covering inventions owned solely by ACADIA at its own expense and by counsel of its own choice, and Allergan shall have the right, at its own expense, to be represented in any action involving any patent covering inventions owned solely by ACADIA, other than an ACADIA Patent, by counsel of its own choice. If ACADIA fails to bring an action or proceeding with respect to a patent, other than an ACADIA Patent, covering inventions owned solely by ACADIA within (i) [***] following the notice of alleged infringement or (ii) [***] before the time limit, if any, set forth in the appropriate laws and regulations for the filing of such actions, whichever comes first, Allergan shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and ACADIA shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. In the event a party brings an infringement action, the other party shall cooperate fully, including if required to bring such action, the furnishing of a power of attorney. Neither party shall have the right to settle any patent infringement litigation under this Section 8.4 in a manner that diminishes the rights or interests of the other party without the consent of such other party. Except as otherwise agreed to by the parties as part of a cost sharing arrangement, any recovery realized as a result of such litigation, after reimbursement of any litigation expenses of Allergan and ACADIA, shall belong to the party who brought the action and shall be treated as Net Sales for purposes of the royalty provisions of this Agreement.

8.5 INFRINGEMENT OF THIRD PARTY RIGHTS. Each party shall promptly notify the other in writing of any allegation by a Third Party that the activity of either of the parties infringes or may infringe the intellectual property rights of such Third Party. Allergan shall have the first right to control any defense of any such claim involving alleged infringement of Third Party rights by Allergan's activities at its own expense and by counsel of its own choice, and ACADIA shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If Allergan fails to proceed in a timely fashion with regard to such defense, ACADIA shall have the right to control any such defense of such claim at its own expense and by counsel of its own choice, and Allergan shall have the right, at its own expense, to be represented in any such action by counsel of its own choice.

ACADIA shall have the first right to control any defense of any such claim involving alleged infringement of Third Party rights by ACADIA's activities at its own expense and by counsel of its own choice, and Allergan shall have the right, at its own

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expense, to be represented in any such action by counsel of its own choice. If ACADIA fails to proceed in a timely fashion with regard to such defense, Allergan shall have the right to control any such defense of such claim at its own expense and by counsel of its own choice, and ACADIA shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. Neither party shall have the right to settle any patent infringement litigation under this Section 8.5 in a manner that diminishes the rights or interests of the other party without the consent of such other party.

8.6 TRADEMARKS. Each party shall obtain, own and enforce its own trademarks with respect to its own activities.

9. REPRESENTATIONS AND WARRANTIES

9.1 REPRESENTATIONS AND WARRANTIES. Each party represents to the other that:

(a) CORPORATE AND PARTNERSHIP POWER. It is duly organized and validly existing under the laws of its state of incorporation or formation, and has full corporate or partnership power and authority to enter into this Agreement and to carry out the provisions hereof.

(b) DUE AUTHORIZATION. It is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate or partnership action.

(c) BINDING AGREEMENT. This Agreement is legally binding upon it, enforceable in accordance with its terms. The execution, delivery and performance of this Agreement by it does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

(d) GRANT OF RIGHTS; MAINTENANCE OF AGREEMENTS. It has not, and will not during the term of this Agreement, grant any right to any third party which would conflict with the rights granted to the other party hereunder. It has (or will have at the time performance is due) maintained and will maintain and keep in full force and effect all agreements (including license agreements) and filings (including patent filings) necessary to perform its obligations hereunder.

(e) VALIDITY. It is aware of no action, suit or inquiry or investigation instituted by or before any court or governmental agency which questions or threatens the validity of this Agreement or of any Allergan Patents and ACADIA Patents.

(f) THIRD PARTY RIGHTS. It is aware of no Third Party patent right which would be infringed by its conduct of the Collaboration or commercialization of products as contemplated hereby.

9.2 ACADIA REPRESENTATIONS AND WARRANTIES. ACADIA represents and warrants that:

(a) ACADIA owns or holds licenses to the ACADIA Patents and ACADIA Know-How and has sufficient rights and power to grant the licenses to Allergan which it purports to grant herein.

(b) ACADIA has no knowledge of any outstanding and unresolved claim or accusation that any compounds or products manufactured, used or sold by ACADIA and licensed hereunder or any methods or process practiced by ACADIA, including the ACADIA Assays, infringes or may infringe any third party patent(s); and

(c) ACADIA has not conducted, or has not commissioned the conducting of, any formal or informal infringement or validity studies regarding any patent or patent application included in the ACADIA Patents listed on Exhibit C that it has not fully disclosed in writing to Allergan prior to the Effective Date.

9.3 ALLERGAN REPRESENTATIONS AND WARRANTIES. Allergan represents and warrants that:

(a) Allergan owns or holds licenses to the Allergan Patents and Allergan Know-How and has sufficient rights and power to grant the licenses to ACADIA which it purports to grant herein.

(b) Allergan has no knowledge of any outstanding and unresolved claim or accusation that any compounds or products manufactured, used or sold by Allergan and licensed hereunder or any methods or process practiced by Allergan infringes or may infringe any third party patent(s); and

(c) Allergan has not conducted, or has not commissioned the conducting of, any formal or informal infringement or validity studies regarding any patent or patent application included in the Allergan Patents that it has not fully disclosed in writing to ACADIA prior to the Effective Date.

9.4 DISCLAIMER CONCERNING TECHNOLOGY. EXCEPT AS SET FORTH IN SECTIONS 9.1(f), 9.2 AND 9.3 ABOVE, THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS PROVIDED BY EACH PARTY HEREUNDER IS PROVIDED "AS IS" AND EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE WARRANTIES OF DESIGN,

MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES, OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICES, IN ALL CASES WITH RESPECT THERETO. Without limiting the generality of the foregoing, each party expressly does not warrant (i) the success of any study or test commenced under the Collaboration or (ii) the safety or usefulness for any purpose of the technology it provides hereunder.

10. CONFIDENTIALITY; PUBLICATION

10.1 CONFIDENTIALITY. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the parties, the parties agree that, during the Royalty Term and for [***] thereafter, the receiving party shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose other than as expressly provided for in this Agreement any Confidential Information furnished to it by the other party pursuant to this Agreement. Each party may use such Confidential Information only to the extent required to accomplish the purposes of this Agreement. Each party will use at least the same standard of care as it uses to protect proprietary or confidential information of its own to ensure that its employees, agents, consultants and other representatives do not disclose or make any unauthorized use of the Confidential Information. Each party will promptly notify the other upon discovery of any unauthorized use or disclosure of the Confidential Information.

10.2 EXCEPTIONS. Confidential Information shall not include any information which the receiving party can prove by competent evidence:

(a) is now, or hereafter becomes, through no act or failure to act on the part of the receiving party, generally known or available;

(b) is known by the receiving party at the time of receiving such information, as evidenced by its records;

(c) is hereafter furnished to the receiving party by a Third Party, as a matter of right and without restriction on disclosure;

(d) is independently developed by the receiving party without the aid, application or use of Confidential Information of the disclosing party; or

(e) is the subject of a written permission to disclose provided by the disclosing party.

10.3 TERMS OF AGREEMENT. The parties agree that this Agreement and the terms hereof will be considered Confidential Information of both parties. Notwithstanding the foregoing, either party may disclose such terms as are required to be disclosed under

*CONFIDENTIAL TREATMENT REQUESTED

strictures of confidentiality to bona fide potential sublicensees or as otherwise required pursuant to applicable law.

10.4 AUTHORIZED DISCLOSURE. Each party may disclose Confidential Information belonging to the other party to the extent such disclosure is reasonably necessary in the following instances:

(a) filing or prosecuting patents relating to the Collaboration;

(b) regulatory filings;

(c) prosecuting or defending litigation;

(d) complying with applicable court orders or governmental regulations;

(e) conducting pre-clinical or clinical trials of Active Compounds, Derivative Compounds, Allergan Development Candidates or ACADIA Development Candidates; and

(f) disclosure to Affiliates, sublicensees, employees, consultants, agents or other Third Parties in connection with due diligence or similar investigations by such Third Parties, in each case who agree to be bound by similar terms of confidentiality and non-use at least equivalent in scope to those set forth in this Article 10.

Notwithstanding the foregoing, in the event a party is required to make a disclosure of the other party's Confidential Information pursuant to this Section 10.4, it will, except where impracticable, give reasonable advance notice to the other party of such disclosure and use efforts to secure confidential treatment of such information at least as diligent as such party would use to protect its own confidential information, but in no event less than reasonable efforts. In any event, the parties agree to take all reasonable action to avoid disclosure of Confidential Information hereunder. The parties will consult with each other on the provisions of this Agreement to be redacted in any filings made by the parties with the Securities and Exchange Commission or as otherwise required by law.

10.5 PUBLICATIONS. Each party to this Agreement recognizes that the publication of papers regarding results of and other information regarding the Collaboration, including oral presentations and abstracts, may be beneficial to both parties provided such publications are subject to reasonable controls to protect Confidential Information. In particular, it is the intent of the parties to maintain the confidentiality of any Confidential Information included in any foreign patent application until such foreign patent application has been published. Accordingly, the RMC shall have the right to review and approve any paper proposed for publication by a party, including oral presentations and abstracts, which utilizes data generated from the Collaboration and/or includes Confidential Information of the other party. Before any such paper is submitted for

publication, the party proposing publication shall deliver a complete copy to the RMC at least [***] prior to submitting the paper to a publisher. The RMC shall review any such paper and give its comments to the publishing party within [***] of the delivery of such paper to the RMC. With respect to oral presentation materials and abstracts, the RMC shall make reasonable efforts to expedite review of such materials and abstracts, and shall return such items as soon as practicable to the publishing party with appropriate comments, if any, but in no event later than [***] from the date of delivery to the RMC. The publishing party shall comply with the RMC's request to delete references to the other party's Confidential Information in any such paper and agrees to withhold publication of same for an additional [***] in order to permit the parties to obtain patent protection, if either of the parties deems it necessary, in accordance with the terms of this Agreement.

11. TERM AND TERMINATION

11.1 TERM OF THE AGREEMENT. The term of the collaborative activities of the parties pursuant to the Collaboration shall commence on the Effective Date and continue until expiration of the Research Term, unless earlier terminated pursuant to Section 11.2, 11.3 or 14.9 or extended by mutual agreement of the parties. The term of this Agreement (the "Term of the Agreement") shall commence on the Effective Date and continue until six (6) months after the expiration of the last Royalty Term for any Allergan Product, Independent Product or ACADIA Product, unless earlier terminated pursuant to Section 11.2, 11.3 or 14.9 or extended upon terms mutually agreeable to both parties.

11.2 TERMINATION BY MUTUAL AGREEMENT. The parties may at any time terminate this Agreement by written agreement executed by both Allergan and ACADIA.

11.3 TERMINATION FOR CAUSE. Each party shall have the right to terminate this Agreement upon [***] prior written notice to the other upon the occurrence of any of the following:

(a) Upon or after the bankruptcy, insolvency, dissolution or winding up of the other party (other than a dissolution or winding up for the purpose of reconstruction or amalgamation); or

(b) Upon or after the breach of any material provision of this Agreement by the other party if the breaching party has not cured such breach within the [***] period following written notice of termination by the non-breaching party.

All licenses granted to the non-breaching party under Section 5.1 of this Agreement shall survive such termination for so long as such non-breaching party is not in breach of its obligations to the other party under this Agreement.

*CONFIDENTIAL TREATMENT REQUESTED

11.4 ACCRUED RIGHTS, SURVIVING OBLIGATIONS. Expiration or termination of this Agreement shall not affect any rights or obligations of either party accruing prior to such expiration or termination. The terms of Sections 4.2(a), 4.6, 4.7, 7.4, 8.1, 10.1, 10.2, 10.3, 10.4, 11.3, 11.4, 12, 13 and 14 of this Agreement shall survive expiration or termination of this Agreement. In addition, the provisions of Sections 5.1 (subject to Sections 6.3 and 6.4) shall survive expiration or termination of this Agreement with respect to each Licensed Target, Test Target, Program Target and ACADIA Development Candidate for which ACADIA has exercised an ACADIA Option in accordance with Section 5.1(b)(iii) above, so long as such party, as applicable, continues to comply with the diligence standards set forth in this Agreement with respect to such Target or Development Candidate, as applicable. Promptly after termination of this Agreement each party (other than a non-breaching party that retains a license as described in Section 11.3) shall return or dispose of any technology or know-how of the other in the accordance with the instructions of the other, including without limitation any compounds, assays or other biological or chemical materials.

12. INDEMNITY

12.1 INDEMNIFICATION. Each party hereby agrees to save, defend and hold the other party and its directors, officers, employees, and agents harmless from and against any and all claims, suits, actions, demands, liabilities, expenses and/or loss, including reasonable legal expense and attorneys' fees (collectively, "Claims") for damage to persons or property resulting directly or indirectly from actions in connection with the Collaboration by the indemnifying party, its Affiliates, agents or sublicensees, but only to the extent such Claims result from the gross negligence or willful misconduct of the indemnifying party or its Affiliates, agents or sublicensees and do not result from the negligence of the party seeking indemnification.

12.2 CONTROL OF DEFENSE. Any entity entitled to indemnification under this Section 12 shall give notice to the indemnifying party of any Claims that may be subject to indemnification, promptly after learning of such Claim, and the indemnifying party shall assume the defense of such Claims with counsel reasonably satisfactory to the indemnified party. If such defense is assumed by the indemnifying party with counsel so selected, the indemnifying party will not be subject to any liability for any settlement of such Claims made by the indemnified party without its consent (but such consent will not be unreasonably withheld or delayed), and will not be obligated to pay the fees and expenses of any separate counsel retained by the indemnified party with respect to such Claims.

12.3 INSURANCE. ACADIA, at its own expense, shall maintain product liability insurance in amount consistent with industry standards during the Term of the Agreement

and shall name Vision Pharmaceuticals L.P. as an additional insured with respect to this policy. ACADIA shall provide a certificate of insurance evidencing such coverage.

Allergan, at its own expense, shall maintain product liability insurance (or self-insure) in amount consistent with industry standards during the Term of the Agreement and shall name ACADIA as an additional insured with respect to such insurance. Allergan shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage.

13. GOVERNING LAW; DISPUTE RESOLUTION

13.1 GOVERNING LAW. This Agreement shall be governed by the laws of the State of California as such laws are applied to contracts entered into or to be performed entirely within such state.

13.2 LEGAL COMPLIANCE. Within [***] of the date hereof, the parties shall review in good faith and cooperate in taking such actions to ensure compliance of this Agreement with all applicable laws.

13.3 DISPUTE RESOLUTION. Except as provided in Section 2.5, in the event of any dispute, the parties shall refer such dispute to the CEO of ACADIA and the CEO of Allergan for attempted resolution by good faith negotiations within [***] after such referral is made. During such period of good faith negotiations, any applicable time periods under this Agreement shall be tolled. In the event such executives are unable to resolve such dispute within such [***] period, the parties shall submit their dispute to binding arbitration before a retired California Superior Court Judge at J.A.M.S./Endispute located in Orange, California, such arbitration to be conducted pursuant to the J.A.M.S./Endispute procedure rules for commercial disputes then in effect. The award of the arbitrator shall include an award of reasonable attorneys' fees and costs to the prevailing party.

13.4 JURISDICTION AND VENUE. Except as provided in Section 2.5 or 13.3 above, any claim or controversy arising out of or related to this Agreement or any breach hereof shall be adjudicated in the state and federal courts having jurisdiction over disputes arising in the State of California, and the parties hereby consent to the jurisdiction and venue of such court.

14. GENERAL PROVISIONS

14.1 NOTICES. All notices required or permitted to be given under this Agreement shall be in writing and shall be mailed by registered or certified mail, Federal Express or DHL, addressed to the signatory to whom such notice is required or permitted to be given and transmitted by facsimile to the number indicated below. All notices shall

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be deemed to have been given when mailed, as evidenced by the postmark at the point of mailing, or faxed.

All notices to Allergan shall be addressed as follows:

Allergan, Inc.
2525 Dupont Drive
Irvine, CA 92623
Attn: Corporate Vice President, Science and Technology
Fax: (714) 246-6987

with a copy to:

Allergan, Inc.
2525 Dupont Drive
Irvine, CA 92623
Attn: Allergan General Counsel
Fax: (714) 246-4774

and to:

Cooley Godward LLP
4365 Executive Drive, Suite 1100
San Diego, CA 92121
Attn: Thomas A. Coll, Esq.
Fax: (619) 550-6013

All notices to ACADIA shall be addressed as follows:

ACADIA Pharmaceuticals Inc.
3911 Sorrento Valley Blvd.
San Diego, CA 92121
Attn: Mark R. Brann
Fax: (619) 558-2872

with a copy to:

Hale and Dorr LLP
60 State Street
Boston, MA 02109
Attn: Susan W. Murley, Esq.
Fax: (617) 526-5000

Any party may, by written notice to the other, designate a new address or fax number to which notices to the party giving the notice shall thereafter be mailed or faxed.

14.2 FORCE MAJEURE. No party shall be liable for any delay or failure of performance (other than payment obligations) to the extent such delay or failure is caused by circumstances beyond its reasonable control and that by the exercise of due diligence it is unable to prevent, provided that the party claiming excuse uses its best efforts to overcome the same.

14.3 ENTIRETY OF AGREEMENT. This Agreement embodies the entire, final and complete agreement and understanding between the parties and replaces and supersedes all prior discussions and agreements between them with respect to its subject matter. No modification or waiver of any terms or conditions hereof shall be effective unless made in writing and signed by a duly authorized officer of each party.

14.4 NON-WAIVER. The failure of a party in any one or more instances to insist upon strict performance of any of the terms and conditions of this Agreement shall not constitute a waiver or relinquishment, to any extent, of the right to assert or rely upon any such terms or conditions on any future occasion.

14.5 DISCLAIMER OF AGENCY. Neither party is, or will be deemed to be, the legal representative or agent of the other, nor shall either party have the right or authority to assume, create, or incur any third party liability or obligation of any kind, express or implied, against or in the name of or on behalf of another except as expressly set forth in this Agreement.

14.6 SEVERABILITY. If a court of competent jurisdiction declares any provision of this Agreement invalid or unenforceable, or if any government or other agency having jurisdiction over either ACADIA or Allergan deems any provision to be contrary to any laws, then that provision shall be severed and the remainder of the Agreement shall continue in full force and effect. To the extent possible, the parties shall revise such invalidated provision in a manner that will render such provision valid without impairing the parties' original intent.

14.7 AFFILIATES; ASSIGNMENT. Except as otherwise provided herein, neither party may assign its rights or delegate its duties under this Agreement without the prior written consent of the other party, not to be unreasonably withheld. Notwithstanding the foregoing, but subject to Sections 14.8 and 14.9, each party may assign this Agreement to any of its Affiliates, to a special purpose corporation or similar entity at least fifty percent (50%) of the outstanding shares of any class or series of stock of which is owned by such party or to any purchaser of all or substantially all of the assets or stock of its business unit to which this Agreement relates (by merger, consolidation or otherwise) in a manner such that the assignor will remain liable and responsible for the performance and

observance of all its duties and obligations hereunder without the consent of the other party; provided that, in the event of such transaction, intellectual property rights of the acquiring party (other than a party to this Agreement) shall not be included in the technology licensed hereunder. This Agreement shall be binding upon the successors and permitted assigns of the parties. Any attempted delegation or assignment not in accordance with this Section 14.7 shall be of no force or effect.

14.8 ALLERGAN RIGHT OF NEGOTIATION. In the event that ACADIA becomes interested in accepting an offer to, is willing to consider offers to, or a Third Party makes an offer to, purchase or acquire [***], ACADIA shall provide Allergan with prompt written notice thereof, and Allergan shall thereupon have a right of negotiation to acquire ACADIA, and ACADIA and Allergan shall negotiate in good faith regarding the material terms of such a transaction. In any event, the parties shall have no further obligation to negotiate in good faith after [***] following Allergan's receipt of such notice. Nothing in this Section 14.8 shall limit the right of ACADIA to negotiate with Third Parties during [***] period.

14.9 ALLERGAN'S RIGHTS UPON CHANGE IN CONTROL OF ACADIA. In the event of a change in control (as defined below) of ACADIA during the Research Term, ACADIA shall give prior notice to Allergan thereof, and Allergan shall have the right, exercisable for a period of [***] following written notice to Allergan of such change in control, to terminate this Agreement. Prior to the end of the [***] following a change in control of ACADIA, Allergan shall provide written notice of its election either to terminate or not to terminate this Agreement. In the event that Allergan elects to terminate this Agreement following such change in control, then notwithstanding any contrary provision of this Agreement, the licenses granted to Allergan pursuant to Section 5.1 shall continue in full force and effect and shall be exclusive even as to ACADIA (or the surviving entity following such change in control), and ACADIA shall, promptly following such election by Allergan, transfer and disclose to Allergan all ACADIA Know-How as is reasonably necessary to enable Allergan to fully exercise its rights under this Section 14.9. In addition, effective upon termination by Allergan of this Agreement following a change in control, ACADIA hereby grants to Allergan, for a period ending on the later of (x) [***] or any extension or renewal agreed to by Allergan and ACADIA prior to termination by Allergan or (y) as long as [***], under the ACADIA Technology and ACADIA's interest in

*CONFIDENTIAL TREATMENT REQUESTED

the Collaboration Technology to the fullest extent necessary to permit Allergan [***] to conduct all activities of either party contemplated by Sections 3.3, 3.4 and 4.8, and (b) an [***], under the ACADIA Technology and ACADIA's interest in the Collaboration Technology to discover, develop, make, have made, use, sell, offer to sell, have sold and import pharmaceutical products in the ACADIA Field (subject to Allergan's obligations to pay ACADIA or the surviving entity the milestones and royalties set forth in Sections 6.3(b) and 6.4(a)(i), respectively). For purposes of this Section 14.9, "change in control" shall mean any transaction or series of related transactions in which a Third Party acquires or becomes the beneficial owner of (i) more than [***].

14.10 HEADINGS. The headings contained in this Agreement are inserted for reference only and shall not be deemed a part of the text hereof.

14.11 LIMITATION OF LIABILITY. NO PARTY SHALL BE LIABLE TO ANOTHER FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL OR EXEMPLARY DAMAGES, INCLUDING BUT NOT LIMITED TO LOST PROFITS, ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. Nothing in this Section is intended to limit or restrict the indemnification rights or obligations of any party.

14.12 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall constitute together the same document.

14.13 PUBLIC DISCLOSURE. Except for such disclosure as is deemed necessary, in the reasonable judgment of a party, to comply with applicable laws or regulations, no public announcement, news release, public statement or publication relating to the existence of this Agreement, or the terms hereof, will be made without the other party's prior written approval, which approval shall not be unreasonably withheld. The parties agree that they will use reasonable efforts to coordinate the initial announcement or press release relating to the existence of this Agreement in the form attached as Exhibit G, so that such initial announcement or press release by each is made contemporaneously.

14.14 GUARANTEE. Allergan, Inc. guarantees the performance of each obligation of Vision Pharmaceuticals L.P. under this Agreement, whether or not Allergan, Inc. has received any notice which is to be provided to Vision Pharmaceuticals L.P. pursuant to this Agreement. Allergan, Inc. confirms the authority of Vision Pharmaceuticals L.P. to enter into and perform this Agreement.

*CONFIDENTIAL TREATMENT REQUESTED

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

ACADIA PHARMACEUTICALS INC.	VISION PHARMACEUTICALS L.P., A Texas limited partnership, dba Allergan, by Allergan General, Inc., its general partner
BY: /s/ Mark R. Brann	BY: /s/ Lester J. Kaplan
NAME: Mark R. Brann	NAME: Lester J. Kaplan
TITLE: President & Chief Scientific Officer	TITLE: President

GUARANTEE OF PERFORMANCE BY:

ALLERGAN, INC.

BY: /s/ William C. Shepherd

NAME: William C. Shepherd

TITLE: Chairman, President and Chief Executive Officer

EXHIBIT A

NOVO NORDISK RIGHTS

"NOVO NORDISK RIGHTS" means for purposes of this Exhibit A a worldwide, non-transferable, non-assignable, non-exclusive license granted by ACADIA to Novo Nordisk A/S ("Novo Nordisk") (i) to use the Patents (defined below) and related technology in Novo Nordisk's identification of products with biological activity, excluding services and research reagents ("Licensee's Products") and (ii) to manufacture, sell or use Licensee's Products. The license described in clause (i) is sublicensable only to Affiliates of Novo Nordisk without any further right to sublicense, and the license described in (ii) is sublicensable to any person or entity without any further right to sublicense.

"PATENTS" means for purposes of this Exhibit A the following U.S. patents and/or patent applications, patents to be issued pursuant thereto, all divisions, continuations, continuations-in-part, reissues, substitutes, extensions, re-examinations and all foreign (including international and national) counterparts thereof:

Applications:

[***]

*CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT B

RESEARCH PLAN

[***]

*CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT C

ACADIA PATENTS

[***]

*CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT D

TEST TARGETS

[***]

*CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT E

PROJECTED COSTS PER ACTIVITY

[***]

*CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT F

EXCLUDED TARGETS

[***]

*CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT G

FORM OF PRESS RELEASE

NEWS RELEASE [ALLERGAN LETTERHEAD]

FOR IMMEDIATE RELEASE

Contacts: Allergan, Inc.
Jeff D'Eliseu
(714) 246-4636 (office)
(714) 675-9475 (home)

ACADIA Pharmaceuticals
Michael K. Dunn, Ph.D.
(619) 558-2871 (office)
(619) 558-2872 (fax)

ALLERGAN AND ACADIA PHARMACEUTICALS ESTABLISH A RESEARCH COLLABORATION

DRUG DISCOVERY EFFORTS TO FOCUS ON NOVEL RECEPTOR TARGETS

Irvine, California, and San Diego, California, September 24, 1997 - Allergan, Inc. (NYSE: AGN) and ACADIA Pharmaceuticals (formerly Receptor Technologies) announced today that they will work jointly and exclusively on discovery efforts on five potential drug targets, including the prostanoid and alpha adrenergic receptors.

Allergan will have exclusive development and commercialization rights to all therapeutic uses, with the exception that ACADIA will retain development rights to at least one therapeutic indication for each target. Additionally, the companies will identify novel receptors in tissues associated with areas of therapeutic interest to Allergan. Allergan will make a $6 million equity investment in ACADIA resulting in a 12.5 percent ownership position, on a fully diluted basis. ACADIA will receive research funding for three years, as well as milestone payments up to $12.5 million for the first product developed for each receptor target. Upon commercialization, Allergan will pay ACADIA royalties on product sales.

more-more

"We are very pleased with the productive relationship we have developed with ACADIA and the significant progress we have made together," commented Lester J. Kaplan, Ph.D., Allergan Corporate Vice President of Science and Technology. "Over the past three years, Allergan and ACADIA have worked together to develop and implement a functional high-throughput screening technology with six types of alpha adrenergic receptors and have also worked with ACADIA to develop and utilize their basic enabling technology for our prostaglandin assets. As a result, we have successfully identified and characterized potent receptor-selective compounds with reduced side effects that may be useful in therapeutic areas such as glaucoma, anesthesia, analgesia, muscle spasticity and neuroprotection. The expansion of our collaboration will allow us to continue to build upon the success we have enjoyed to date."

"For the past several years, ACADIA and Allergan have collaborated using ACADIA's proprietary Receptor Selection and Amplification Technology (R-SAT-TM-) for functional assay of recombinant targets. R-SAT-TM- enables the sensitive, quantitive, and rapid analysis of receptor activity, which makes the technology a powerful tool to measure the effects of potential drug candidates and other bioactive compounds," stated Mark R. Brann, Ph.D., founder, President, and Chief Scientific Officer of ACADIA. "This agreement validates our technology and highlights the spectacular success of our collaboration. R-SAT-TM- is now a proven drug discovery technology. R-SAT-TM- gives us the tools for sorting through the massive numbers of genes and compounds that have been identified through genomics and combinatorial chemistry. With Allergan, we will now aggressively put these tools to practice in several drug discovery programs."

Any of the above statements that refer to Allergan's estimated or anticipated future results are forward-looking and reflect Allergan's current analysis of existing trends and information. Actual results may differ from current expectations based on a number of factors affecting Allergan's businesses, including competitive conditions and certain market conditions; the timing and uncertainty of results of both research and regulatory processes; and performance. These forward-looking statements represent Allergan's judgment only as of the date of this press release, and actual results could differ materially. As a result, the reader is cautioned not to rely on these forward-looking statements. Allergan disclaims, however, any intent or obligation to update these forward-looking statements.

Additional information concerning these factors can be found in press releases as well as in Allergan's public periodic filings with the Securities and Exchange Commission, including the discussion under the heading "Certain Factors and Trends Affecting Business" in Allergan's 1996 Form 10-K. Copies of Allergan press releases and additional information about Allergan are available on the World Wide Web at www.allergan.com, or you can contact the Allergan Investor Relations Department by calling 714-246-4636. further information about ACADIA Pharmaceuticals can be found at www.acadia-pharm.com, or by calling Corporate Headquarters at 619-558-2871.

ACADIA Pharmaceuticals is a biotechnology company engaged in development and use of high-throughput solutions for drug discovery. Founded in 1993 by Dr. Brann, the company has developed a platform of proprietary breakthrough technologies for the functional characterization of genes encoding potential drug targets. The company is currently pursuing drug discovery alliances with other major pharmaceutical firms, as well as with biotechnology companies with expertise in genomics and combinatorial chemistry. ACADIA also continues to develop and expand its technology platform and is pursuing in-house discovery efforts on novel targets. Corporate headquarters are located in San Diego, California; research facilities are maintained in both San Diego and Copenhagen, Denmark.

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Allergan, Inc., headquartered in Irvine, California, is a technology-driven, global health care company focused on specialty pharmaceutical products for specific disease areas that deliver value to customers, satisfy unmet medical needs and improve patients' lives.

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COLLABORATIVE RESEARCH, DEVELOPMENT

AND LICENSE AGREEMENT

AMONG

ACADIA PHARMACEUTICALS INC.,

AND

ALLERGAN, INC.

AND

ALLERGAN PHARMACEUTICALS (IRELAND) LIMITED, INC.

AND

ALLERGAN SALES, INC.

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Confidential Treatment Requested
Under 17 C.F.R. Sections 200.80(b)(4),
200.83 and 230.406

COLLABORATIVE RESEARCH, DEVELOPMENT

AND LICENSE AGREEMENT

THIS COLLABORATIVE RESEARCH, DEVELOPMENT AND LICENSE AGREEMENT (this "Agreement"), entered into as of July 26, 1999 (the "Effective Date") by and among ACADIA PHARMACEUTICALS INC., a Delaware corporation ("ACADIA"), with offices at 3911 Sorrento Valley Blvd., San Diego, California 92121 and ALLERGAN PHARMACEUTICALS (IRELAND) LIMITED, INC. a Panamanian corporation with offices at Castlebar road Westport, County Mayo, Ireland, ALLERGAN SALES, INC. a California corporation with offices at 2525 Dupont Drive, Irvine, California 92612 and ALLERGAN, INC., a Delaware corporation, with offices at 2525 Dupont Drive, Irvine, California 92612 (hereinafter collectively "Allergan"),

W I T N E S S E T H:

WHEREAS, ACADIA has discovered compounds that are potent agonists selective for the m1 muscarinic receptor which agonists may be useful in the treatment of ocular disease such as glaucoma; and

WHEREAS Allergan is engaged in the research, development, marketing, manufacture and sale of therapeutic products for the treatment of ocular disease; and

WHEREAS, ACADIA and Allergan desire to enter into a collaborative relationship to conduct research with the goal of designating two [***] specific muscarinic receptor ligands as lead drug development compounds for development and commercialization by Allergan for the treatment of ocular disease:

NOW, THEREFORE, in consideration of the foregoing and the covenants and premises contained in this Agreement, the parties agree as follows:

1. DEFINITIONS. As used herein, the following terms shall have the following meanings:

1.1 "ACADIA DESIGNATED COMPOUND" shall mean any one (1) of up to [***] Active Compounds and their respective [***] (to the extent such [***] are included in the mixture tested) and salts thereof, at any one time selected as a drug candidate by ACADIA pursuant to Section 4.3(b).

1.2 "ACADIA KNOW-HOW" shall mean all tangible or intangible know-how, trade secrets, inventions (whether or not patentable), data, preclinical results, physical, chemical or biological material, and other information and data on or relating to all [***] Muscarinics that (a) ACADIA owns, controls or to which it has a license with the right to sublicense on the Effective Date or (b) are independently developed by ACADIA or its Affiliates during the Research Term and, in each case, any replication or any part of such information or material.

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1.3 "ACADIA PATENTS" shall mean, to the extent useful for the purposes of the Collaboration and any subsequent commercialization of Allergan Products, all foreign and domestic: (a) patents existing as of the Effective Date or issued during the Research Term; and (b) patents issuing from patent applications that are pending as of the Effective Date or during the Research Term (including provisionals, divisionals, continuations and continuations-in-part of such applications); and (c) substitutions, extensions, reissues, renewals and inventors certificates relating to the foregoing patents, which ACADIA owns or controls or to which ACADIA has a license (with the right to sublicense). ACADIA Patents shall also mean any patents solely owned by ACADIA pursuant to Section 9.1 hereof. ACADIA Patents existing as of the Effective Date are the patents and applications listed in Exhibit C attached hereto.

1.4 "ACADIA Pool Compounds" shall have the meaning set forth in Section 4.2.

1.5 "ACADIA PRODUCT" shall mean any product containing a Collaboration Lead Compound which receives Regulatory Approval for commercial marketing and sale for use in the Field and is commercialized in the Field by ACADIA, its Affiliates or its sublicensees; including all formulations, line extensions and modes of administration thereof.

1.6 "ACADIA TECHNOLOGY" shall mean the ACADIA Patents and the ACADIA Know-How.

1.7 "ACTIVE COMPOUNDS" shall mean any M1 Muscarinic that demonstrates the requisite activity levels in the Assays pursuant to the Research Plan, as such activity levels may be amended from time to time by the RMC.

1.8 "AFFILIATE" shall mean any company or entity controlled by, controlling, or under common control with a party hereto and shall include any company of which greater than fifty percent (50%) of whose voting stock or participating profit interest is owned or controlled, directly or indirectly, by a party, and any company which owns or controls, directly or indirectly, greater than fifty percent (50%) of the voting stock of a party.

1.9 "ALLERGAN DESIGNATED COMPOUND" shall mean any one (1) of up to [***] Active Compounds, [***], at any one time selected as a drug candidate by Allergan pursuant to Section 4.3(a) hereof for research and development in the Field.

1.10 "ALLERGAN KNOW-HOW" shall mean all tangible or intangible know-how, trade secrets, inventions (whether or not patentable), data, preclinical and clinical results, physical, chemical or biological material, and other information and data on or relating to all [***] Muscarinics that are independently developed by Allergan or its Affiliates during the Research Term and, in each case, any replication or any part of such information or material.

1.11 "ALLERGAN PATENTS" shall mean any patents solely owned by Allergan pursuant to Section 9.1 hereof.

1.12 "Allergan Pool Compounds" shall have the meaning set forth in Section 4.2.

1.13 "ALLERGAN PRODUCT" shall mean any product containing a Collaboration Lead Compound which receives Regulatory Approval for commercial marketing and sale for use in the Field and is commercialized in the Field by Allergan, its Affiliates or its sublicensees; including all formulations, line extensions and modes of administration thereof.

1.14 "ALLERGAN TECHNOLOGY" shall mean the Allergan Patents and Allergan Know-How.

1.15 "ASSAYS" shall mean R-SAT-TM- assays used to measure activity at all muscarinic receptors and other IN VITRO molecular assays as determined by the RMC.

1.16 "COLLABORATION" shall mean the programs of collaborative research and development under this Agreement for the discovery, selection, synthesis, investigation, and preclinical and clinical development of [***] Muscarinics for use in the Field.

1.17 "COLLABORATION KNOW-HOW" shall mean any and all tangible or intangible know-how, trade secrets, inventions (whether or not patentable), data, preclinical results, physical, chemical or biological material, and other information and data that is (a) useful for purposes of the Collaboration and/or that relates to [***] Muscarinics, Allergan Designated Compounds, Allergan Pool Compounds or Collaboration Lead Compounds, but excluding ACADIA Designated Compounds and ACADIA Pool Compounds and (b) that is derived from or developed pursuant to activities undertaken by either party, including their consultants or collaborators in the conduct of the Collaboration, and, in each case, any replication or any part of such information or material.

1.18 "COLLABORATION LEAD COMPOUND" shall mean [***]Compound selected by Allergan pursuant to Section 4.5 hereof as [***] and commercialization for use in the Field.

1.19 "COLLABORATION PATENTS" shall mean all foreign and domestic patents (including substitutions, extensions, reissues, renewals and inventors certificates relating thereto) that issue from patent applications including provisionals, divisionals, continuations and continuations-in-part of such applications that claim inventions in the Collaboration Know-How and that are filed by one or both of the parties on behalf of one or both of the parties hereto.

1.20 "COLLABORATION TECHNOLOGY" shall mean the Collaboration Patents and the Collaboration Know-How.

1.21 "CONFIDENTIAL INFORMATION" shall mean all information, inventions, know-how or data disclosed by a party to the other pursuant to this Agreement including, without limitation, manufacturing, marketing, financial, personnel, scientific and other business information and plans, and the material terms of this Agreement, whether in oral, written, graphic or electronic form.

1.22 "FIELD" shall mean the prevention or treatment of ocular disease.

1.23 "FIRST COMMERCIAL SALE" of an Allergan Product or an ACADIA Product shall mean the first sale for use or consumption of such Allergan Product or such ACADIA Product in a country after Regulatory Approval has been granted by the governing health regulatory

authority of such country. Sale to an Affiliate or sublicensee shall not constitute a First Commercial Sale unless the Affiliate or sublicensee is the end user of the Allergan Product or ACADIA Product.

1.24 "FTE" shall mean full-time equivalent scientific personnel.

1.25 "IND" shall mean an Investigational New Drug Application filed with the United States Food and Drug Administration, or the equivalent application or filing necessary to commence human clinical trials in another country, as applicable.

1.26 "[***] MUSCARINICS" shall mean all [***] muscarinic receptor ligands (i) in ACADIA's possession as of the Effective Date, (ii) synthesized during the Research Term pursuant to the Research Plan or in any other ACADIA program which selectively targets activation of the [***] muscarinic receptor, or (iii) acquired from Third Parties during the Research Term pursuant to the Research Plan or in conjunction with any other ACADIA program which selectively targets activation of the [***] muscarinic receptor.

1.27 "MAJOR MARKET" shall mean the [***].

1.28 "NDA" shall mean a New Drug Application, Product License Application or equivalent application filed with the United States Food and Drug Administration, or the equivalent community application filed in [***], or the equivalent application filed as a national application in [***].

1.29 "NET SALES" shall mean, with respect to any Allergan Product or ACADIA Product, the amount invoiced by Allergan or ACADIA, their Affiliates or sublicensees to Third Parties which are not Affiliates or sublicensees of the selling party, unless such Affiliates or sublicensees are the end users of such Allergan Product or ACADIA Product in which case the amount billed therefor shall be deemed to be the amount that would be invoiced to a Third Party in an arm's length transaction, for the sale of such products less (i) cash discounts and/or quantity discounts allowed; (ii) credits and allowances of returns, rejections and recalls; (iii) charges for freight, insurance and transportation specifically included in the amount invoiced; (iv) sales and use taxes, duties or other governmental tariffs and other similar taxes incurred and government mandated rebates, (v) accruals for estimated wholesaler chargebacks, contract rebates and bid rebates and Medicaid and other similar government mandated rebates as Allergan or ACADIA may be required to pay from time to time, all of which shall be determined in accordance with such party's standard accounting methods. In the event an Allergan Product or an ACADIA Product is sold in a combination product with other biologically active components, Net Sales, for purposes of royalty payments on the combination product, shall be calculated by multiplying the Net Sales of that combination by the fraction A/B, where A is the gross selling price of the Allergan Product or ACADIA Product sold separately and B is the gross selling price of the combination product. In the event that no such separate sales are made, Net Sales for royalty determination shall be calculated by multiplying Net Sales of the combination by the fraction C/(C+D), where C is the fully allocated cost of the active ingredient (Collaboration Lead Compound) in the Allergan Product or ACADIA Product and D is the fully allocated cost of such other biologically active components. In no event shall Net Sales of any

Allergan Product or ACADIA Product calculated under this provision with respect to any combination product be less than [***] of the Net Sales of such combination product. In the event an Allergan Product or an ACADIA product is sold in a capitated arrangement or with other products (a "Combination") then Net Sales shall be calculated by multiplying the Net Sales of that Combination by the fraction A/B, where A is the gross selling price of the Allergan Product or ACADIA Product sold separately and B is the gross selling price of the Combination. In the event that no such separate sales are made, Net Sales for royalty determination shall be calculated by multiplying Net Sales of the Combination by the fraction C/(C+D), where C is the fully allocated cost of the Allergan Product or ACADIA Product and D is the fully allocated cost of the other products in the Combination. From time to time, but not less often than annually, the party owing any royalty with respect to Net Sales will determine the actual amount of rebates paid under clauses (iv) and (v) above and any differences between the estimates accrued under (v) above and the actual amounts paid will be treated as adjustments to Net Sales subject to royalty in the period in which such differences are so determined.

1.30 "PROOF OF CONCEPT IN GLAUCOMA PATIENTS" shall have the meaning stated in Exhibit A hereto.

1.31 "REGULATORY APPROVAL" shall mean any and all approvals (including price and reimbursement approvals), licenses, registrations, or authorizations of the United States or European Union or any country, federal, state or local regulatory agency, department, bureau or other government entity that is necessary for the manufacture, use, storage, import, transport and/or sale of an Allergan Product or an ACADIA Product in such jurisdiction.

1.32 "RESEARCH MANAGEMENT COMMITTEE" or "RMC" shall mean the committee formed pursuant to Section 2.4.

1.33 "RESEARCH PLAN" shall mean the plan for conducting the research under the Collaboration, as amended from time to time by the RMC. The initial Research Plan agreed upon by the parties hereto is attached to this Agreement as Exhibit B. Any amendments or revisions to the Research Plan shall be in writing and shall require unanimous approval of the RMC.

1.34 "RESEARCH PROGRAM" shall mean a collaborative research program in the Field under this Agreement with the goal of designating two Collaboration Lead Compounds for development and commercialization in the Field.

1.35 "RESEARCH TERM" shall mean [***] following the Effective Date and one additional [***] renewal period upon written notice from Allergan no less than [***] prior to the anniversary of the Effective Date, if Allergan has not selected two Collaboration Lead Compounds during the [***] period following the Effective Date. The Research Term may be further extended upon terms to be agreed upon by the parties in good faith negotiations.

1.36 "ROYALTY TERM" shall mean, in the case of each Allergan Product or ACADIA Product, in any country, the period of time commencing on the First Commercial Sale and ending upon the later of (a) ten (10) years from the date of First Commercial Sale in such

country, or (b) the expiration of the last to expire Valid Claim covering such Allergan Product or ACADIA Product in such country.

1.37 "TERM OF THE AGREEMENT" shall have the meaning ascribed in Section 12.1.

1.38 "TERRITORY" shall mean all countries of the world.

1.39 "THIRD PARTY" shall mean any entity other than Allergan or ACADIA or an Affiliate of Allergan or ACADIA.

1.40 "VALID CLAIM" shall mean a claim of an unexpired patent included within the patent rights licensed hereunder, which has not been held unenforceable, unpatentable or invalid by a decision of a court or other governmental agency of competent jurisdiction unappealable or unappealed within the time allowed for appeal and which has not been admitted to be invalid or unenforceable through reexamination, reissue or disclaimer.

2. SCOPE OF COLLABORATION; DEVELOPMENT RESPONSIBILITIES; EXCLUSIVITY AND GOVERNANCE.

2.1 SCOPE OF COLLABORATION. The parties hereby agree to establish and conduct, during the Research Term, a collaborative research program in accordance with the Research Plan and the terms of this Agreement. The initial Research Plan for conducting such research program is attached to this Agreement as Exhibit B. Pursuant to the Collaboration, the parties will collaborate in identifying Active Compounds with the goal of designating two Collaboration Lead Compounds for development and commercialization.

2.2 DEVELOPMENT RESPONSIBILITIES. ACADIA will be primarily responsible for providing all medicinal, computational and synthetic chemistry and m1 muscarinic R-SAT-TM- analysis and other IN VITRO molecular assays selected by the RMC. ACADIA will also be primarily responsible for providing sufficient quantities [***] of non-GMP Allergan Designated Compounds to Allergan for pre-IND animal proof of concept testing. Allergan will be primarily responsible for the IN VIVO testing in relevant disease models, the preclinical development of Allergan Designated Compounds in the Field including, but not limited to; pharmaceutics, ADME, toxicology, process chemistry and manufacturing scale up, and the further preclinical and clinical development of Collaboration Lead Compounds.

2.3 EXCLUSIVITY OF THE COLLABORATION. During the Research Term, the Research Program shall be the parties' exclusive means of collaborating and/or conducting research and development on [***] muscarinics in the Field. Other than pursuant to the terms of this Agreement, at the end of the Research Term for as long as Allergan is developing, and until Allergan has commercialized a Collaboration Lead Compound, Allergan shall not: (a) collaborate with any Third Party for the purpose of discovering, developing and/or commercializing any compounds for use in the Field that produce the intended therapeutic effects principally by selective activation of the [***] muscarinic receptor (b) license in or acquire from any Third Party any compound and/or product for use in the Field that produces the intended therapeutic effects principally by selective activation of the [***] muscarinic receptor or (c) conduct any research and/or development for the purpose of identifying compounds for use in the Field that produce the intended therapeutic effects principally by selective activation of the [***] muscarinic receptor.

For the purposes of the forgoing, ("selective") shall mean as set forth in the initial Research Plan attached as Exhibit B activity at the [***] muscarinic receptor at least [***] the activity at the [***] muscarinic receptor. At the end of the Research Term: if Allergan is developing a Collaboration Lead Compound in the Field, then (x) so long as Allergan is actively developing a Collaboration Lead Compound or commercializing an Allergan Product as permitted under this Agreement ACADIA shall not develop, itself, or with a Third Party any Allergan Designated Compound or ACADIA Designated Compound in the Field or any Collaboration Lead Compound in any field, and (y) for [***] after the end of the Research Term, only if Allergan continues to develop a Collaboration Lead Compound during such [***] period, ACADIA shall not develop any Allergan Designated Compound, itself, or with a Third Party, in any field, and (z) for [***] after the end of the Research Term, only if Allergan continues to develop a Collaboration Lead Compound during such [***] period, ACADIA shall not develop any [***] muscarinic, itself, or with a Third Party, in the Field.

2.4 RESEARCH MANAGEMENT COMMITTEE. Promptly after the Effective Date, the parties will form a Research Management Committee ("RMC") comprised of three (3) representatives of each of ACADIA and Allergan. One member of the RMC shall be selected to act as the chairperson of the RMC, with each chairperson acting for a term of [***]. The chairperson shall be selected alternately by Allergan and ACADIA, and ACADIA shall designate the first chairperson. The RMC shall determine the specific goals for the Collaboration, shall manage the ongoing research conducted under the Collaboration, and shall monitor the progress and results of such work. All decisions of the RMC shall be unanimous. The RMC shall meet on a quarterly basis or at such other frequency as the RMC agrees. The parties shall agree upon the time and place of meetings. Within [***] after each meeting, the RMC chairperson will provide the parties with a written report describing, in reasonable detail, the status of the Collaboration, a summary of the results and progress to date, the issues requiring resolution, and the agreed resolution of previously reported issues. A reasonable number of additional representatives of a party may attend meetings of the RMC in a non-voting capacity.

2.5 RESEARCH MANAGEMENT COMMITTEE FUNCTIONS AND POWERS. The RMC shall encourage and facilitate ongoing cooperation between the parties, establish, update, review and approve the Research Plan and other plans for accomplishing the Collaboration goals, allocate tasks and coordinate activities required to perform the Collaboration, monitor progress of the Collaboration and the parties' diligence in carrying out their responsibilities thereunder, oversee the conduct of all patent matters, determine the IN VITRO data and information that must be provided to Allergan and to ACADIA on each Active Compound to enable Allergan and ACADIA to determine their interest in selecting such Active Compound as an Allergan Pool Compound or an ACADIA Pool Compound and carry out the other duties and responsibilities described for it in this Agreement. The RMC shall also be responsible for developing and approving an annual research budget for activities to be performed by the parties pursuant to the Research Plan for [***] of the Research Term (including any renewal or extension thereof), subject to the minimum funding levels provided in Section 7.2. Such budget shall set forth the research funding to be provided by Allergan to ACADIA, which shall be determined based on the number of FTEs required for ACADIA to perform its activities under the Research Plan.

In addition, the RMC shall maintain and, on a regular basis, update and provide to the parties a list or lists of the following: Active Compounds, ACADIA Designated Compounds, ACADIA Pool Compounds, Allergan Designated Compounds, Allergan Pool Compounds, and Collaboration Lead Compounds.

2.6 INFORMATION AND REPORTS. Except as otherwise provided in this Agreement, the parties will make available and disclose to one another all results of the work conducted pursuant to the Collaboration prior to and in preparation for RMC meetings, in the form and format to be designated by the RMC.

2.7 RMC DISPUTE RESOLUTION. If the RMC is unable to decide or resolve an issue unanimously, the issue shall be referred to the Chief Scientific Officer of ACADIA and the President, Research and Development of Allergan. Such officers of the parties will meet promptly thereafter and shall negotiate in good faith to resolve such issue. If they cannot resolve the issue within [***] of commencing such negotiations then the issue shall be resolved as provided in Section 14.2.

3. TECHNOLOGY TRANSFER AND IDENTIFICATION OF ACTIVE COMPOUNDS.

3.1 TRANSFER OF ACADIA TECHNOLOGY. Commencing promptly after the Effective Date and from time to time thereafter, ACADIA shall disclose to Allergan such of the ACADIA Technology and relevant information with respect to ACADIA Designated Compounds as is reasonably necessary to enable Allergan to perform its Collaboration activities hereunder in accordance with the Research Plan and otherwise to exercise fully the licenses granted to Allergan hereunder, provided, however, that with respect to information relating to ACADIA Designated Compounds, ACADIA shall only be required to disclose such information to the extent that it is permitted to do so and Allergan shall only have the right to use such information for research purposes. During the Term of the Agreement, ACADIA will provide Allergan with reasonable technical assistance relating to the use of such ACADIA Know-How and the practice of such ACADIA Patents in the Field solely to the extent permitted under the licenses granted to Allergan herein. In the event that ACADIA provides any materials to Allergan pursuant to the Research Plan, the parties will enter into a Materials Transfer Agreement in the form attached hereto as Exhibit D with respect to such materials.

3.2 TRANSFER OF ALLERGAN TECHNOLOGY. Commencing promptly after the Effective Date and from time to time thereafter, Allergan shall disclose to ACADIA such of the Allergan Technology as is reasonably necessary to enable ACADIA to perform its Collaboration activities hereunder in accordance with the Research Plan and otherwise to exercise fully the licenses granted to ACADIA hereunder. For the avoidance of doubt, Allergan shall have no obligation to disclose to ACADIA clinical data related to Collaboration Lead Compounds other than as required pursuant to Section 5.2, unless ACADIA exercises its right to develop and commercialize collaboration Lead Compounds pursuant to Section 6.5, 12.5(b) or 12.5(c). In addition, Allergan shall make available all data and information existing as of the Effective Date generated by Allergan, its Affiliates or its collaborators under the Confidential Disclosure Agreement dated March 1, 1998 between ACADIA and Allergan. During the Term of the Agreement, Allergan will provide ACADIA with reasonable technical assistance relating to the use of such Allergan Know-How and the practice of such Allergan Patents solely to the extent

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permitted under the license granted to ACADIA herein. In the event that Allergan provides any materials to ACADIA pursuant to the Research Plan, the parties will enter into a Materials Transfer Agreement in the form attached hereto as Exhibit D with respect to such materials.

3.3 IDENTIFICATION OF ACTIVE COMPOUNDS. During the Research Term, the parties shall collaborate in accordance with the Research Plan to perform research to identify Active Compounds with the potential to become Allergan Designated Compounds or ACADIA Designated Compounds. The parties shall report the results of such research promptly to the RMC.

4. COMPOUND TESTING AND SELECTION.

4.1 TESTING TO IDENTIFY ACTIVE COMPOUNDS.

(a) COMPOUNDS FOR TESTING. During the Research Term, ACADIA will make all [***] Muscarinics available for testing in the Assays pursuant to the Research Plan. ACADIA will promptly provide to the RMC any information in ACADIA's possession regarding the chemical structure and properties of such compounds. In addition, the RMC may agree to have ACADIA synthesize additional compounds and to obtain from Third Parties rights to screen compounds owned or controlled by Third Parties; PROVIDED, HOWEVER, that if there would be any amounts payable to such Third Party for testing such compounds or making, using or selling products containing such compounds, no such Third Party compounds will be procured and screened without the consent of both parties.

(b) TESTING. ACADIA shall use commercially reasonable efforts to conduct the testing in the Assays of [***] Muscarinics pursuant to the Research Plan or selected for testing under Section 4.1(a). The primary goal of the testing is to determine the activity of such selected compounds to identify Active Compounds.

(c) IDENTIFICATION OF ACTIVE COMPOUNDS. Promptly after completing the testing of a batch of compounds under this Section 4.1 in the Assays, ACADIA will provide to the RMC the results of such testing. The RMC will review such Assay results promptly after receipt and will determine which of the screened compounds meet the requirements established in the Research Plan for designation as Active Compounds, as such requirements may be modified by the RMC. Upon designating Active Compounds, the RMC shall add such compounds to the list of all Active Compounds, which shall be maintained by the RMC, and shall forward the updated list to each party.

4.2 SELECTION OF POOL COMPOUNDS. The process for selection of Active Compounds as Allergan Pool Compounds or as ACADIA Pool Compounds shall be as set forth in this Section 4.2, and as such process may be amended by the RMC from time to time.

The parties shall meet on a quarterly basis, or more frequently, as agreed to by the RMC, to select Active Compounds which have the potential of becoming Allergan Designated Compounds or ACADIA Designated Compounds, hereinafter defined as a "Compound Selection Meeting". Such Compound Selection Meetings shall be scheduled contemporaneously with RMC meetings, to the extent practicable. At least [***] before each Compound Selection Meeting ACADIA shall provide to the RMC the Assay results on all [***] Muscarinics tested since the last report describing such Assay results was delivered to the RMC. The Assay

results shall be provided in a form as agreed to by the RMC. Each Compound Selection Meeting shall begin by reviewing the Assay results provided by ACADIA prior to such Compound Selection Meeting and, pursuant to Section 4.1 (c), determining which of the screened compounds meet the requirements for designation as Active Compounds.

The selection of Active Compounds by ACADIA and by Allergan shall take place at each Compound Selection Meeting in [***] and each such Active Compound selected [***] shall hereinafter be defined as an Allergan Pool Compound or ACADIA Pool Compound, [***]. [***] shall make the [***] the initial Compound Selection Meeting [***]. The RMC shall record [***]. From the date upon which each [***] Pool Compound is designated hereunder until the end of the Research Term, [***] shall not [***] Pool Compounds. At the end of the Research Term all rights to [***] Pool Compounds but not [***] Designated Compounds or Collaboration Lead Compounds shall [***].

4.3 SELECTION OF DESIGNATED COMPOUNDS.

(a) SELECTION BY ALLERGAN. Allergan shall have the right, in consultation with the RMC, to select up to [***] Allergan Pool Compounds that appear promising for preclinical evaluation by Allergan for use in the Field. At the time of such selection, such selected Allergan Pool Compounds shall be designated as Allergan Designated Compounds. From time to time thereafter, Allergan may designate additional Allergan Pool Compounds as Allergan Designated Compounds or remove the designation from previously designated Allergan Designated Compounds so long as the total number of Allergan Designated Compounds shall not exceed [***] at any time.

Allergan shall use reasonable efforts to conduct, at its own expense, all preclinical testing and investigations necessary for Allergan to select appropriate Allergan Designated Compounds to designate as Collaboration Lead Compounds for further development. Such further development may include, at Allergan's reasonable discretion, but not be limited to, GLP toxicology studies, formulation and process development, animal testing and other preclinical pharmaceutical development necessary to prepare and file an IND and all additional animal testing and human clinical testing necessary to file a NDA. Except as provided in Section 2.2, Allergan will be responsible for providing, at its own expense, the supply of all Allergan Designated Compounds and Collaboration Lead Compounds necessary for preclinical and clinical development worldwide.

Allergan shall provide promptly to the RMC the results of all work it performs pursuant to this Section 4.3(a) during the Research Term. Allergan shall use reasonable efforts to conduct such work in order to select a Collaboration Lead Compound as soon as possible. From the date upon which each Allergan Designated Compound is designated hereunder until the date that is [***] following the end of the Research Term, ACADIA will not grant any license

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to a Third Party under its interest in the Allergan Designated Compounds. On the date that is [***] following the end of the Research Term all rights to Allergan Designated Compounds (unless such Allergan Designated Compound has been selected as a Collaboration Lead Compound and Allergan continues development or commercialization of such Collaboration Lead Compound) shall revert to ACADIA, subject to the provisions of Section 2.3 hereof.

(b) SELECTION BY ACADIA. ACADIA shall have the right, in consultation with the RMC, to select up to [***] ACADIA Pool Compounds for use in ACADIA's own research programs or the research programs of Third Parties selected by ACADIA. At the time of such selection, such selected ACADIA Pool Compounds shall be designated as ACADIA Designated Compounds. From time to time thereafter, ACADIA may designate additional ACADIA Pool Compounds as ACADIA Designated Compounds or remove the designation from previously designated ACADIA Designated Compounds so long as the total number of ACADIA Designated Compounds shall not exceed [***] at any time.

4.4 SUBSTITUTION OF DESIGNATED COMPOUNDS

In the event that Allergan elects to remove the designation from a previously designated Allergan Designated Compound and replace such Allergan Designated Compound with another Allergan Pool Compound, then Allergan shall provide ACADIA notice of Allergan's intent to substitute such Allergan Designated Compound and ACADIA shall have the right to select such previously designated Allergan Designated Compound as an ACADIA Designated Compound. If within [***] following such notice, ACADIA has not provided notice to Allergan that it intends to select such previously designated compound as an ACADIA Designated Compound then such previously designated Allergan Designated Compound shall become an Allergan Pool Compound.

In the event that ACADIA elects to remove the designation from a previously designated ACADIA Designated Compound and replace such ACADIA Designated Compound with another ACADIA Pool Compound, then ACADIA shall provide Allergan notice of ACADIA's intent to substitute such ACADIA Designated Compound and Allergan shall have the right to select such previously designated ACADIA Designated Compound as an Allergan Designated Compound. If within [***] following such notice, Allergan has not provided notice to ACADIA that Allergan intends to select such previously designated compound as an Allergan Designated Compound then such previously designated ACADIA Designated Compound shall become an ACADIA Pool Compound.

4.5 SELECTION OF COLLABORATION LEAD COMPOUNDS. Allergan shall have the right to select and designate, by written notice to ACADIA and the RMC, up to two (2) Collaboration Lead Compounds for clinical development. Allergan shall use reasonable efforts to select a Collaboration Lead Compound prior to the end of the Research Term. Upon selection of an Allergan Designated Compound as a Collaboration Lead Compound, Allergan shall be entitled to select another Allergan Pool Compound as an Allergan Designated Compound so that it retains [***] Allergan Designated Compounds. Allergan may, at any time, exchange a Collaboration Lead Compound for an Allergan Designated Compound, which will then become a Collaboration Lead Compound.

5. PRODUCT DEVELOPMENT MANUFACTURING AND SUPPLY.

5.1 DEVELOPMENT OF COLLABORATION LEAD COMPOUNDS. After selection of each Collaboration Lead Compound Allergan shall prepare and deliver to ACADIA within a reasonable period, such period not to exceed [***] for a draft and [***] for a final, thereafter, a written development plan for conducting research and development on such Collaboration Lead Compound, describing the activities and projected timing of the activities necessary to obtain Regulatory Approval for such Collaboration Lead Compound. Each such development plan shall be prepared by Allergan in a manner consistent with commercially reasonable standards and practices in the industry. Allergan shall have the sole responsibility for conducting preclinical and clinical development of Collaboration Lead Compounds in accordance with the development plan. Allergan agrees to use commercially reasonable efforts to fund and perform such development in Major Markets.

5.2 DISCLOSURE OF STUDY DATA ON COLLABORATION LEAD COMPOUNDS. At least once every [***] from the date upon which Allergan designates a Collaboration Lead Compound(s), Allergan shall provide to ACADIA prior to an IND filing for such Collaboration Lead Compound, a report summarizing the scientific results of studies on such Collaboration Lead Compound and, subsequent to an IND filing for such Collaboration Lead Compound, the IND update or equivalent report required by the United States Food and Drug Administration for such Collaboration Lead Compound. In each such report, Allergan shall provide ACADIA a description of the progress made during the [***] towards obtaining Regulatory Approval of such Collaboration Lead Compound and the plans for the [***]. Allergan shall have the right to modify the development plan in the event that commercial, scientific or competitive conditions or regulatory requirements change during the course of the development and/or there are unanticipated results obtained in preclinical or clinical studies.

5.3 MANUFACTURE AND SUPPLY. Except as outlined in Section 2.2, Allergan shall be responsible for providing, at its sole expense, the supply of all Allergan Designated Compounds and Collaboration Lead Compounds necessary for the preclinical and clinical development of such Allergan Designated Compounds and Collaboration Lead Compounds and all Allergan Products necessary for commercialization worldwide.

6. LICENSE GRANTS; FAILURE TO PURSUE DEVELOPMENT IN JAPAN.

6.1 LICENSE GRANTS FOR COLLABORATIVE RESEARCH.

(a) GRANT BY ACADIA. During the Research Term and for [***] thereafter with respect to Allergan Designated Compounds, ACADIA grants to Allergan an exclusive (except as to ACADIA's rights expressly set forth in this Agreement), worldwide, non-transferable (except as to Japan), royalty-free license, with the right to sublicense only as it relates to Japan, under the ACADIA Technology and ACADIA's interest in the Collaboration Technology to use such technology solely to the extent necessary or appropriate to carry out Allergan's research responsibilities under the Collaboration in the Field. Allergan has the right to subcontract with Third Parties for the performance of research and development activities, PROVIDED, HOWEVER, that (i) the contracted Third Party shall enter into a confidentiality agreement with Allergan; and (ii) Allergan shall supervise such subcontract work.

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(b) GRANT BY ALLERGAN. During the Research Term, Allergan grants to ACADIA a nonexclusive, worldwide, royalty-free license, under the Allergan Technology and Allergan's interest in the Collaboration Technology, to use such technology solely to the extent necessary or appropriate to carry out ACADIA's research responsibilities under the Collaboration.

6.2 LICENSE GRANT FOR DEVELOPMENT AND COMMERCIAL PURPOSES. Subject to other provisions of this Agreement, ACADIA grants to Allergan the following rights and licenses:

(a) an exclusive, royalty-free license under the ACADIA Technology and ACADIA's interest in the Collaboration Technology to make, have made, and use Collaboration Lead Compounds in order to conduct necessary preclinical, clinical and other development activities on such Collaboration Lead Compounds to obtain Regulatory Approval for use in the Field as Allergan Products;

(b) an exclusive, royalty-bearing license under the ACADIA Technology and ACADIA's interest in the Collaboration Technology to make, have made, use and sell Allergan Products in the Field in the Territory.

6.3 SUBLICENSING RIGHTS. Allergan shall have the right to sublicense the rights granted by ACADIA in Section 6.2.

6.4 DILIGENCE OBLIGATIONS. Allergan's development and commercialization rights will be subject to development, manufacturing, and commercial diligence obligations consistent with Allergan's practice for products with similar commercial potential. Such diligence obligations shall include, but not be limited to, diligent execution of a development plan pursuant to Section 5.1 and diligently beginning the development of each Collaboration Lead Compound [***] either itself, or through a Third Party. Allergan shall give written notice to ACADIA no later than the time that Allergan begins Phase III trials of such Collaboration Lead Compound in a Major Market specifying whether Allergan intends to develop such Collaboration Lead Compound [***] either by itself or in collaboration with a Third Party. In the event that Allergan provides ACADIA with written notice that Allergan will develop such Collaboration Lead Compound itself, Allergan will deliver to ACADIA a development plan within [***] of such notice. Such [***] development plan shall comply with the provisions of Section 5.1. In the event that Allergan provides ACADIA with written notice that Allergan will develop such Collaboration Lead Compound through a Third Party, Allergan will use reasonable efforts to select and complete an Agreement with such Third Party to develop said Collaboration Lead Compound and commercialize the resulting Allergan Product in [***] within [***] of such notice.

6.5 FAILURE TO PURSUE DEVELOPMENT IN [***]. If Allergan fails to diligently begin the development of a Collaboration Lead Compound in [***] as required in Section 6.4, Allergan will grant to ACADIA an exclusive (even as to Allergan), perpetual and royalty-free right, with the right to sublicense, under the Allergan Technology and Allergan's interest in the Collaboration Technology to make, have made, use and sell Active Compounds, including Allergan Designated Compounds, Allergan Pool Compounds and Collaboration Lead Compounds, in the Field in [***] itself, or with any Third Party. Allergan will release ACADIA from ACADIA's ophthalmology exclusivity requirement pursuant to the September 24, 1997 Collaboration

Agreement as it relates to ACADIA's right to make, have made, use and sell Active Compounds, including Allergan Designated Compounds, Allergan Pool Compounds and Collaboration Lead Compounds, in the Field in [***] itself or with a Third Party. ACADIA will also have the royalty-free right to use all Allergan Know-How and Collaboration Know-How to (a) make, have made, use and sell Active Compounds, including Allergan Designated Compounds, Allergan Pool Compounds and Collaboration Lead Compounds, in the Field in [***] and (b) pursue regulatory approval to make, have made, use and sell Active Compounds, including Allergan Designated Compounds, Allergan Pool Compounds and Collaboration Lead Compounds, in the Field in [***].

7. FEES AND PAYMENTS.

7.1 UP-FRONT FEE. On the date of execution of this Agreement Allergan shall pay ACADIA a one-time, non-refundable fee of [***].

7.2 RESEARCH FUNDING. During the [***] of the Research Term, Allergan agrees to pay ACADIA, on a quarterly basis in advance, payable no later than the [***] of the quarter, research funding payments at an annualized rate of [***] per ACADIA FTE devoted to the Research Program during the [***] of the Research Term. Thereafter, such rate per ACADIA FTE will be increased, if applicable, for the [***] of the Research Term by a multiplier factor which reflects changes in the Pharmaceutical Manufacturers' Producer Price Index for the United States (or its successor Index) as reported as of the date that is [***] prior to the anniversary of the Effective Date when compared to the comparable statistic as of the date that is [***] prior to the Effective Date, subject to a cap of [***] per ACADIA FTE. Such funding shall be in such amounts as are set forth in the Research Plan, provided that the Research Plan shall initially provide for at least a total of [***] ACADIA FTEs for the longer of the first [***] of the Research Term or until a Collaboration Lead Compound is designated by Allergan. Once a Collaboration Lead Compound is designated by Allergan, the RMC will amend the Research Plan and agree upon the amount of research funding to be paid by Allergan to ACADIA during the final [***] or fraction thereof remaining before the first anniversary date of this Agreement. Such research funding shall support a minimum of [***] ACADIA FTEs. If the Research Term is extended beyond the first anniversary of this Agreement the actual funding level for such extension shall be agreed upon by the RMC; provided, however, if such funding does not support a minimum of [***] ACADIA FTEs, then Allergan shall not be able to select as an Allergan Designated Compound or a Collaboration Lead Compound any compound that was not an Allergan Pool Compound on the [***] anniversary date of this Agreement.

It is intended that, as determined by the RMC, Allergan will provide sufficient research funding to ACADIA during the Research Term (and any renewal or extension thereof) to support the number of FTEs required to pursue the activities set forth in the Research Plan in accordance with Exhibit B hereto, as the Research Plan is developed and approved by the RMC, in accordance with the research budget developed and approved by the RMC as described in Section 2.5, and subject to the limitations, including the minimum funding levels, set forth above. The first and last quarter payments shall be prorated, with the first quarter payment due

[***] after the Effective Date. ACADIA shall give notice to Allergan in the event that the total FTEs for its muscarinic program drop below [***] FTEs.

7.3 MILESTONE PAYMENTS.

(a) Within [***] after achievement by Allergan, its Affiliates, sublicensees, partners, collaborators or other Third Parties designated by Allergan, of each of the following milestones with respect to each Collaboration Lead Compound Allergan shall pay ACADIA the following non-refundable milestones (provided, however, that if Allergan abandons development of a Collaboration Lead Compound and replaces it with development of another Collaboration Lead Compound, no duplicate milestone payments shall be due for the replacement compound if such milestone payment was made with respect to the compound it replaced):

MILESTONE EVENT	AMOUNT OF PAYMENT
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

(b) [***] of each milestone payment made by Allergan for Milestone Events 5, 6, and 8 above shall be creditable against royalties owed on Net Sales of Allergan Products, pursuant to Section 7.4, provided that in no event shall ACADIA receive less than [***] of the royalties otherwise due to it for such Collaboration Lead Compound in any given quarter.

7.4 ROYALTIES.

(a) ALLERGAN ROYALTY PAYMENTS TO ACADIA. Allergan shall pay to ACADIA the following royalties on annual Net Sales: (a) [***] of Net Sales of Allergan Products on all annual Net Sales up to [***]; and (b) [***] of incremental annual Net Sales of Allergan Products in excess of [***] up to [***] and (c) [***] of incremental annual Net Sales of Allergan Products in excess of [***]; subject to any adjustment pursuant to Section 7.4 (c). For purposes of the foregoing, annual Net Sales shall be determined on a calendar year basis.

(b) ACADIA ROYALTY PAYMENTS TO ALLERGAN. If Allergan files an IND which is accepted by the FDA on a Collaboration Lead Compound, and this Agreement is later terminated by Allergan (other than for breach by ACADIA), and ACADIA, in collaboration with a Third Party licensee, uses Allergan Technology and/or Collaboration Technology in connection with the development or commercialization of such Collaboration Lead Compound for use in the Field then ACADIA shall pay to Allergan, as applicable, an up-front fee and milestone payment(s) (excluding equity investments) and a royalty equal to the percentage appropriately applied from the following table multiplied by the up-front fee and milestone payment(s) (excluding equity investments) received by ACADIA and royalty payments received by ACADIA from such Third Party licensee on Net Sales of ACADIA Products containing such Collaboration Lead Compound, subject to any adjustment pursuant to Section 7.4 (c).

Last Event Completed Prior to Termination by Allergan	Percentage of ACADIA royalty, upfront fee and milestones
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

In the event that ACADIA uses Allergan Technology and/or Collaboration Technology in connection with the development or commercialization of such Collaboration Lead Compound for use in the Field and ACADIA commercializes such Collaboration Lead Compound itself, rather than outlicensing rights to such Collaboration Lead Compound to a Third Party, then ACADIA shall pay to Allergan, as applicable, an upfront fee and milestone payment(s) (excluding equity investments) and a royalty on Net Sales of ACADIA Products containing such Collaboration Lead Compound (which royalty shall not be less than [***] of Net Sales) which shall be negotiated in good faith by the parties in light of the industry standards at that time for deals executed at the stage of development last completed by Allergan each multiplied by the applicable percentage from the table above subject to any adjustment pursuant to Section 7.4 (c).

Notwithstanding the foregoing, in the event that the total of all upfront fee and milestone payments paid to Allergan by ACADIA pursuant to this Section 7.4 (b) are less than the total

upfront fee and milestones paid to ACADIA by Allergan prior to the termination of this Agreement by Allergan, then ACADIA shall make a final milestone payment to Allergan upon NDA Approval of an ACADIA Product containing such Collaboration Lead Compound in a Major Market, the amount of such final payment equal to the difference between the total of the upfront fee and milestone payments paid by ACADIA to Allergan pursuant to this Section 7.4 (b) and the actual total amount of the upfront fee and milestones paid to ACADIA by Allergan prior to termination of this Agreement by Allergan.

(c) ROYALTY RATE IN THE EVENT OF NO MARKET EXCLUSIVITY. In the event that Allergan Products or ACADIA Products are sold in a Major Market, [***] (hereinafter each of which individually is defined as a "Key Commercial Country") in which (i) no Valid Claim exists, and (ii) unit sales of such Allergan Product or ACADIA Product as measured by IMS, or its successor database, in a calendar quarter in a Key Commercial Country are less than [***] of the Total Market Units in such Key Commercial Country, in such calendar quarter, then the royalty payment due to ACADIA or to Allergan, as the case may be, for Net Sales of such Allergan Product or ACADIA Product in such Key Commercial Country, as the case may be, [***]. For the purpose of this Section 7.4(c), Total Market Units shall mean the sum of (i) the units of the Allergan Product or ACADIA Product sold and (ii) the total number of units sold of all generic products which contain the same active ingredient as the Collaboration Lead Compound contained in such Allergan Product or ACADIA Product and are approved for a similar therapeutic use as such Allergan Product or ACADIA Product, each as measured by IMS or its successor database. In the event that (x) a Valid Claim covering the Allergan Product or ACADIA Product is established or re-established in such Key Commercial Country, or (y) unit sales of such Allergan Product or ACADIA Product as measured by IMS, or its successor database in such Key Commercial Country become greater than [***] of the Total Market Units in such Key Commercial Country, then the royalty payment due to ACADIA or to Allergan, as the case may be, with respect to Net Sales of such Allergan Product or ACADIA Product in such Key Commercial Country, as the case may be, after such date shall revert to [***].

In the event that Allergan Products or ACADIA Products are sold in a country which is not a Key Commercial Country (hereinafter each such country is individually defined as a "Non-Key Commercial Country") in which (i) no Valid Claim exists, and (ii) there are commercial sales by a Third Party of a generic product(s) which contains the same active ingredient as the Collaboration Lead Compound contained in such Allergan Product or ACADIA Product and which generic product(s) is approved for a similar therapeutic use as such Allergan Product or ACADIA Product, then the royalty payment due to ACADIA or to Allergan, as the case may be, for Net Sales of such Allergan Product or ACADIA Product in such Non-Key Commercial Country, as the case may be, shall be [***]. In the event that (x) a Valid Claim covering the Allergan Product or ACADIA Product is established or re-established in such Non-Key Commercial Country, or (y) all such Third Parties shall cease sale of such generic product(s) in such Non-Key Commercial Country, then the royalty payment due to ACADIA or to Allergan, as the case may be, with respect to Net Sales of such Allergan Product or ACADIA Product in such non-Key Commercial Country, as the case may be, after such date shall [***].

(d) ROYALTY TERM. Royalties for sales of each Allergan Product or ACADIA Product in a given country shall be paid for a period equal to the Royalty Term for such Allergan Product or ACADIA Product in such country.

(e) CREDIT FOR THIRD PARTY ROYALTIES. In the event that a party obligated to pay royalties under this Agreement must make royalty payments under a license from a Third Party in respect of any patents that are necessary to develop, make, have made, use, sell, have sold or import a Collaboration Lead Compound, an Allergan Product or an ACADIA Product then such party may reduce the royalty otherwise owing on Net Sales of such product [***] of the royalty payments made under such Third Party license; provided, however, that the royalty otherwise payable under the applicable provision of this Agreement during any quarter shall not be reduced by more than [***].

8. PAYMENTS; RECORDS; AUDITS.

8.1 PAYMENT; REPORTS. Royalty payments and reports for the sale of Allergan Products or ACADIA Products shall be calculated and reported for each calendar quarter. All royalty payments due to a party under this Agreement shall be paid within [***] of the end of each calendar quarter. Each payment of royalties shall be accompanied by a report of Net Sales of Allergan Products or ACADIA Products, in sufficient detail to permit confirmation of the accuracy of the royalty payment made, including, without limitation, the number of each Allergan Product or ACADIA Product sold, the gross sales and Net Sales of each Allergan Product or ACADIA Product, the royalties, in U.S. dollars, payable, the exchange rates used and any other information necessary to determine the appropriate amount of royalties due.

8.2 EXCHANGE RATE; MANNER AND PLACE OF PAYMENT. All payments hereunder shall be payable in U.S. dollars. With respect to each quarter, for countries other than the United States, whenever conversion of payments from any foreign currency shall be required, such conversion shall be calculated using the same exchange rate(s) that the payor uses for its own U.S. dollar financial statement reporting purposes prepared in accordance with GAAP. All payments owed under this Agreement shall be made by wire transfer to a bank and account designated in writing by the payee, unless otherwise specified by such payee.

8.3 LATE PAYMENTS. In the event that any payment, including royalty, milestone and research payments, due hereunder is not made when due, the payment shall accrue interest from the date due at the rate of [***]; provided, however, that in no event shall such rate exceed the maximum legal annual interest rate, The payment of such interest shall not limit a party from exercising any other rights it may have as a consequence of the lateness of any payment.

8.4 RECORDS AND AUDITS. During the Royalty Term and for a period of [***] thereafter, each party shall keep complete and accurate records pertaining to the development and sale or other disposition of Allergan Products or ACADIA Products, in sufficient detail to permit the other party to confirm the accuracy of all payments due hereunder. Each party shall have the right to cause an independent, certified public accountant reasonably acceptable to the other to audit such records to confirm Net Sales and royalty and other payments for a period covering not more than the preceding [***]. Such audits may be exercised during

normal business hours [***] upon at least [***] prior written notice to the other party. Prompt adjustments shall be made by the parties to reflect the results of such audit. The party causing such audit shall bear the full cost of such audit unless such audit discloses an underpayment of more than [***] from the amount of royalties or other payments due under this Agreement. In such case, the audited party shall bear the full cost of such audit.

8.5 WITHHOLDING OF TAXES. Any withholding of taxes levied by tax authorities outside the United States on the payments hereunder shall be borne by the party receiving such payment and deducted by the party making such payment from the sums otherwise payable by it hereunder for payment to the proper tax authorities. The parties agree to cooperate with each other, in the event a party claims exemption from such withholding or seeks deductions under any double taxation or other similar treaty or agreement from time to time in force, such cooperation to consist of providing receipts of payment of such withheld tax or other documents reasonably available.

8.6 EXCHANGE AND ROYALTY RATE CONTROLS. If at any time legal restrictions prevent the prompt remittance of part or all royalties with respect to any country where any Allergan Product or ACADIA Product is sold, payment shall be made through such lawful means or methods as the party making such payment may determine. When in any country the law or regulations prohibit both the transmittal and deposit of royalties on sales in such a country, royalty payments shall be suspended for as long as such prohibition is in effect, and as soon as such prohibition ceases to be in effect, all royalties that would have been obligated to be transmitted or deposited, but for the prohibition, shall forthwith be deposited or transmitted promptly to the extent allowable, as the case may be. If any royalty rate specified in this Agreement should exceed the permissible rate established in any country, the royalty rate for sales in such country shall be adjusted to the highest legally permissible or government-approved rate.

9. INTELLECTUAL PROPERTY.

9.1 OWNERSHIP OF TECHNOLOGY. Inventorship with respect to inventions made pursuant to work carried out under the Collaboration shall be determined in accordance with United States rules of inventorship. Except as provided below, each party shall own solely all inventions made solely by its employees and agents, and the parties shall own jointly all inventions jointly made hereunder.

9.2 PATENT PROSECUTION. It is the intention of the parties to secure broad patent protection for discoveries and inventions made in connection with the Collaboration. Allergan shall be responsible for the filing, prosecution and maintenance at Allergan's sole cost of all Allergan Patents, and all Collaboration Patents or ACADIA Patents to the extent the claims filed in the Collaboration Patents or ACADIA Patents are limited to the Field or Collaboration Lead Compounds. Except for those patents or patent applications described above, ACADIA shall be responsible for the filing, prosecution and maintenance of all ACADIA Patents and all Collaboration Patents. Allergan shall reimburse ACADIA for [***] of all reasonable out of pocket legal expenses incurred by ACADIA that are associated with the filing and prosecuting of (i) all Collaboration Patent(s) and (ii) any ACADIA Patents having claims covering [***] Muscarinics that are useful in the Field. In the event that ACADIA elects to

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assign, including an assignment pursuant to the provisions of Section 15.7, its right to file, prosecute and maintain Collaboration Patents or ACADIA Patents having claims covering Collaboration Lead Compounds or their use thereof in the Field, then Allergan may, except in the case of an assignment by ACADIA to any Affiliate, to a special purpose corporation or similar entity which assignment is permitted under Section 15.7, assume responsibility for the filing, prosecution and maintenance of such Collaboration Patents and/or ACADIA Patents at Allergan's own expense, provided, however, that if Allergan's assumption of such responsibilities would impair a transaction permitted under Section 15.7 then Allergan shall negotiate in good faith to remedy such impairment. Each party shall consider in good faith the requests and suggestions of the other party with respect to strategies for filing and prosecuting patent applications, and, in particular, ACADIA agrees that, at Allergan's request, and to the extent practicable and that such activities do not materially diminish ACADIA's overall patent estate, patent applications for Collaboration Patents or ACADIA Patents will be filed with claims limited to the Field or Collaboration Lead Compounds, provided however, that in the event that Allergan designates a Collaboration Lead Compound and provides notice to ACADIA that Allergan desires to file a patent application for Collaboration Patents or ACADIA Patents covering such Collaboration Lead Compound, Allergan shall not make such filing for a period of [***] following such notice to ACADIA, without prior written consent by ACADIA. Each party shall keep the other party informed of progress with regard to the filing, prosecution and maintenance of patent applications and patents subject to this Section 9.2. In the event a party is responsible for the filing, prosecution and maintenance of patent applications or patents hereunder, and elects, other than as provided above, not to do so, it shall inform the other party at least [***] before any relevant deadline for filing or other action and transmit all information reasonable and appropriate relating to such patent or patent application, and such other party shall then have the right to file, prosecute and maintain such patent applications and patents at its own expense, in which case the party declining to continue such patent applications and patents shall assign its rights in such patent applications and patents to the other party.

9.3 COOPERATION OF THE PARTIES. Each party agrees to cooperate fully in the preparation, filing, and prosecution of any patent rights under this Agreement. Such cooperation includes, but is not limited to:

(a) executing all papers and instruments, or requiring its employees or agents, to execute such papers and instruments, so as to effectuate the ownership of patent rights set forth in Section 9.1 above and to enable the other party to apply for and to prosecute patent applications in any country; and

(b) promptly informing the other party of any matters coming to such party's attention that may affect the preparation, filing, or prosecution of any such patent applications.

9.4 INFRINGEMENT BY THIRD PARTIES. ACADIA and Allergan shall promptly notify the other in writing of any alleged or threatened infringement of any patent included in the Allergan Patents, ACADIA Patents or Collaboration Patents of which they become aware. Both parties shall use their best efforts in cooperating with each other to terminate such infringement without litigation with each party being responsible for its own out-of-pocket costs, including legal costs. In the event any alleged or threatened infringement by a Third Party in the Field cannot be terminated without litigation, Allergan shall have the first right, but not the obligation, to bring

and control any action or proceeding with respect to infringement of a patent included in the Allergan Patents or Collaboration Patents and ACADIA Patents having claims limited to the Field or Collaboration Lead Compounds, at its own expense and by counsel of its own choice. ACADIA shall have the first right to bring and control any action or proceeding with respect to infringements of a patent in the ACADIA Patents or Collaboration Patents not referred to in the preceding sentence. The party not bringing the action shall have the right, at its own expense, to be represented in any action involving any patent covering inventions owned jointly by the parties by counsel of its own choice. If either party fails to bring an action or proceeding with respect to a patent covering inventions licensed hereunder within: (a) [***] following the notice of alleged infringement or (b) [***] before the time limit, if any, set forth in the appropriate laws and regulations for the filing of such actions, whichever comes first, the other party shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and the party initially declining to bring such action shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. In the event a party brings an infringement action, the other party shall cooperate fully, including if required to bring such action, the furnishing of a power of attorney. Neither party shall have the right to settle any patent infringement litigation under this Section 9.4 in a manner that diminishes the rights or interests of the other party without the consent of such other party. Except as otherwise agreed to by the parties as part of a cost sharing arrangement, any recovery realized as a result of such litigation, after reimbursement of any litigation expenses of Allergan and ACADIA, shall be divided between the parties in accordance with their relative economic interests as directly related to the royalty payments described in Section 7.4 hereof.

9.5 INFRINGEMENT OF THIRD PARTY RIGHTS. Each party shall promptly notify the other in writing of any allegation by a Third Party that the activity of either of the parties hereunder infringes or may infringe the intellectual property rights of such Third Party.

Allergan shall have the first right but not the obligation to control any defense of any such claim involving alleged infringement of Third Party rights by Allergan's activities under this Agreement at its own expense and by counsel of its own choice, and ACADIA shall have the right but not the obligation, at its own expense, to be represented in any such action by counsel of its own choice. If Allergan fails to proceed in a timely fashion with regard to such defense, ACADIA shall have the right but not the obligation to control any such defense of such claim at its own expense and by counsel of its own choice, and Allergan shall have the right but not the obligation, at its own expense, to be represented in any such action by counsel of its own choice.

ACADIA shall have the first right but not the obligation to control any defense of any such claim involving alleged infringement of Third Party rights by ACADIA's activities under this Agreement at its own expense and by counsel of its own choice, and Allergan shall have the right but not the obligation, at its own expense, to be represented in any such action by counsel of its own choice. If ACADIA fails to proceed in a timely fashion with regard to such defense, Allergan shall have the right but not the obligation to control any such defense of such claim at its own expense and by counsel of its own choice, and ACADIA shall have the right but not the obligation, at its own expense, to be represented in any such action by counsel of its own choice.

Neither party shall have the right to settle any patent infringement litigation under this Section 9.5 in a manner that diminishes the rights or interests of the other party without the consent of such party.

9.6 TRADEMARKS. Allergan and ACADIA shall each obtain, own and enforce its own trademarks with respect to Allergan Products or ACADIA Products that each commercializes hereunder.

9.7 PATENT LABELING. Allergan shall mark all Allergan Products or their containers that are manufactured used or sold under the terms of this Agreement in accordance with the appropriate patent markings laws.

10. REPRESENTATIONS AND WARRANTIES.

10.1 REPRESENTATIONS AND WARRANTIES. Each party represents to the other that as of the Effective Date:

(a) CORPORATE POWER. It is duly organized and validly existing under the laws of its state of incorporation or formation, and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof

(b) DUE AUTHORIZATION. It is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate action.

(c) BINDING AGREEMENT. This Agreement is legally binding upon it, enforceable in accordance with its terms. The execution, delivery and performance of this Agreement by it does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

(d) GRANT OF RIGHTS; MAINTENANCE OF AGREEMENTS. It has not, and will not during the term of this Agreement, grant any right to any third party which would conflict with the rights granted to the other party hereunder. It has (or will have at the time performance is due) maintained and will maintain and keep in full force and effect all agreements (including license agreements) and filings (including patent filings) necessary to perform its obligations hereunder,

(e) VALIDITY. It is aware of no action, suit or inquiry or investigation instituted by or before any court or governmental agency which questions or threatens the validity of this Agreement or of any Allergan Patents and ACADIA Patents.

10.2 ACADIA REPRESENTATIONS AND WARRANTIES. ACADIA represents and warrants that as of the Effective Date:

(a) it is the sole and exclusive owner of the ACADIA Patents and ACADIA Know-How and has sufficient rights and power to grant the licenses to Allergan which it purports to grant herein, and no such rights granted to Allergan hereunder are licensed by ACADIA from any Third Party;

(b) the ACADIA Know-How and the ACADIA Patents are free of any encumbrances, liens, judgments and/or security interests that would affect the exercise by Allergan of its rights in the Field; provided, however, that the Fund for Industrial Growth has a security interest in certain of the ACADIA Technology, and, in ACADIA's rights under this Agreement, including any moneys paid to ACADIA under this Agreement, and that, should the Fund for Industrial Growth be assigned or assume ACADIA's rights under this Agreement pursuant to such security interest rights, Allergan shall make all payments otherwise due to ACADIA under this Agreement to the Fund for Industrial Growth, in which case this Agreement and all of Allergan's rights hereunder shall continue without interruption or impairment;

(c) and to its actual knowledge there are no outstanding and unresolved claims or accusations that any compounds or products manufactured, used or sold by ACADIA and licensed hereunder or any methods or process practiced by ACADIA infringe or may infringe any Third Party patent(s) or other intellectual property rights and it has disclosed to Allergan any Third Party patent(s) which it is aware that might be infringed by the manufacture, use or sale of Allergan Products or the practice of any methods or processes covered by the ACADIA Patents or included in the ACADIA Know-How by Allergan its Affiliates or sublicensees;

(d) all patents and patent applications included in the ACADIA Patents are valid and in full force and effect, and are not the current subject of any interference or opposition proceeding; and

(e) and to its actual knowledge it is unaware of any publications or activities including without limitation, patents, articles and public uses or sales, by it or others which would or might invalidate any claim(s) of any patent or patent application included in the ACADIA Patents.

(f) it has not conducted, nor has it commissioned the conducting of, any formal or informal infringement or validity studies regarding any patent or patent application included in the ACADIA Patents listed on Exhibit C that it has not disclosed in writing to Allergan prior to the Effective Date.

10.3 ALLERGAN REPRESENTATIONS AND WARRANTIES. Allergan represents and warrants that as of the Effective Date:

(a) Allergan owns the Allergan Know-How and has sufficient rights and power to grant the licenses to ACADIA which it purports to grant herein; and

(b) and to its actual knowledge there are no outstanding and unresolved claims or accusations that any methods or process practiced by Allergan as part of the Allergan Know-How infringe or may infringe any third party patent(s).

10.4 DISCLAIMER CONCERNING TECHNOLOGY. EXCEPT AS SPECIFICALLY SET FORTH HEREIN, THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS PROVIDED BY EACH PARTY HEREUNDER IS PROVIDED "AS IS" AND EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES, OR ARISING FROM

A COURSE OF DEALING, USAGE OR TRADE PRACTICES, IN ALL CASES WITH RESPECT THERETO. Without limiting the generality of the foregoing, each party expressly does not warrant (a) the success of any study or test commenced under the Collaboration or (b) the safety or usefulness for any purpose of the technology it provides hereunder.

11. CONFIDENTIALITY; PUBLICATION.

11.1 CONFIDENTIALITY. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the parties, the parties agree that, hereinafter and until the [***] anniversary of the completion of the Royalty Term, the receiving party shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose other than as expressly provided for in this Agreement any Confidential Information furnished to it by the other party pursuant to this Agreement. Each party may use such Confidential Information only to the extent required to accomplish the purposes of this Agreement. Each party will use at least the same standard of care as it uses to protect proprietary or confidential information of its own to ensure that its employees, agents, consultants and other representatives do not disclose or make any unauthorized use of the Confidential Information. Each party will promptly notify the other upon discovery of any unauthorized use or disclosure of the Confidential Information.

11.2 EXCEPTIONS. Confidential Information shall not include any information which the receiving party can prove by competent evidence:

(a) is now, or hereafter becomes, through no act or failure to act on the part of the receiving party, generally known or available;

(b) is known by the receiving party at the time of receiving such information, as evidenced by its records;

(c) is hereafter furnished to the receiving party by a Third Party, as a matter of right and without restriction on disclosure;

(d) is independently developed by the receiving party without the aid, application or use of Confidential Information of the disclosing party; or

(e) is the subject of a written permission to disclose provided by the disclosing party.

11.3 TERMS OF AGREEMENT. The parties agree that this Agreement and the terms hereof will be considered Confidential Information of both parties. Notwithstanding the foregoing, either party may disclose such terms as are required to be disclosed under strictures of confidentiality to bona fide potential sublicensees or for fund raising efforts to investors and potential investors or as otherwise required pursuant to applicable law.

11.4 AUTHORIZED DISCLOSURE. Each party may disclose Confidential Information belonging to the other party to the extent such disclosure is reasonably necessary in the following instances:

(a) filing or prosecuting patents relating to the Collaboration;

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(b) regulatory filings;

(c) prosecuting or defending litigation;

(d) complying with applicable court orders or governmental regulations;

(e) conducting pre-clinical or clinical trials of Collaboration Lead Compounds; and

(f) disclosure to Affiliates, sublicensees, employees, consultants, agents or other Third Parties in connection with due diligence or similar investigations by such Third Parties, in each case who agree to be bound by similar terms of confidentiality and non-use at least equivalent in scope to those set forth in this ARTICLE 11.

Notwithstanding the foregoing, in the event a party is required to make a disclosure of the other party's Confidential Information pursuant to this Section 11.4, it will seek to secure confidential treatment of such information at least as diligently as such party would use to protect its own confidential information. In addition, ACADIA shall not be entitled to disclose Confidential Information related to Allergan Designated Compounds or Collaboration Lead Compounds to Third Parties, without the prior written approval of Allergan, such approval not to be unreasonably withheld; however, ACADIA shall be entitled to disclose all data and information related to that certain compound covered under the Confidential Disclosure Agreement dated March 1, 1998 described in Section 3.2. The parties will consult with each other on the provisions of this Agreement to be redacted in any filings made by the parties with the Securities and Exchange Commission or as otherwise required by law.

Nothing in this Agreement shall prevent ACADIA from disclosing Confidential Information on [***] Muscarinics (but not Allergan Designated Compounds, Allergan Pool Compounds or Collaboration Lead Compounds) to any Third Party with which ACADIA has entered into an agreement for [***] muscarinics outside the Field.

11.5 PUBLICATIONS. Each party to this Agreement recognizes that the publication of papers regarding results of and other information regarding the Collaboration, including oral presentations and abstracts, may be beneficial to both parties provided such publications are subject to reasonable controls to protect Confidential Information. Accordingly, each party shall have the right to review and approve any paper proposed for publication by the other party, including oral presentations and abstracts, which utilizes data generated from the Collaboration and/or includes Confidential Information of the other party. Before any such paper is submitted for publication, the party proposing publication shall deliver a complete copy to the other party at least [***] prior to submitting the paper to a publisher. Such other party shall review any such paper and give its comments to the publishing party within [***] of its receipt of such paper. With respect to oral presentation materials and abstracts, the reviewing party shall make reasonable efforts to expedite review of such materials and abstracts, and shall return such items as soon as practicable to the publishing party with appropriate comments, if any, but in no event later than [***] from the date of receipt by the reviewing party. The publishing party shall comply with the reviewing party's request to delete references to the other party's Confidential Information in any such paper and agrees to withhold publication of

same for an additional [***] in order to permit the parties to obtain patent protection, if either of the parties deems it necessary, in accordance with the terms of this Agreement.

12. TERM AND TERMINATION.

12.1 TERM OF THE AGREEMENT. The term of the collaborative activities of the parties pursuant to the Research Program shall commence on the Effective Date and continue until expiration of the Research Term, unless earlier terminated pursuant to Section 12.2, 12.3 or 12.4, or extended by mutual agreement of the parties. The term of this Agreement (the "Term of the Agreement") shall commence on the Effective Date and continue until six (6) months after the expiration of the last Royalty Term for any Allergan Product or ACADIA Product, unless earlier terminated pursuant to Section 12.2, 12.3 or 12.4 or extended upon terms mutually agreeable to both parties. Notwithstanding the foregoing, this Agreement will expire upon the [***] anniversary of the expiration of the Research Term if Allergan has not designated a Collaboration Lead Compound.

12.2 TERMINATION BY MUTUAL AGREEMENT. The parties may at any time terminate this Agreement by written agreement executed by both Allergan and ACADIA.

12.3 TERMINATION BY ALLERGAN. Allergan may terminate this Agreement by giving ninety (90) days prior written notice to ACADIA, but in no event may Allergan terminate this Agreement pursuant to this Section 12.3 prior to the first anniversary of the Effective Date hereof.

12.4 TERMINATION FOR CAUSE. Each party shall have the right to terminate this Agreement upon [***] prior written notice to the other upon the occurrence of any of the following:

(a) Upon or after the bankruptcy, insolvency, dissolution or winding up of the other party (other than a dissolution or winding up for the purpose of reconstruction or amalgamation); or

(b) Upon or after the breach of any material provision of this Agreement by the other party if the breaching party has not cured such breach within the [***] period following written notice of termination by the non-breaching party.

All licenses granted to the non-breaching party under Sections 6.1 and 6.2 of this Agreement shall survive such termination for so long as such non-breaching party is not in breach of its obligations to the other party under this Agreement.

12.5 ACCRUED RIGHTS, SURVIVING OBLIGATIONS.

(a) Expiration or termination of this Agreement shall not affect any rights or obligations of either party accruing prior to such expiration or termination. The terms of this Section 12.5 and Sections 7.4, 8, 9.1, 9.3, 10, 11.1, 11.2, 11.3, 11.4, 12.4, 13, 14 and 15 (except for Section 15.7) of this Agreement shall survive expiration or termination of this Agreement. Promptly after termination of this Agreement each party (other than a non-breaching party that retains a license as described in Section 12.4) shall return or dispose of any technology or know-

how of the other in the accordance with the instructions of the other, including without limitation any compounds, assays or other biological or chemical materials.

(b) Upon termination of the Agreement by Allergan for any reason, other than breach by ACADIA, all rights to [***] Muscarinics hereunder will revert to ACADIA and Allergan will release ACADIA from ACADIA's ophthalmology exclusivity requirement pursuant to the September 24, 1997 Collaboration Agreement as it relates to ACADIA's right to make, have made, use and sell products that act by means of the [***] muscarinic receptor in the Field itself or with a Third Party. Thereafter, Allergan will grant ACADIA a royalty-free right under the Allergan Technology and Allergan's interest in the Collaboration Technology to make, have made, use and sell jointly owned compounds developed during the Collaboration that act at the [***] muscarinic receptor, including, but not limited to Active Compounds, Allergan Designated Compounds and Collaboration Lead Compounds in or outside of the Field itself or with a Third Party of ACADIA's sole choice. ACADIA will also have the exclusive, perpetual and royalty-free right to use all data and information generated by Allergan as a result of the Collaboration that is related to the [***] muscarinic receptor or compounds that act at the [***] muscarinic receptor (but excluding proprietary data and information relating to the scale up of the synthesis of Allergan Designated Compounds and Collaboration Lead Compounds), by ACADIA or jointly by Allergan and ACADIA during the term of this Agreement for any purpose. Notwithstanding the foregoing, in the event that Allergan terminates the Agreement after successfully filing an IND on a Collaboration Lead Compound in a Major Market, ACADIA's rights upon termination, as set forth above relating to the use of all data and information generated by Allergan on such Collaboration Lead Compound for use in the Field, shall be royalty-bearing as set forth in Section 7.4(b).

(c) Upon expiration of this Agreement at or after the end of the Research Term, if Allergan has not selected a Collaboration Lead Compound, all rights to [***] Muscarinics will [***]. Thereafter, Allergan will grant ACADIA the right under the Allergan Technology and Allergan's interest in the Collaboration Technology to make, have made, use and sell jointly owned compounds that act by way of the [***] muscarinic receptor, including, but not limited to, Active Compounds, Allergan Designated Compounds and Collaboration Lead Compounds in the Field itself or with a Third Party of ACADIA's sole choice. ACADIA will also have the exclusive and perpetual right to use all data and information generated by Allergan as a result of the Collaboration that is related to the [***] muscarinic receptor or compounds that act at the [***] muscarinic receptor (but excluding proprietary data and information relating to the scale up of the synthesis of Allergan Designated Compounds and Collaboration Lead Compounds), by ACADIA or jointly by Allergan and ACADIA during the Term of the Agreement for any purpose. In consideration for Allergan granting such rights to ACADIA, ACADIA agrees to pay Allergan a one-time fee in an amount equal to the total amount paid by Allergan to ACADIA for research support (FTE support) during the Research Term provided, however, that such payment shall only be due upon first Regulatory Approval in a Major Market of an [***] Muscarinic in the Field and only if such [***] Muscarinic was an Allergan Designated Compound or a Collaboration Lead Compound at the time of expiration of this Agreement and ACADIA utilizes data or information

generated by Allergan on such Allergan Designated Compound or such Collaboration Lead Compound to obtain such Regulatory Approval.

(d) ALLERGAN FULLY PAID UP LICENSE. Upon expiration of the last Royalty Term for any Allergan Product, Allergan shall have a fully-paid, royalty free, non-exclusive perpetual license to use the ACADIA Know-How to manufacture, use and sell such Allergan Product; provided however, that Allergan shall have no right to sublicense outside the Field any ACADIA Know-How which is Confidential Information.

(e) ACADIA FULLY PAID UP LICENSE. Upon expiration of the last Royalty Term for any ACADIA Product, ACADIA shall have a fully-paid, royalty free, non-exclusive perpetual license to use the Allergan Know-How to manufacture, use and sell such ACADIA Product; provided however, that ACADIA shall have no right to sublicense any Allergan Know-How which is Confidential Information.

13. INDEMNITY.

13.1 INDEMNIFICATION. Each party hereby agrees to save, defend and hold the other party and its directors, officers, employees, and agents harmless from and against any and all claims, suits, actions, demands, liabilities, expenses and/or loss, including reasonable legal expense and attorneys' fees (collectively, "Claims") for damage to persons or property resulting directly or indirectly from actions in connection with the Collaboration by the indemnifying party, its Affiliates, agents or sublicensees, but only to the extent such Claims result from the gross negligence or willful misconduct of the indemnifying party or its Affiliates, agents or sublicensees and do not result from the negligence of the party seeking indemnification.

13.2 CONTROL OF DEFENSE. Any entity entitled to indemnification under this Section 13 shall give notice to the indemnifying party of any Claims that may be subject to indemnification, promptly after learning of such Claim, and the indemnifying party shall assume the defense of such Claims with counsel reasonably satisfactory to the indemnified party. If such defense is assumed by the indemnifying party with counsel so selected, the indemnifying party will not be subject to any liability for any settlement of such Claims made by the indemnified party without its consent (but such consent will not be unreasonably withheld or delayed), and will not be obligated to pay the fees and expenses of any separate counsel retained by the indemnified party with respect to such Claims.

13.3 INSURANCE. Allergan, at its own expense, shall maintain product liability insurance (or self-insure), in amounts consistent with industry standards for other such pharmaceutical companies during the Term of the Agreement and shall name ACADIA as an additional insured with respect to such insurance. Allergan shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage.

ACADIA, at its own expense, shall maintain liability insurance (or self-insure) in amounts consistent with industry standards for other such biotechnology companies during the Term of the Agreement. ACADIA shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage.

14. GOVERNING LAW; DISPUTE RESOLUTION.

14.1 GOVERNING LAW. This Agreement shall be governed by the laws of the State of California as such laws are applied to contracts entered into or to be performed entirely within such state.

14.2 DISPUTE RESOLUTION. Except as provided in Section 2.6, and except with respect to matters pertaining to injunctive relief, in the event of any dispute, the parties shall refer such dispute to the Chief Executive Officer of ACADIA and a Senior Executive of Allergan appointed by Allergan's Chief Executive Officer for attempted resolution by good faith negotiations within [***] after such referral is made. During such period of good faith negotiations, any applicable time periods under this Agreement shall be tolled. In the event such executives are unable to resolve such dispute within such [***] period, the parties shall submit their dispute to binding arbitration before a retired California Superior Court Judge at J.A.M.S./Endispute located in Orange County, California, such arbitration to be conducted pursuant to the J.A.M.S./Endispute procedure rules for commercial disputes then in effect. The award of the arbitrator shall include an award of reasonable attorneys' fees and costs to the prevailing party.

14.3 JURISDICTION AND VENUE. Except as provided in Section 2.7 or 14.3 above, any claim or controversy arising out of or related to this Agreement or any breach hereof (including claims for injunctive relief) shall be adjudicated in the state and federal courts in Orange County having jurisdiction over disputes arising in the State of California, and the parties hereby consent to the jurisdiction and venue of such courts.

15. GENERAL PROVISIONS.

15.1 NOTICES. All notices required or permitted to be given under this Agreement shall be in writing and shall be mailed by registered or certified mail, Federal Express or other nationally recognized overnight delivery service, addressed to the signatory to whom such notice is required or permitted to be given and transmitted by facsimile to the number indicated below. All notices shall be deemed to have been given when mailed, as evidenced by the postmark at the point of mailing, or faxed.

All notices to Allergan shall be addressed as follows:	Allergan, Inc. 2525 Dupont Drive Irvine, CA 92623 Attn: President, Research and Development Fax: (714) 246-6987
with a copy to:	Allergan, Inc. 2525 Dupont Drive Irvine, CA 92623 Attn: Allergan General Counsel Fax: (714) 246-4774

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All notices to ACADIA shall be addressed as follows:	ACADIA Pharmaceuticals Inc. 3911 Sorrento Valley Blvd. San Diego, CA 92121 Attn: Chief Executive Officer Fax: (619) 558-2872
with a copy to:	Pillsbury Madison & Sutro LLP 2550 Hanover Street Palo Alto, CA 94304-1115 Attn: John L. Donahue Fax: (650) 233-4545

Any party may, by written notice to the other, designate a new address or fax number to which notices to the party giving the notice shall thereafter be mailed or fixed.

15.2 FORCE MAJEURE. No party shall be liable for any delay or failure of performance (other than payment obligations) to the extent such delay or failure is caused by circumstances beyond its reasonable control and that by the exercise of due diligence it is unable to prevent, provided that the party claiming excuse uses its best efforts to overcome the same.

15.3 ENTIRETY OF AGREEMENT. This Agreement embodies the entire, final and complete agreement and understanding between the parties and replaces and supersedes all prior discussions and agreements between them with respect to its subject matter, except for the September 24, 1997 Collaboration Agreement and the Confidential Disclosure Agreement dated as of March 1, 1998, which shall continue in accordance with its terms, except to the extent specifically modified hereby. No modification or waiver of any terms or conditions hereof shall be effective unless made in writing and signed by a duly authorized officer of each party.

15.4 NON-WAIVER. The failure of a party in any one or more instances to insist upon strict performance of any of the terms and conditions of this Agreement shall not constitute a waiver or relinquishment, to any extent, of the right to assert or rely upon any such terms or conditions on any future occasion.

15.5 DISCLAIMER OF AGENCY. Neither party is, or will be deemed to be, the legal representative or agent of the other, nor shall either party have the right or authority to assume, create, or incur any third party liability or obligation of any kind, express or implied, against or in the name of or on behalf of another except as expressly set forth in this Agreement.

15.6 SEVERABILITY. If a court of competent jurisdiction declares any provision of this Agreement invalid or unenforceable, or if any government or other agency having jurisdiction over either ACADIA or Allergan deems any provision to be contrary to any laws, then that provision shall be severed and the remainder of the Agreement shall continue in full force and effect. To the extent possible, the parties shall revise such invalidated provision in a manner that will render such provision valid without impairing the parties' original intent.

15.7 AFFILIATES; ASSIGNMENT. Except as otherwise provided herein, neither party may assign its rights or delegate its duties under this Agreement without the prior written consent of

the other party, not to be unreasonably withheld. Notwithstanding the foregoing, each party may assign this Agreement to any of its Affiliates, to a special purpose corporation or similar entity at least fifty percent (50%) of the outstanding shares of any class or series of stock of which is owned by such party in a manner such that the assignor will remain liable and responsible for the performance and observance of all its duties and obligations hereunder without the consent of the other party. In addition, the consent of the other party will not be required in connection with a merger involving either party or with respect to an assignment of this Agreement in connection with, as the case may be, the acquisition, sale of all or substantially all of the assets of either party, or a change of control or similar transaction. This Agreement shall be binding upon the successors and permitted assigns of the parties. Any attempted delegation or assignment not in accordance with this Section 15.7 shall be of no force or effect. Notwithstanding the foregoing provisions of this Section 15.7, or any other provision of this Agreement, ACADIA may not assign or otherwise transfer its rights hereunder, whether by merger, acquisition, sale of assets, operation of law or otherwise, to Alcon, Bausch & Lomb, Ciba Vision or Santen.

15.8 HEADINGS. The headings contained in this Agreement are inserted for reference only and shall not be deemed a part of the text hereof.

15.9 LIMITATION OF LIABILITY. NO PARTY SHALL BE LIABLE TO ANOTHER FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL OR EXEMPLARY DAMAGES, INCLUDING BUT NOT LIMITED TO LOST PROFITS, ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. Nothing in this Section is intended to limit or restrict the indemnification rights or obligations of any party.

15.10 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall constitute together the same document.

15.11 BANKRUPTCY. All rights and licenses granted under this Agreement will be considered for purposes of Section 365(n) of the Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101(56) of the Bankruptcy Code. The parties agree that a licensee of such rights under this Agreement will retain and may fully exercise all of its rights and elections under the Bankruptcy Code. In the event that a licensor seeks or is involuntarily placed under the protection of the Bankruptcy Code, and the trustee in bankruptcy rejects this Agreement, the licensee hereby elects, pursuant to Section 365(n), to retain all rights granted to it under this Agreement to the extent permitted by law.

15.12 PUBLIC DISCLOSURE. Except for such disclosure as is deemed necessary, in the reasonable judgment of a party, to comply with applicable laws or regulations, no public announcement, news release, public statement or publication relating to the existence of this Agreement, or the terms hereof, will be made without the other party's prior written approval, which approval shall not be unreasonably withheld. The parties agree that they will use reasonable efforts to coordinate the initial announcement or press release relating to the existence of this Agreement in the form attached as Exhibit E, so that such initial announcement or press release by each is made contemporaneously.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

ACADIA PHARMACEUTICALS INC.

By /s/ Leonard R. Borrmann

Leonard R. Borrmann, Pharm.D.,
Chief Executive Officer

ALLERGAN, INC.

By /s/ George Panglay

Title Corporate Vice President, Corporate Development

ALLERGAN PHARMACEUTICALS (IRELAND) LIMITED, INC.

BY /s/ Jaqueline Schuca

Title Vice President

ALLERGAN SALES, INC.

By /s/ George Panglay

Title Vice President

EXHIBIT A

DEFINITION OF PROOF OF CONCEPT IN GLAUCOMA PATIENTS

PROOF OF CONCEPT IN GLAUCOMA PATIENTS

Proof of Concept in Glaucoma Patients shall be considered met if [***]:

[***]

EXHIBIT B

RESEARCH PLAN

[***]

*CONFIDENTIAL TREATMENT REQUESTED

[***]

*CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT C

ACADIA PATENTS

[***]

*CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT D

FORM OF MATERIALS TRANSFER AGREEMENT

MATERIALS TRANSFER AGREEMENT

This Agreement is made as of _____, 199_, by and between ACADIA PHARMACEUTICALS INC., a Delaware corporation (ACADIA) and ALLERGAN, INC., a Delaware corporation ("Allergan").

[ACADIA/Allergan] (hereinafter, the Recipient") desires to receive the materials described on Exhibit A attached hereto (the "Materials") from [Allergan/ACADIA] (hereinafter, the "Provider") for the purpose of performing certain studies pursuant to the Collaborative Research Development and License Agreement by and between ACADIA and Allergan dated July _, 1999 (the "Research Agreement") as described in detail in Exhibit B to the Research Agreement (the "Project').

The Recipient and the Provider hereby agree as follows:

1. USE OF MATERIALS.

The Recipient will utilize its expertise and facilities to undertake the Project and will use the Materials solely for the Project. The Recipient shall not sell, transfer, disclose or otherwise provide access to the Materials, any method or process relating thereto or any material that could not have been made but for foregoing to any person or entity without the prior written consent of the Provider, except that the Recipient may allow access to the Materials to its employees or agents or permitted subcontractors for purposes consistent with this Agreement. The Recipient will take reasonable steps to ensure that such employees and agents or permitted subcontractors will use the materials in a manner that is consistent with the terms of this Agreement. The Recipient will destroy the Materials or otherwise dispose of the Materials as mutually agreed by the Provider and the Recipient upon expiration or termination of this Agreement.

2. PRECAUTIONS.

The Recipient understands that the Materials may have unpredictable and unknown biological and/or chemical properties, that they are to be used with caution, and that they are not to be used for testing in or treatment of humans. The Recipient will use the Materials in compliance with all applicable laws and regulation, including those applicable to research involving recombinant DNA and isotopes.

3. INTELLECTUAL PROPERTY.

In performing the Projects, the Recipient may develop ideas, inventions, techniques and other technology and associated intellectual property (collectively "Inventions"). The parties agree that ownership of all Inventions, including without limitation Inventions relating to the Materials, their preparation or use, shall be governed by the provisions of the Research Agreement relating to ownership of intellectual property.

4. REPORTS AND PUBLICATIONS.

The Recipient shall keep accurate records of the results of the Project and will promptly and fully disclose to the Provider such results in such manner and at such time as determined by the Research Management Committee under the Research Agreement. Publication of the Projects results shall be governed by the provisions of the Research Agreement relating to publication.

5. CONFIDENTIALITY.

The parties agree that the terms of the Research Agreement relating to Confidential Information shall apply to all information that one party receives from the other party pursuant to this Agreement.

6. NO LICENSE.

Nothing in this Agreement shall be construed as conferring on either party any implied license or implied option to license any disclosed Confidential Information, technology, or any patent or patent application owned by the other party.

7. WARRANTY DISCLAIMER.

THE MATERIALS ARE SUPPLIED TO THE RECIPIENT WITH NO WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR THAT THEY ARE FREE FROM THE RIGHTFUL CLAIM OR ANY THIRD PARTY BY WAY OF INFRINGEMENT OR THE LIKE.

8. TERM AND TERMINATION.

This Agreement will be effective as of the date first written above and will continue until the Research Agreement terminates. The parties may terminate this Agreement prior to such time or extend the term of this Agreement by mutual written agreement as provided herein. Either party will have the right to terminate this Agreement on [***] written notice for material breach of this Agreement, which breach is not cured within such [***] period. Promptly upon any termination, the Recipient will deliver to the Provider any remaining Materials, and any modifications, replications or derivatives thereof and copies of all results of the Projects. Section 3, 4, 5, 6, 7 and 8 will survive the termination or expiration of this Agreement.

9. ENTIRE AGREEMENT, GOVERNING LAW.

This Agreement sets forth complete and final agreements of the parties with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, written or oral, between the parties hereto which relate to the subject matter of this Agreement, other than the Research Agreement. This Agreement may be amended only by a writing signed by the parties. This Agreement shall be governed by the laws of the State of California without regard to choice of law provisions.

*CONFIDENTIAL TREATMENT REQUESTED

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

ALLERGAN, INC.	ACADIA PHARMACEUTICALS INC.
By: ----------	By: ----------
Title: ----------	Title: ----------

EXHIBIT E

FORM OF PRESS RELEASE

FOR IMMEDIATE RELEASE

CONTACTS: ACADIA PHARMACEUTICALS
THOMAS H. AASEN, VP AND CFO
(619) 320-8640
LEONARD R. BORRMANN, PHARM.D., CEO
(619) 320-8614

ALLERGAN INVESTOR RELATIONS
VINCE SCULLIN, (714) 246-4636
ALLERGAN MEDIA RELATIONS
IRA HASKELL, (714) 246-4515

ACADIA OUT-LICENSES NOVEL LEAD COMPOUNDS FOR TREATMENT OF GLAUCOMA TO ALLERGAN

(SAN DIEGO, CALIFORNIA, COPENHAGEN, DENMARK AND IRVINE, CALIFORNIA JULY 27, 1999)--ACADIA Pharmaceuticals and Allergan (NYSE: AGN) announced today that they have entered into a license and research collaboration agreement to discover, develop and commercialize compounds for glaucoma, based on ACADIA's proprietary and highly receptor subtype-selective muscarinic lead compounds.

Under the terms of the agreement, ACADIA will grant Allergan worldwide rights to products based on these novel lead compounds for the treatment of ocular disease. ACADIA will provide its expertise in medicinal chemistry and high-throughput pharmacology to enable the final selection of up to two development candidates for clinical development and commercialization by Allergan. In exchange, ACADIA may receive up to nearly $19 million for the first development candidate, in the form of up-front fees, research support, and traditional milestone payments. ACADIA will also receive substantial royalties on future product sales worldwide. Pursuant to the agreement, Allergan also has the right to select a second development candidate, subject to similar milestone and royalty payments to ACADIA.

Discovered in one of ACADIA's internal drug discovery programs, these new lead compounds are highly selective for a specific subtype of the muscarinic receptor. Compounds with unprecedented receptor subtype selectivity were initially identified from ACADIA's diverse chemical library using the Company's patented Receptor Selection and Amplification Technology (R-SAT-TM-). ACADIA scientists have synthesized numerous analogs and performed precise pharmacological analysis using R-SAT-TM- to derive a detailed Structure-Activity Relationship for this family of molecules. Through these efforts, ACADIA has successfully discovered molecules that selectively target the subtype of the muscarinic receptor responsible for the lowering of intraocular pressure, while avoiding interaction with other receptor subtypes believed to cause side effects commonly associated with certain existing glaucoma therapies. In animal models of glaucoma, Allergan has shown that ACADIA's initial chemical lead produces a sustainable reduction of intraocular pressure, when applied topically, without the dose limiting side effects of these traditional anti-glaucoma therapies.

"ACADIA's lead compounds provide the potential for an important new breakthrough in glaucoma therapy," said David Pyott, Allergan's President and Chief Executive Officer. "This latest collaboration between Allergan and ACADIA is consistent with Allergan's objective to continue to expand our growing glaucoma franchise through the discovery and development of new and complimentary therapeutic approaches to the disorder that have the potential to significantly improve patient care."

In addition to this new license and collaboration agreement concerning ACADIA's muscarinic compounds, ACADIA and Allergan have another pre-existing collaboration directed at the discovery of other therapeutics for ocular disease. In November 1998, just one year into that collaboration, Allergan nominated a subtype-selective alpha-adrenergic agonist as a clinical candidate for glaucoma. Alpha-adrenergic agents lower introcular pressure, in part, by decreasing inflow of ocular fluid, while ACADIA's new receptor-selective muscarinic lead compounds are designed to increase the outflow of fluid from the eye. Both inflow and outflow agents are used as initial therapy and in combination to lower intraocular pressure associated with glaucoma.

"Given the outstanding success of our existing discovery collaboration with Allergan, they were the obvious preferred partner for our internal glaucoma program," added Leonard R. Borrmann, Pharm.D., ACADIA's Chief Executive Officer. "The successful discovery of our second clinical lead compound in less than one year further validates ACADIA's unique ability to rapidly identify novel receptor-selective compounds with the potential for improved clinical utility over existing therapies."

Forward Looking Statements
Any of the above statements that refer to Allergan's estimated or anticipated future results are forward-looking and reflect Allergan's current analysis of existing trends and information. Actual results may differ based on a number of factors including timing and uncertainty of the results of both research and regulatory processes and including the research, development, regulatory approval, introduction and consumer acceptance of new products. The reader is cautioned not to rely on these forward-looking statements. Allergan disclaims any intent or obligation to update these statements. Additional information concerning these factors can be found in press releases as well as in Allergan's public periodic filings with the Securities and Exchange Commission, including the discussion under the heading "Certain Factors and Trends Affecting Business" in Allergan's 1998 Form 10-K. Copies of Allergan press releases and additional information about Allergan are available on the World Wide Web at WWW.ALLERGAN.COM, or you can contact the Allergan Investor Relations Department by calling 714-246-4636.

ACADIA is a privately held drug discovery company focused on the identification of novel lead compounds for the treatment of Central Nervous System disorders. ACADIA uses its integrated discovery platform to identify and validate the molecular targets relevant to a disease and to discover highly selective compounds that specifically regulate these targets. ACADIA has a portfolio of internal drug discovery programs and is commercializing this pipeline through licensing and discovery collaborations with pharmaceutical partners. The Company's corporate headquarters and biological research are located in San Diego, California; chemistry research facilities are located in Copenhagen, Denmark. Additional information can be found on the Company's website at WWW.ACADIA-PHARM.COM.

Allergan, headquartered in Irvine, California, is a technology-driven, global healthcare company, providing eye care and specialty pharmaceutical products worldwide. Allergan develops and commercializes products in the eye care pharmaceutical, ophthalmic surgical device, over-the-counter contact lens care, movement disorder and dermatological markets that deliver value to our customers, satisfy unmet medical needs and improve patients' lives.

COMPOUND DISCOVERY COLLABORATION AGREEMENT

This Research Collaboration and License Agreement (this "AGREEMENT") is entered into as of December 18, 2000 (the "EFFECTIVE DATE") by and between ArQule, Inc. ("ArQule"), a Delaware corporation, and ACADIA Pharmaceuticals, Inc. ("ACADIA"), a Delaware corporation.

RECITALS

WHEREAS, ArQule and ACADIA previously entered into a Material Transfer and Screening Agreement dated April 7, 1998 (the "MTA") pursuant to which ArQule delivered certain of its Mapping Array-TM- compounds to ACADIA, and ACADIA screened those compounds against certain of its targets;

WHEREAS, ACADIA detected activity of certain ArQule compounds against certain ACADIA targets; and

WHEREAS, pursuant to the terms of the MTA, ArQule and ACADIA have negotiated this Agreement to expand their joint research activities and to pursue further development of the active compounds discovered by ACADIA.

NOW, THEREFORE, ArQule and ACADIA hereby agree as follows:

1. DEFINITIONS.

1.1 "ACADIA TARGET" means each biological target nominated by ACADIA, accepted by ArQule, and selected by the Research Committee for use in the Collaboration, as further described in Subsection 3.3.1. below.

1.2 "ACTIVE COMPOUND" means any ArQule Compound, Targeted Compound, or Analog Compound which exhibits confirmed significant functional activity against an ACADIA Target in a primary screen, as determined by the Research Committee.

1.3 "AFFILIATE" means any legal entity (such as a corporation, partnership, or limited liability company) that is controlled by a party. For the purposes of this definition, the term "control" means (i) beneficial ownership of at least fifty percent (50%) of the voting securities of a corporation or other business organization with voting securities or (ii) a fifty percent (50%) or greater interest in the net assets or profits of a partnership or other business organization without voting securities.

1.4 "ANALOG COMPOUND" means a chemical compound that (i) exhibits [***] to an identified Active Compound or Targeted Compound, (ii) was discovered or developed using information obtained by screening one or more Active Compounds or Targeted Compounds, or (iii) was [***] from a parent ArQule Compound or Targeted Compound by [***]

[***].

1.5 "ARQULE COMPOUND" means a small organic chemical molecule in a Mapping Array Set, Compass Array Set, or Biased Array Set (as described in the Collaboration Plan) and provided by ArQule to ACADIA as directed by the Research Committee under this Agreement or previously provided to ACADIA under the MTA.

1.6 "AVAILABLE COMPOUND" means an ArQule Compound or Analog Compound that is neither: (i) licensed or otherwise committed by ArQule or ACADIA to a third party in the Field nor (ii) committed to an internal ArQule or ACADIA program in the Field. In addition, all Targeted Compounds are Available Compounds. "AVAILABLE ACTIVE COMPOUND" means an Active Compound that is also an Available Compound.

1.7 "AVAILABLE TARGET" means an ACADIA Target that is neither: (i) licensed or otherwise committed by ACADIA or ArQule to a third party in the Field nor (ii) committed to an internal ACADIA or ArQule program in the Field.

1.8 "COLLABORATION" means the activities of ACADIA and ArQule carried out in performance of, and the relationship, rights and obligations of the parties established by, Articles 2 and 3 of this Agreement.

1.9 "COLLABORATION PLAN" means the overall plan for research and development activities for typical projects in the Collaboration, as set forth on EXHIBIT A. The Steering Committee may modify the Collaboration Plan as needed to advance the goals of the Collaboration.

1.10 "COLLABORATION PRODUCT" means any product containing as one of its constituents any Committed Compound or any Analog Compound based on a Committed Compound.

1.11 "COLLABORATION WORK PRODUCT" means, individually or collectively, (i) any Committed Target or Committed Target Set and its corresponding Committed Compounds or Committed Compound Set(s), GLP Toxicology Candidate, or IND Candidate, as well as all Technology pertaining to any of the foregoing or the manufacture, use or sale thereof, and (ii) all libraries of Targeted Compounds.

1.12 "COMMERCIALIZATION PLAN" means a plan developed and approved by the Steering Committee for the sale, license, or other transfer of commercial rights in Collaboration Work Product to a third party, as described in Section 3.7.

1.13 "COMMITTED COMPOUND" means (i) any Available Active Compound designated by the Research Committee as a Committed Compound pursuant to Subsection 3.4.2. and (ii) any Analog Compound developed by the parties in the course of an optimization program as described in Section 3.5., provided that such Analog Compound is an Available Compound as required under Section 3.5.

1.14 "COMMITTED COMPOUND SET" means a set of Committed Compounds that [***] as determined by the Research Committee.

1.15 "COMMITTED TARGET" means any Available Target designated by the Research Committee as a Committed Target pursuant to Subsection 3.4.2.

1.16 "COMMITTED TARGET SET" means a set of Committed Targets that are so closely related that the Research Committee has decided to group those Committed Targets into one optimization program under Section 3.5. or allocation under Subsection 9.6.2.

1.17 "CONFIDENTIAL INFORMATION" means any technical or business information furnished by one party (the "DISCLOSING PARTY") to the other party (the "RECEIVING PARTY") in connection with this Agreement. Such Confidential Information may include, without limitation, the identity or use of a chemical compound, the identity or use of a biological target, trade secrets, know-how, inventions, technical data or specifications, testing methods, business or financial information, research and development activities, Steering Committee reports, Research Committee reports, royalty reports, product and marketing plans, clinical development plans, and customer and supplier information.

1.18 "FIELD" means applications in [***].

1.19 "GLP TOXICOLOGY CANDIDATE" means a Committed Compound that meets or exceeds the criteria established by the Research Committee for a compound that is ready for submission to IND enabling toxicology studies, as documented in the Research Plan.

1.20 "GROSS REVENUES" means the aggregate amount of consideration received from a third party by either party in connection with an agreement to commercialize any Collaboration Work Product, including without limitation license fees, milestone payments, royalties, and the premium portion of equity payments at a premium to fair market value, but excluding funds specifically allocated to and actually used for the research and development of Collaboration Work Product. Gross Revenues shall be calculated without deduction of any costs, fees, or expenses (e.g., legal fees or finders fees) paid by a party in connection with the transaction. To the extent that any Gross Revenues are transferred to a party in a form other than cash, the amount of such Gross Revenues payable to the other party shall be based on the fair market value of such non-monetary consideration on the date of transfer, as determined in good faith by the parties.

1.21 "IND" means an investigational new drug application filed with the FDA prior to beginning clinical trials in humans or any comparable application filed with the regulatory authorities of a country other than the United States, prior to beginning clinical trials in humans in that country.

1.22 "IND CANDIDATE" means a Committed Compound that meets or exceeds the criteria established by the Research Committee for a compound that is ready for human clinical trials, including data sufficient to support the filing of an IND, as documented in the Research Plan.

1.23 "PATENT RIGHTS" means any United States patent application and any divisional, substitution, continuation, or continuation-in-part of such patent application (to the extent the claims are directed to subject matter specifically described therein) or inventor's certificate relating to such patent application, as well as any patent issued thereon and any reissue, reexamination, renewal, extension or term restoration of such patent, and any foreign counterparts to such patents and patent applications. "ARQULE PATENT RIGHTS" means Patent Rights that are either (i) assigned solely to ArQule, (ii) assigned jointly to ArQule and a party other than ACADIA, or (iii) licensed to ArQule, in each case to the extent that ArQule has the ability to license or sublicense the rights required under this Agreement without payment to a third party. "ACADIA PATENT RIGHTS" means Patent Rights that are either (i) assigned solely to ACADIA, (ii) assigned jointly to ACADIA and a party other than ArQule, or (iii) licensed to ACADIA, in each case to the extent that ACADIA has the ability to license or sublicense the rights required under this Agreement without payment to a third party. "JOINT PATENT RIGHTS" means Patent Rights (i) in Committed Compounds and their use against Committed Targets; (ii) in Targeted Compounds and their uses; or (iii) that are assigned to both ArQule and ACADIA as joint owners or are otherwise jointly invented by one or more employees or consultants of ACADIA and one or more employees or consultants of ArQule in connection with the Collaboration.

1.24 "RESEARCH COMMITTEE" means the Research Committee described in Section 2.1. The Research Committee manages and directs the research and development activities in the Collaboration.

1.25 "RESEARCH MATERIALS" means any tangible research materials, whether biological, chemical, physical, or otherwise. "PROPRIETARY RESEARCH MATERIALS" means any Research Materials that a party designates as proprietary or confidential, including without limitation (a) all ArQule Compounds, and (b) all expressed proteins for ACADIA Targets provided by ACADIA in the Collaboration.

1.26 "RESEARCH PLAN" means the specific, detailed plan for research and development activities in the Collaboration that is developed by the Research Committee and approved by the Steering Committee. The parties anticipate that they will update the Research Plan on at least a quarterly basis.

1.27 "RESERVED COMPOUND" means an Available Compound that has been reserved by the parties for the Collaboration as described in Subsection 3.4.1.

1.28 "RESERVED COMPOUND SET" means a set of Reserved Compounds that share substantial chemical or structure homology, and which exhibit significant functional activity for the same Reserved Target, or which share other common characteristics such that the Research Committee has decided, in its discretion, to group those Reserved Compounds for evaluation under Section 3.4. or for allocation under Subsection 9.6.2.

1.29 "RESERVED TARGET" means an Available Target that has been reserved by the parties for the Collaboration as described in Subsection 3.4.1.

1.30 "RESERVED TARGET SET" means a set of Reserved Targets that are so closely related that the Research Committee has decided, in its discretion, to group those Reserved Targets for evaluation under Section 3.4. or allocation under Subsection 9.6.2.

1.31 "STEERING COMMITTEE" means the Steering Committee described in Section 2.2. of this Agreement. The Steering Committee has overall authority within the Collaboration, and specifically has approval authority over financial decisions.

1.32 "TARGETED COMPOUND" means a compound in a library focused on a target class, which library is developed jointly by the parties within the Collaboration, as more particularly described in the Collaboration Plan and Research Plan.

1.33 "TECHNOLOGY" means any proprietary development, idea, design, concept, technique, process, invention, Research Material, discovery, or improvement, whether or not patentable or copyrightable. "ARQULE TECHNOLOGY" means Technology that is either (i) assigned solely to ArQule, (ii) assigned jointly to ArQule and a party other than ACADIA, or (iii) licensed to ArQule, in each case to the extent that ArQule has the ability to license or sublicense the rights required under this Agreement without payment to a third party. "ACADIA TECHNOLOGY" means Technology that is either (i) assigned solely to ACADIA, (ii) assigned jointly to ACADIA and a party other than ArQule, or (iii) licensed to ACADIA, in each case to the extent that ACADIA has the ability to license or sublicense the rights required under this Agreement without payment to a third party. "COLLABORATION TECHNOLOGY" means (i) all Committed Compounds and their use against Committed Targets, (ii) all Targeted Compounds and their uses, and (iii) any Technology that is developed, invented, or discovered jointly by one or more employees or consultants of ACADIA and one or more employees or consultants of ArQule in connection with the Collaboration.

2. MANAGEMENT OF COLLABORATION.

2.1 RESEARCH COMMITTEE.

2.1.1 CREATION OF RESEARCH COMMITTEE. The parties hereby create a Research Committee with at least four (4) members, with equal representation from each party. The members initially designated by ACADIA are [***] and [***], and the members initially designated by ArQule are [***] and [***]. Either party may change its representatives on the Research Committee at any time upon written notice to the other party. The chairperson of the Research Committee shall be designated annually on an alternating basis between the parties. The chairperson shall initially be [***]. The party not designating the chairperson shall designate one of its representatives as secretary to the Research Committee for such [***].

2.1.2 MEETINGS OF THE RESEARCH COMMITTEE. Regular meetings of the Research Committee shall be held within [***] of the end of each calendar quarter, or at such other times as the parties may deem appropriate, at such times and places as the members of the Research Committee shall from time to time agree. Special meetings of the Research Committee may be called by either party on [***] written notice to the other party unless notice is waived by the parties. All meetings shall alternate between the offices of the parties

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unless the parties otherwise agree. The chairperson shall be responsible for sending notice of meetings to all members. In the event a Research Committee member is unable to attend a meeting of the Research Committee, such Research Committee member may designate an alternate member who will serve solely for that Research Committee meeting.

2.1.3 DECISIONS OF RESEARCH COMMITTEE. A quorum of the Research Committee shall be present at any meeting of the Research Committee if at least one representative of each party is present at such meeting in person or by telephone. If a quorum exists at any meeting, the unanimous consent of all members of the Research Committee present at such meeting is required to take any action on behalf of the Research Committee.

2.1.4 RESPONSIBILITIES OF RESEARCH COMMITTEE. The Research Committee shall be responsible for the day-to-day conduct and progress of the Collaboration, including without limitation:

(i) preparing, approving, and updating the Research Plan and the annual budget;

(ii) managing all technical aspects of the Collaboration, including all research and development activities;

(iii) providing a forum for the exchange of scientific information among the scientists participating in the Collaboration;

(iv) resolving matters involving scientific questions;

(v) determining the criteria of significant functional activity necessary for an ArQule Compound, Targeted Compound, or Analog Compound to qualify as an Active Compound and confirming that an ArQule Compound, Targeted Compound, or Analog Compound qualifies as an Active Compound;

(vi) maintaining records of Reserved Compounds and Reserved Targets and establishing Reserved Compound Sets and Reserved Target Sets;

(vii) designating Available Active Compounds as Committed Compounds, establishing Committed Compound Sets, and adding and removing compounds from Committed Compound Sets; and

(viii) designating Available Targets as Committed Targets, establishing Committed Target Sets, and adding and removing targets from Committed Target Sets.

2.1.5 RESEARCH COMMITTEE REPORTS. Within [***] following each meeting of the Research Committee held pursuant to Subsection 2.1.2., the secretary of the Research Committee shall prepare and send to each party a written report of actions taken at the meeting in such form and containing such detail as shall be determined by the Research Committee.

2.1.6 DEADLOCK. In the event that the Research Committee cannot reach agreement with respect to any matter that is subject to its decision-making authority, then the matter shall be referred to the Steering Committee for resolution.

2.2 STEERING COMMITTEE.

2.2.1 CREATION OF STEERING COMMITTEE. The parties hereby also create a Steering Committee with at least six (6) members, with equal representation from each party. The members initially designated by ACADIA are [***]. The members initially designated by ArQule are [***]. Either party may change its representatives on the Steering Committee at any time upon written notice to the other party. The chairperson of the Steering Committee shall be designated annually on an alternating basis between the parties. The initial chairperson of the Steering Committee shall be [***]. The party not designating the chairperson shall designate one of its representatives as secretary of the Steering Committee for such [***].

2.2.2 MEETINGS OF THE STEERING COMMITTEE. Regular meetings of the Steering Committee shall be held within [***] of the end of each calendar year, or at such other times as the parties may deem appropriate, at such times and places as the members of the Steering Committee shall from time to time agree. Special meetings of the Steering Committee may be called by either party on [***] written notice to the other party unless notice is waived by the parties. All meetings shall alternate between the offices of the parties unless the parties otherwise agree. In the event a Steering Committee member is unable to attend a meeting of the Steering Committee, such Steering Committee member may designate an alternate member who will serve solely for that Steering Committee meeting.

2.2.3 DECISIONS OF THE STEERING COMMITTEE. Unless otherwise specifically designated as a responsibility of the Research Committee pursuant to Subsection 2.1.4., all decisions regarding the contractual and financial relationship created by this Agreement shall be made by the Steering Committee acting in accordance with this Agreement or by agents duly authorized in writing by the Steering Committee. A quorum of the Steering Committee shall be present at any meeting of the Steering Committee if at least one representative of each party is present at such meeting in person or by telephone. If a quorum exists at any meeting, the unanimous consent of all members of the Steering Committee present at such meeting is required to take any action on behalf of the Steering Committee.

2.2.4 RESPONSIBILITY OF STEERING COMMITTEE. The Steering Committee shall be responsible for approving long-term objectives for, and evaluating the progress of, the Collaboration, including without limitation:

(i) approving all updates to the Research Plan and any changes to the Collaboration Plan;

(ii) approving the annual budget for the Collaboration;

(iii) reviewing and approving involvement of third parties in the Collaboration;

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(iv) developing Commercialization Plans and managing commercialization of Collaboration Work Product;

(v) resolving deadlocks of the Research Committee; and

(vi) determining the number of members for both the Research Committee and Steering Committee, beyond the minimum of four members.

2.2.5 STEERING COMMITTEE REPORTS. Within ten (10) days following each meeting of the Steering Committee held pursuant to Subsection 2.2.2., the secretary of the Steering Committee shall prepare and send to the members of the Steering Committee a detailed written report of actions taken at the meeting in such form and containing such detail as shall be determined by the Steering Committee.

2.2.6 DEADLOCK. In the event that the Steering Committee declares a deadlock with respect to, or fails to reach agreement within sixty (60) days as to, any matter relating only to specific activities under the Collaboration (such as designation of Active Available Compounds as Committed Compounds; designation of ACADIA Targets as Committed Targets; the initiation or conduct of lead optimization or preclinical development activities; approval of the annual budget or changes to the Research Plan; or approval of a Commercialization Plan) the matter shall not be subject to dispute resolution under Article 10, but shall be referred to the Chief Executive Officers of each party for resolution within sixty (60) days after the date the deadlock is reached, subject to extension by mutual agreement. If the Chief Executive Officers fail to resolve the matter within the sixty-day period, or such other period that the parties mutually establish, the Agreement will terminate pursuant to Section 9.3. Any other unresolved disagreements within the Steering Committee and relating to this Agreement shall be referred to dispute resolution in accordance with the procedures set forth in Article 10.

3. CONDUCT OF COLLABORATION

3.1 SCOPE OF COLLABORATION. During the Collaboration, the parties will (i) perform lead generation activities using ArQule Compounds and multiple ACADIA Targets to identify Active Compounds, (ii) perform lead qualification activities on Reserved Compounds and Reserved Targets to select Committed Compounds and Committed Targets for lead optimization efforts, (iii) perform lead optimization activities on Committed Compound Sets to develop one or more GLP Toxicology Candidates, and (iv) if appropriate, conduct work on one or more GLP Toxicology Candidates to develop IND Candidates, in each case as further described below. The parties may also develop libraries of Targeted Compounds that are focused on a particular target class, and then use the Targeted Compounds for lead generation, as described below. The overall objective of the Collaboration is to discover and develop compounds that demonstrate potential as human therapeutic products, and to sell, license, or otherwise transfer commercial rights to those compounds to third parties.

3.2 GENERAL RESPONSIBILITIES OF EACH PARTY. In general, the parties intend that ACADIA will be responsible for biology-related tasks relating to the ACADIA Targets and ArQule will be responsible for chemistry-related tasks relating to the ArQule Compounds, but only until identification of a GLP Toxicology Candidate. If the parties decide to develop a GLP

Toxicology Candidate into an IND Candidate, they will share responsibility for the necessary preclinical activities through the Research Committee and Steering Committee. This allocation of responsibilities reflects the expected contributions from each party. However, the Research Committee has discretion to allocate specific research and development tasks on a case-by-case basis to the party that has the best current capability and capacity to complete the task and advance the project. The actual responsibilities of each party will be determined by the Research Committee and Steering Committee and described in the Collaboration Plan or Research Plan.

3.3 LEAD GENERATION.

3.3.1 TARGET SELECTION. The Research Committee will select which ACADIA Targets to screen in the Collaboration from among those nominated by ACADIA and accepted by ArQule. ACADIA will only nominate Available Targets for ACADIA. ArQule will decline to accept any ACADIA Targets that are not Available Targets for ArQule. The initial ACADIA Targets selected by the Research Committee are set forth in the initial Research Plan. After the Research Committee selects an ACADIA Target, ACADIA and ArQule agree to notify the Research Committee as soon as possible before taking any actions which could remove the status of that ACADIA Target as an Available Target. In such event, the Research Committee will immediately remove that ACADIA Target from the Collaboration.

3.3.2 COMPOUND SELECTION. The Research Committee will decide which libraries of ArQule Compounds to screen in the Collaboration (e.g., Compass Array Sets, Biased Array Sets, or Mapping Array Sets, as described in the Collaboration Plan). The Research Committee may also decide to screen Targeted Compounds in focused libraries developed by the parties for a target class, if any, as described in the Collaboration Plan. The Research Committee may also decide to screen Analog Compounds developed by the parties for a different ACADIA Target.

3.3.3 PROCEDURES FOR ARQULE COMPOUNDS. The parties will screen ArQule Compounds against ACADIA Targets as directed by the Research Committee and described in the Collaboration Plan and Research Plan. Initially, ArQule will not disclose structures of individual ArQule Compounds. ArQule will disclose to ACADIA the structures of Active Compounds that are Available Compounds for ArQule. ACADIA will then determine whether those Active Compounds are Available Compounds for ACADIA. If an Active Compound is an Available Compound for both parties, each party will preserve the availability of the Active Compound and the corresponding ACADIA Target and proceed to confirm activity as described in Section 3.4. and in the Collaboration Plan. In contrast, if a party determines that an Active Compound is not an Available Compound for such party, the parties shall immediately cease all information disclosure and activities under this Agreement with respect to that Active Compound; however, the parties shall use reasonable efforts to monitor whether that Active Compound later becomes an Available Compound and, in such event, shall notify the other party and then proceed in accordance with Section 3.4. Any information regarding the activity of these Active Compounds that are not Available Compounds for the ACADIA Targets shall remain subject to the restrictions on Confidential Information set forth in Article 7.

3.3.4 PROCEDURES FOR TARGETED COMPOUNDS. If the parties develop or one or more focused compound libraries of Targeted Compounds for a target class, as described in the

Collaboration Plan, the parties will screen those Targeted Compounds against ACADIA Targets as directed by the Research Committee and described in the Collaboration Plan and Research Plan. Both parties shall have access to the structures of all Targeted Compounds and shall maintain Targeted Compounds as Available Compounds during the Collaboration. Therefore, unlike the procedures for ArQule Compounds, a determination of availability is unnecessary.

3.4 LEAD QUALIFICATION.

3.4.1 SELECTION OF RESERVED COMPOUNDS AND RESERVED TARGETS. The parties expect to discover multiple series of Available Active Compounds with activity for multiple ACADIA Targets in the course of screening under the Research Plan. The Research Committee will group the various ACADIA Targets in multiple batches for screening. After each batch of ACADIA Targets is screened, the Research Committee will review the various combinations of Available Active Compounds and ACADIA Targets for which activity was detected and decide which Available Active Compounds and ACADIA Targets from that batch of screening, if any, should progress to further qualification in secondary screens and ADMET assays as described in the Collaboration Plan and Research Plan. For those Available Active Compounds and ACADIA Targets that the Research Committee decides to pursue, the parties will designate the Available Active Compounds as Reserved Compounds and the ACADIA Targets as Reserved Targets under this Agreement and reserve those compounds and targets exclusively for the Collaboration for a period of [***], subject to extension by the Research Committee, while secondary screens and ADMET assays are conducted. The Research Committee may also group Reserved Compounds as a Reserved Compound Set and Reserved Targets as a Reserved Target Set. All remaining Available Active Compounds and ACADIA Targets that the Research Committee has declined to advance to secondary screening shall automatically be released from their reserved status; however, any information regarding the activity of these Available Compounds for the ACADIA Targets shall remain subject to the restrictions on Confidential Information set forth in Article 7.

3.4.2 SELECTION OF COMMITTED COMPOUNDS AND COMMITTED TARGETS. The parties expect that the Research Committee will further qualify and prioritize the various opportunities presented by the combinations of Reserved Compounds and Reserved Targets as described in the Collaboration Plan and Research Plan. In order to facilitate this process, ArQule shall disclose to ACADIA the structures, but not the locations, of inactive ArQule Compounds from each Mapping Array Set from which Reserved Compounds are selected. ArQule shall also produce and deliver to ACADIA resynthesized samples of selected Reserved Compounds, as directed by the Research Committee. ACADIA shall test the resynthesis samples of Reserved Compounds in various assays as directed by the Research Committee and in accordance with the Research Plan. The Research Committee shall then review the data and, after consideration, designate [***] Reserved Targets and their corresponding Reserved Compounds as Committed Targets and Committed Compounds under this Agreement. The Research Committee has discretion to replace [***]Committed Targets and their corresponding Committed Compounds at any time as new batches of ACADIA Targets and ArQule Compounds and Targeted Compounds are screened and new Reserved Targets and Reserved Compounds are identified. The Research Committee may increase the number of Committed Targets and their Committed Compounds at any time, with approval of the Steering Committee. Any Reserved Targets and their corresponding Reserved Compounds, if any, that

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have met the predefined criteria for consideration as Committed Targets and Committed Compounds but which were not selected by the Research Committee shall be allocated between the parties as provided in Section 9.6. All other Reserved Targets and Reserved Compounds, if any, shall automatically be released from their reserved status; however, any information regarding the activity of these Reserved Compounds for the Reserved Targets shall remain subject to the restrictions on Confidential Information set forth in Article 7.

3.5 LEAD OPTIMIZATION. The Research Committee will update the Research Plan to provide for the accelerated lead optimization of the selected Committed Compound Sets with Committed Targets in the Collaboration, subject to Steering Committee approval. The Research Plan will set project priorities and define success criteria for a GLP Toxicology Candidate. As described in the Collaboration Plan, in a typical project the parties will iteratively develop and test Analog Compounds based on Committed Compounds. The parties will determine whether a proposed Analog Compound is an Available Compound before synthesis, and only Available Compounds will proceed to synthesis and testing in the Collaboration. The Analog Compounds developed by the parties shall automatically become Committed Compounds under this Agreement and, therefore, the Committed Compound Set for the Committed Target will likely expand as a result of the lead optimization efforts. At the discretion of the Research Committee, the parties may also use such Analog Compounds in primary screens against other ACADIA Targets. The parties anticipate that lead optimization of Committed Compounds will occur in two stages:

(i) In the first stage, the parties will develop Analog Compounds as combinatorial libraries to explore the promise of the Committed Compound Set for the Committed Target. The parties will test these Analog Compounds for various properties determined by the Research Committee to predict whether the Committed Compound Set may eventually meet the defined success criteria for a GLP Toxicology Candidate. The parties will decide whether to proceed to stage two for a given Committed Compound Set within [***].

(ii) In the second stage, the parties intend to concentrate their efforts on developing [***] and [***] corresponding Committed Compound Set(s) to identify a GLP Toxicology Candidate, with [***] from the first stage. The parties shall maintain a level of effort determined by the Research Committee for the [***]. The Research Committee may release Committed Targets and the corresponding Committed Compound Set(s) that are no longer of interest to the Collaboration or which are no longer the subject of the active efforts by the parties, as determined by the Research Committee and subject to Steering Committee approval, in which case the allocation provisions of Section 9.6. shall apply. Lead optimization activities will continue with respect to a Committed Target until the Research Committee and Steering Committee decide to stop further efforts. The parties anticipate that lead optimization activities will continue with respect to a Committed Target until the parties (i) develop an acceptable GLP Toxicology Candidate, (ii) determine that they are unlikely to develop an acceptable GLP Toxicology Candidate, or (iii)

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decide to seek commercialization of the Committed Compound Set(s) and Committed Target as described below.

3.6 PRECLINICAL DEVELOPMENT. At the discretion of the Steering Committee, the parties may decide to conduct the necessary preclinical development activities to advance one or more GLP Toxicology Candidates to become IND Candidates, as described in the Collaboration Plan. In such event, the Research Committee will update the Research Plan to provide for such activities, subject to approval of the Steering Committee. These preclinical development activities will continue with respect to a GLP Toxicology Candidate until the Research Committee and Steering Committee decide to stop further efforts. The parties anticipate that these preclinical development activities will continue with respect to a GLP Toxicology Candidate until the parties (i) develop an acceptable IND Candidate, (ii) determine that they are unlikely to develop an acceptable IND Candidate, or (iii) decide to seek commercialization of the GLP Toxicology Candidate and the corresponding Committed Target as described below.

3.7 COMMERCIALIZATION. At any time during the Collaboration, the Steering Committee may decide to sell, license, or otherwise transfer commercial rights in Collaboration Work Product to a third party. In such event, the Steering Committee will develop and approve a Commercialization Plan for such Collaboration Work Product. Unless otherwise determined by the Steering Committee, the Commercialization Plan will (i) describe the expectations of the parties regarding the commercial value of the Collaboration Work Product and potential Collaboration Products, (ii) set forth a marketing plan for the Collaboration Work Product (e.g., best potential customers), and (iii) state the respective responsibilities of each party for commercialization of the Collaboration Work Product (e.g., lead negotiator). The Steering Committee will manage the commercialization process. Alternatively, one party may purchase the interest of the other party in particular Collaboration Work Product on negotiated terms in a voluntary transaction. In such event, the separately negotiated agreement shall supersede the terms of this Agreement with respect to that Collaboration Work Product. The Steering Committee may also decide to sell, license, or otherwise transfer commercial rights in one or more focused libraries of Targeted Compounds developed by the parties during the Collaboration. In such event, the Steering Committee will develop and approve a Commercialization Plan for this Collaboration Work Product.

3.8 REPORTS AND RECORDS. Each party agrees to promptly and regularly communicate to the other party all research results from the Collaboration, including quarterly reports to the Research Committee detailing all tests conducted and results obtained by such party in connection with the Collaboration. Each party shall prepare and maintain adequate records, including bound laboratory notebooks maintained in accordance with standard scientific procedures, containing all appropriate data reflecting all research results from the Collaboration. In addition, each party shall retain under appropriate conditions any necessary or desirable samples of research materials that are developed or used in the Collaboration.

4. ALLOCATION OF EXPENSES AND REVENUES.

4.1 EXPENSES. The Research Committee shall establish an annual budget for all activities in the Collaboration, subject to Steering Committee approval. Each party shall bear the expenses of its respective activities under the Research Plan in accordance with the annual

budget, except that the parties will share equally any expenses payable (i) to third party service providers or (ii) incurred in connection with preclinical development activities under Section 3.6. above, provided such expenses are approved in advance by the Steering Committee and included in the annual budget. The Research Committee and Steering Committee shall use their best efforts to ensure that the resource and value contributions of each party are approximately equal on an annual basis. Any significant deviations from the annual budget must receive Steering Committee approval. Each party shall also pay fifty percent (50%) of all direct expenses (e.g., legal fees, travel) incurred by either party in connection with commercialization activities approved by the Steering Committee pursuant to Section 3.7. The Steering Committee has the right to refuse payment of expenses that are not properly documented or are unreasonably excessive. Each party shall promptly make payments to third parties, or reimburse the other party, for expenses owed by such party as set forth in this Section.

4.2 REVENUES. Each party shall receive fifty percent (50%) of all Gross Revenues received in connection with Collaboration Work Product sold, licensed or transferred to a third party under Section 3.7, provided that each party has contributed approximately equal resources and value to the Collaboration in accordance with the Research Plan and the annual budget. In the event that one party expends greater resources or contributes greater value than the other party in the Collaboration, as formally recognized by the Steering Committee and documented in the Research Plan or annual budget, the Steering Committee will compensate the party with the greater resource expenditure or value contribution in a manner reasonably acceptable to both parties.

4.3 RECORDS. Each party shall establish separate and distinct accounting records (but not necessarily separate general ledgers) such that the expenditures for the Collaboration are direct and transparent. As a guideline, each party should have separate project records supported by time records and records of direct expenses attributable to the Collaboration. Each party shall maintain these records for a period of at least [***] after the conclusion of the applicable calendar year. Each party shall have the right, at its own expense, to cause an independent certified public accountant reasonably acceptable to the other party to inspect such records during normal business hours for the sole purpose of verifying the expenditures reported under this Agreement. The accountant shall conduct the audit at a date and time reasonably acceptable to the audited party but not later than [***] after the audited party is notified of the audit. Such accountant shall not disclose to the requesting party any information other than information relating to the accuracy of expenditures reported under this Agreement and shall provide the audited party with a copy of any report given to the requesting party. In the event of any discrepancy, the parties shall promptly reconcile the discrepancy to achieve the results set forth in Sections 4.1. and 4.2. Each party may exercise its audit right not more than [***].

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5. INTELLECTUAL PROPERTY RIGHTS.

5.1 LICENSE GRANTS.

5.1.1 CROSS-LICENSES AND CROSS-ASSIGNMENT.

(i) ArQule hereby grants ACADIA a worldwide, royalty-free, non-exclusive license under the ArQule Patent Rights, Joint Patent Rights, and other rights in ArQule Technology and Collaboration Technology to [***].

(ii) ACADIA hereby grants ArQule a worldwide, royalty-free, non-exclusive license under the ACADIA Patent Rights, Joint Patent Rights, and other rights in ACADIA Technology and Collaboration Technology to [***].

(iii) To the extent that any Patent Rights in any Committed Compound or its use against any Committed Target or in any Targeted Compound or its use are not assigned to, or controlled by, both ArQule and ACADIA as joint owners or are not otherwise jointly invented by one or more employees or consultants of ACADIA and one or more employees or consultants of ArQule in connection with the Collaboration [***].

5.1.2 COMMERCIALIZATION LICENSES. In the event that the parties sell, license, or otherwise transfer commercialization rights in Collaboration Work Product to a third party pursuant to Section 3.7. above, each party hereby covenants and agrees to grant to such third party any rights and licenses under such party's Patent Rights and Technology as are reasonably necessary for such third party to exploit such Collaboration Work Product in accordance with the terms of a written agreement between the parties and such third party that is consistent with the Commercialization Plan applicable to such Collaboration Work Product, and to provide reasonable warranties of title, further assurances, and similar customary provisions in connection with such grant of rights or licenses.

5.2 INTELLECTUAL PROPERTY DEVELOPED OUTSIDE OF THE COLLABORATION. Except as expressly set forth in this Agreement, neither party shall have any rights in Patent Rights and Technology that are developed or discovered by the other party prior to the Effective Date or outside of the Collaboration. Therefore, ArQule shall have no rights in ACADIA Targets other than as provided in the Agreement, and ACADIA shall have no rights in ArQule Compounds other than as provided in the Agreement. Each party shall have sole responsibility for and control over Patent Rights claiming any of its Technology that was developed or discovered prior to the Effective Date or outside of the Collaboration. Neither party shall have any right to review or comment on such Patent Rights of the other party.

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5.3 INTELLECTUAL PROPERTY ARISING FROM THE COLLABORATION.

5.3.1 COMMITTED COMPOUNDS AND COMMITTED TARGETS. Committed Compounds and Committed Targets are exclusive to the Collaboration, which means that except as otherwise expressly provided in this Agreement:

(i) ArQule shall not engage in any research and development activities on Committed Compounds outside of the Collaboration;

(ii) ArQule shall not knowingly engage in any research and development activities on Committed Targets outside of the Collaboration except to the extent that a third party requires ArQule to perform such activities under a binding contract (which ArQule will disclose in advance to ACADIA);

(iii) ACADIA shall not engage in any research and development activities on Committed Targets outside of the Collaboration; and

(iv) ACADIA shall not knowingly engage in any research and development activities on Committed Compounds outside of the Collaboration except to the extent that a third party requires Acadia to perform such activities under a binding contract (which ACADIA will disclose in advance to ArQule).

In the event that a party engages in research and development activities with a third party with respect to Committed Compounds or Committed Targets under the limited circumstances permitted under this Subsection, such party shall establish and observe strict procedures to ensure that no information crosses from one project to the other project. The other party shall have the right to audit such procedures upon reasonable prior written notice. All Committed Compounds and Committed Targets shall remain exclusive to the Collaboration until the Collaboration terminates or the Steering Committee releases a particular Committed Compound, Committed Compound Set, Committed Target, or Committed Target Set.

5.3.2 RIGHT TO USE. Except as provided in Section 5.1. above or otherwise expressly provided in this Agreement, each party shall have the following rights and restrictions for the use of Patent Rights and Technology arising from the Collaboration:

(i) ArQule shall not have any right or license under ACADIA Patent Rights or other rights in ACADIA Technology arising from the Collaboration.

(ii) ACADIA shall not have any right or license under ArQule Patent Rights or other rights in ArQule Technology arising from the Collaboration.

(iii) During the Collaboration, neither party may use Targeted Compounds outside of the Collaboration without the prior written consent of the other party. After the expiration or termination of this Agreement, the parties shall have co-exclusive rights to Targeted Compounds (other than Targeted Compounds that are subject to the provisions of Section 9.6.2) as follows. [***]

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[***].

(iv) Except as otherwise provided in this Agreement, each party shall have the right to use Joint Patent Rights and Collaboration Technology consistent with the provisions of Article 7 without accounting to the other party.

5.3.3 OWNERSHIP. Ownership of Patent Rights and Technology arising from the Collaboration shall be allocated in the following manner:

(i) ArQule shall have sole ownership of all right, title, and interest in ArQule Patent Rights and ArQule Technology;

(ii) ACADIA shall have sole ownership of all right, title, and interest in ACADIA Patent Rights and ACADIA Technology; and

(iii) ArQule and ACADIA shall have joint ownership of all right, title, and interest in Joint Patent Rights and Collaboration Technology.

Each party shall ensure that its employees, consultants, agents, and representatives are contractually required to disclose and to assign to such party all Patent Rights and other rights in Technology arising from the Collaboration.

5.3.4 NOTICE. Each party shall provide prompt written notice to the Research Committee of the internal disclosure of any significant Technology developed by its personnel in connection with the Collaboration.

5.3.5 RESPONSIBILITY FOR PATENT RIGHTS. ArQule shall be responsible for and shall control, at its expense, the preparation, filing, prosecution, grant, and maintenance of any Patent Rights claiming only ArQule Technology arising from the Collaboration and shall consult with ACADIA on, and give ACADIA a reasonable opportunity to review, all such filings to the extent they directly relate to the Collaboration. ACADIA shall be responsible for and shall control, at its expense, the preparation, filing, prosecution, grant, and maintenance of all Patent

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Rights claiming only ACADIA Technology arising from the Collaboration and shall consult with ArQule on, and give ArQule a reasonable opportunity to review, all such filings to the extent they relate directly to the Collaboration. In the case of Collaboration Technology, the Research Committee will decide whether to seek Joint Patent Rights claiming that Technology or to maintain that Technology as a trade secret, subject to approval of the Steering Committee. The Research Committee will also decide whether to seek Patent Rights claiming both ArQule Technology and ACADIA Technology in one filing (which also constitutes a Joint Patent Right), subject to approval of the Steering Committee. If the parties decide to seek any Joint Patent Rights, the parties shall jointly prepare, file, prosecute, and maintain such Patent Rights, and all related expenses shall be borne equally by the parties. Notwithstanding the foregoing, neither party shall file any Joint Patent Rights claiming the composition or use of any Active Compound until the Research Committee has properly designated that Active Compound as a Committed Compound in accordance with Subsection 3.4.2.

5.3.6 ASSUMPTION OF RIGHTS BY OTHER PARTY. In the event that a party desires to decline responsibility for obtaining or maintaining Patent Rights in a country for any of its Technology that arises from the Collaboration, such party will notify the other party before taking such action and, upon request, will allow the other party to assume responsibility for, and all expenses relating to, the relevant Patent Rights in those countries; provided, however, that neither party shall have the right to seek patent protection for any Technology that a party has decided, in its discretion, to maintain as a trade secret. In the event that a party desires to cease further payment of patent-related expenses for a Joint Patent Right in any country, such party may assign to the other party all rights in that Joint Patent Right in such country and thereafter have no further obligation to pay such expenses.

5.3.7 COOPERATION. Each party agrees to cooperate fully in the preparation, filing, prosecution, and maintenance of all Patent Rights claiming Technology arising from the Collaboration. Such cooperation includes, without limitation, (i) promptly executing all papers and instruments, or requiring its employees, consultants, and agents to execute such papers and instruments, as reasonable and appropriate so as to enable one or both parties to file, prosecute, and maintain such Patent Rights in any country; (ii) promptly informing the other party of matters that may affect the preparation, filing, prosecution, or maintenance of any such Patent Rights; and (iii) undertaking no actions that are potentially deleterious to the preparation, filing, or prosecution of any such Patent Rights.

6. RESEARCH MATERIALS.

6.1 OWNERSHIP OF RESEARCH MATERIALS. In the course of this Collaboration, one party (the "PROVIDER") may transfer to the other party (the "RECIPIENT") certain of its Research Materials. The Recipient acknowledges and agrees that such Research Materials are and shall be owned by the Provider. The Recipient agrees to execute and deliver any documents of assignment or conveyance to effectuate the ownership rights of the Provider in such Research Materials. Specifically, ACADIA acknowledges and agrees that all ArQule Compounds provided to ACADIA in the Collaboration and, previously, under the MTA are proprietary to and owned by ArQule and are or may be covered by claims of ArQule Patent Rights, and ArQule acknowledges and agrees that all expressed proteins for ACADIA Targets provided by ACADIA

in the Collaboration are proprietary to and owned by ACADIA and are or may be covered by claims of ACADIA Patent Rights.

6.2 USE AND TRANSFER OF RESEARCH MATERIALS. Except as otherwise agreed by the Research Committee, the Recipient agrees to use Research Materials provided by the Provider solely for purposes set forth in this Agreement and shall not distribute such Research Materials to any third party other than its employees and consultants who are working on the Collaboration; provided that the parties may provide Research Materials specific to Collaboration Work Product to a third party for the purposes described in Section 3.7 and may provide Research Materials specific to Targeted Compounds to a sublicensee of such party's rights to such Targeted Compounds under Section 5.3.2(iii).

6.3 ADDITIONAL RESTRICTIONS FOR PROPRIETARY RESEARCH MATERIALS. In the case of Proprietary Research Materials furnished by a Provider, Recipient agrees (i) not to transfer such Proprietary Research Materials to any third party without the prior written consent of the Provider, (ii) to permit access to the Proprietary Research Materials only to its employees and consultants requiring such access, (iii) to inform such employees and consultants of the proprietary nature of the Proprietary Research Materials, and (iv) to take reasonable precautions, at least as stringent as those observed by Recipient to protect its own proprietary materials, to ensure that such employees and consultants observe the obligations of Recipient under this Section.

6.4 DISPOSITION OF UNUSED RESEARCH MATERIALS. At the request of Provider, Recipient will return or destroy any unused Research Materials furnished by Provider.

6.5 COMPLIANCE WITH LAW. Recipient agrees to comply with all federal, state, and local laws and regulations applicable to the use, storage, disposal, and transfer of Research Materials furnished by Provider, including without limitation the Toxic Substances Control Act (15 USC 2601 ET SEQ.) and implementing regulations (in particular, 40 CFR 720.36 [Research and Development Exemption]), the Food, Drug, and Cosmetic Act (21 USC 301 ET SEQ.) and implementing regulations, and all Export Administration Regulations of the Department of Commerce. Recipient assumes sole responsibility for any violation of such laws or regulations by Recipient or any of its Affiliates or sublicensees.

6.6 LIMITATION OF LIABILITY. Any Research Materials delivered pursuant to this Agreement are understood to be experimental in nature and may have hazardous properties. Recipient should assume that the compounds are dangerous and should use appropriate precautions. PROVIDER MAKES NO REPRESENTATIONS, AND EXTENDS NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE RESEARCH MATERIALS FURNISHED TO RECIPIENT. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR THAT THE USE OF THE RESEARCH MATERIALS WILL NOT INFRINGE ANY PATENT OR OTHER INTELLECTUAL PROPERTY RIGHTS OF A THIRD PARTY.

7. CONFIDENTIAL INFORMATION.

7.1 DESIGNATION OF CONFIDENTIAL INFORMATION. Confidential Information that is disclosed in writing or electronically shall be marked with a legend indicating its confidential status. Confidential Information that is disclosed orally or visually shall be documented in a written notice prepared by the Disclosing Party and delivered to the Receiving Party within [***] of the date of disclosure; such notice shall summarize the Confidential Information disclosed to the Receiving Party and reference the time and place of disclosure.

7.2 OBLIGATIONS OF RECEIVING PARTY. The Receiving Party agrees that it shall:

(i) maintain all Confidential Information in strict confidence, except that the Receiving Party may disclose or permit the disclosure of any Confidential Information to (A) its Affiliates, directors, officers, employees, consultants, and advisors, (B) solely with respect to Confidential Information specific to Collaboration Work Product, a third party for the purposes described in Section 3.7 and (C) solely with respect to Confidential Information specific to Targeted Compounds, a sublicensee of such party's rights to such Targeted Compounds under Section 5.3.2(iii), in each case which recipients are obligated to maintain the confidential nature of such Confidential Information and need to know such Confidential Information for the purposes set forth in this Agreement;

(ii) use all Confidential Information solely for the purposes of this Agreement and the permitted uses set forth in Section 7.6.; and

(iii) allow permitted recipients under Section 7.2(i) to reproduce the Confidential Information only to the extent necessary to effect the purposes set forth in this Agreement, with all such reproductions being considered Confidential Information.

7.3 EXCEPTIONS. The obligations of the Receiving Party under Section 7.2. above shall not apply to the extent that the Receiving Party can demonstrate that certain Confidential Information:

(i) was in the public domain prior to the time of its disclosure under this Agreement;

(ii) entered the public domain after the time of its disclosure under this Agreement through means other than an unauthorized disclosure resulting from an act or omission by the Receiving Party;

(iii) was independently developed or discovered by the Receiving Party without use of any Confidential Information of the Disclosing Party; or

(iv) is or was disclosed to the Receiving Party at any time, whether prior to or after the time of its disclosure under this Agreement, by a third party having no fiduciary relationship with the Disclosing Party and having no obligation of

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confidentiality or non-use to the Disclosing Party with respect to such Confidential Information.

7.4 PERMITTED DISCLOSURE. Notwithstanding any other provision of this Agreement, disclosure of Confidential Information shall not be precluded if such disclosure is required to comply with applicable laws or regulations (such as disclosure to the FDA or the United States Patent and Trademark Office or to their foreign equivalents), or to comply with a court or administrative order, provided that the Disclosing Party receives prior written notice of such disclosure and that the Receiving Party takes all reasonable and lawful actions to obtain confidential treatment for such disclosure and, if possible, to minimize the extent of such disclosure.

7.5 RETURN OF CONFIDENTIAL INFORMATION. Upon the termination of this Agreement, or earlier at the request of the Disclosing Party, the Receiving Party shall return to the Disclosing Party all originals, copies, and summaries of documents, materials, and other tangible manifestations of Confidential Information in the possession or control of the Receiving Party, except that the Receiving Party may retain one copy of the Confidential Information in the possession of its legal counsel solely for the purpose of monitoring its obligations under this Agreement.

7.6 PERMITTED USE OF INFORMATION. ACADIA and ArQule [***]. Under no circumstances may either party use any information from lead optimization activities or preclinical development activities for any purpose other than the Collaboration.

7.7 SURVIVAL OF OBLIGATIONS. The obligations set forth in this Article shall remain in effect for an item of Confidential Information for a period of [***] after the date upon which a Receiving Party first received that Confidential Information, except that the obligation of the Receiving Party to return Confidential Information to the Disclosing Party shall survive until fulfilled.

8. INDEMNIFICATION AND INSURANCE.

8.1 GENERAL INDEMNIFICATION. Each party (the "INDEMNIFYING PARTY") shall indemnify and hold harmless the other party, its Affiliates, and their respective directors, officers, employees and agents (collectively, the "INDEMNITEES") from and against all claims, expenses or liability of whatever nature arising from any default, act, omission, or negligence of the Indemnifying Party, its agents or employees, or others exercising rights by, through, or under the Indemnifying Party, or the failure of the Indemnifying Party or such persons to comply with any applicable laws, rules, regulations, codes, ordinances or directives of governmental authorities, in each case to the extent the same are related, directly or indirectly, to the Collaboration described herein; PROVIDED, HOWEVER, that in no event shall the Indemnifying Party

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be obligated under this section to indemnify the Indemnitees to the extent that such claim, expense or liability results from any omission, fault, negligence, or other misconduct of any of the Indemnitees.

8.2 PRODUCT LIABILITY INDEMNIFICATION. Each Indemnifying Party further agrees to defend, indemnify, and hold the Indemnitees harmless from all costs, judgments, liabilities, and damages assessed by a court of competent jurisdiction arising from claims asserted by a third party against the Indemnitees as a result of (i) actual or asserted violations of any applicable law or regulation by the Indemnifying Party, its Affiliates, sublicensees, or third party manufacturers by virtue of which the Collaboration Products, or any product containing as one of its constituents any Targeted Compound, manufactured, distributed, or sold shall be alleged or determined to be adulterated, misbranded, mislabeled, or otherwise not in compliance with such applicable law or regulation; (ii) claims for bodily injury, death, or property damage attributable to the manufacture, distribution, sale, or use of the Collaboration Products, or any product containing as one of its constituents any Targeted Compound, by the Indemnifying Party, or by its Affiliates, sublicensees, or third party manufacturers; or (iii) a recall ordered by a governmental agency, or required by a confirmed failure, as reasonably determined by the parties, of Collaboration Products, or any product containing as one of its constituents any Targeted Compound, manufactured, distributed, or sold by the Indemnifying Party, or by its Affiliates, sublicensees or third party manufacturers; PROVIDED, HOWEVER, that in no event shall the Indemnifying Party be obligated under this section to indemnify the Indemnitees to the extent that such claim, expense or liability results from any omission, fault, negligence, or other misconduct of any of the Indemnitees.

8.3 PROCEDURE. The Indemnitees agree to provide the Indemnifying Party with prompt written notice of any claim, suit, action, demand, or judgment for which indemnification is sought under this Agreement. If an Indemnitee fails to provide such notice within a reasonable time, and if such failure prejudicially affects the ability of the Indemnifying Party to defend such action, the Indemnifying Party shall be relieved of its liability to such Indemnitee under this Article 8. The Indemnifying Party agrees, at its own expense, to provide attorneys reasonably acceptable to the Indemnitees to defend against any such claim. The Indemnitees shall cooperate fully with the Indemnifying Party in such defense and will permit the Indemnifying Party to conduct and control such defense and the disposition of such claim, suit, or action (including all decisions relative to litigation, appeal, and settlement); provided, however, that any Indemnitee shall have the right to retain its own counsel, at the expense of the Indemnifying Party, if representation of such Indemnitee by the counsel retained by the Indemnifying Party would be inappropriate because of actual or potential differences in the interests of such Indemnitee and any other party represented by such counsel. The Indemnifying Party agrees to keep the other party informed of the progress in the defense and disposition of such claim and to consult with such party with regard to any proposed settlement. Neither party may settle a claim or action for which indemnification is sought under this Agreement without the consent of the other party if such settlement would impose any monetary obligation on the other party or require the other party to submit to an injunction or otherwise limit the other party, its Affiliates or their respective directors, officers, employees or agents.

8.4 INSURANCE. Each party shall maintain, and shall require its Affiliates and sublicensees to maintain, adequate product liability insurance or self insurance with respect to

development, manufacture, and sale of Collaboration Products, or any product containing as one of its constituents any Targeted Compound, by such party in such amount as that party customarily maintains with respect to sales of its other products, and in no event less than a reasonable amount. Each party shall maintain, and shall require its Affiliates and sublicensees to maintain, such insurance for so long as that party continues to manufacture or sell the Collaboration Products, and thereafter for so long as that party maintains insurance for itself covering such manufacture or sale.

9. TERM AND TERMINATION.

9.1 TERM. This Agreement shall commence on the Effective Date and shall continue for a period of five (5) years unless earlier terminated pursuant to this Article 9.

9.2 TERMINATION BY PARTY. Either party may terminate this Agreement for any reason upon ninety (90) days written notice to the other party. In addition, the Steering Committee may terminate this Agreement at any time by mutual agreement of the parties.

9.3 DEADLOCK. As described in Subsection 2.2.6., this Agreement shall automatically terminate sixty (60) days (or such longer period as the parties mutually agree) after the Steering Committee deadlocks on any matter relating only to specific activities under the Collaboration, unless the matter is resolved by the Chief Executive Officers of each party during such time period.

9.4 TERMINATION FOR DEFAULT. In the event that either party commits a material breach of its obligations under this Agreement and fails to cure that breach within [***] after receiving written notice thereof, the other party may terminate this Agreement immediately upon written notice to the party in breach.

9.5 FORCE MAJEURE. Neither party will be responsible for delays resulting from acts beyond the control of such party, provided that the nonperforming party uses commercially reasonable efforts to avoid or remove such causes of nonperformance and continues performance hereunder with reasonable dispatch whenever such causes are removed.

9.6 DISPOSITION OF COLLABORATION WORK PRODUCT. Except as otherwise agreed by the parties, the following provisions shall apply under the circumstances specified in this Agreement or upon the expiration or termination of this Agreement.

9.6.1 COMMERCIAL PRODUCTS. If any Collaboration Work Product has been successfully commercialized pursuant to Section 3.7., the parties shall share Gross Revenues attributable to that Collaboration Work Product as set forth in Section 4.2.

9.6.2 RESIDUAL VALUE IN TARGETS AND COMPOUNDS. Except for Collaboration Work Product that has been commercialized pursuant to Section 3.7., the parties will apportion rights in Reserved Targets, Reserved Compounds, Committed Targets, and Committed Compounds as follows.

(i) The Research Committee will establish Reserved Target Sets, Committed Target Sets, Reserved Compound Sets, and Committed Compound Sets as necessary

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or desirable to prevent significant overlap between the rights granted to each party under this Subsection. For example, if two ACADIA Targets are receptor subtypes and if the Available Active Compounds for those two ACADIA Targets are similar enough to form a single Reserved Compound Set or Committed Compound Set, the Research Committee may group the ACADIA Targets into a single Reserved Target Set or Committed Target Set to minimize the risk of conflicting Patent Rights filed by each party. As another example, if two dissimilar ACADIA Targets are found to have activity with respect to Available Active Compounds that are within a single chemotype and have substantial homology, the Research Committee has discretion to establish two Reserved Compound Sets or Committed Compound Sets (i.e., one for each ACADIA Target) based on different structure-activity profiles that are identified for each ACADIA Target.

(ii) For Reserved Targets and the corresponding Reserved Compounds that have met the requisite criteria for consideration as Committed Targets and Committed Compounds but which the Research Committee has declined to designate as Committed Targets and Committed Compounds, as described in Subsection 3.4.2. [***].

(iii) For Committed Targets and the corresponding Committed Compound Set(s) that the Research Committee has removed from the Collaboration as described in Subsection 3.4.2. or Section 3.5. or which have not been commercialized pursuant to Section 3.7. when the Agreement expires or terminates [***].

(iv) Each party hereby agrees to assign, transfer, and convey to the other party, or to grant such other party [***]

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[***]. Finally, each party agrees to provide reasonable warranties of title, further assurances, and similar customary provisions in connection with the grant of rights or licenses under this Subsection.

(v) The parties shall enter into a Compound License Agreement in substantially the form of the Compound License Agreement dated May 10, 2000 between ACADIA and ArQule for each (a) Reserved Target or Reserved Target Set and its corresponding Reserved Compounds or Reserved Compound Set and (b) Committed Target or Committed Target Set and its corresponding Committed Compounds or Committed Compound Set, for which such party obtains rights under this Subsection. Each party acknowledges and agrees that the Compound License Agreement provides for, among other things, an annual license maintenance fee in the amount of [***] and a royalty of [***].

9.6.3 RIGHTS IN TARGETED COMPOUNDS. Except for Collaboration Work Product that has been commercialized pursuant to Section 3.7., the rights of each party to use Targeted Compounds continues after the Collaboration ends as provided in Subsection 5.3.2., clause (iii), subject to the other provisions of this Section 9.6.

9.7 SURVIVAL. The following provisions shall survive the expiration or termination of this Agreement: Articles 4, 6, 7, 8, and 10; Sections 5.1.2., 5.3. (except 5.3.1), 9.6., 9.7., 11.7., and 11.9.

10. DISPUTE RESOLUTION.

10.1 PROCEDURES MANDATORY. Except as otherwise provided in Subsection 2.2.6., the parties agree that any dispute arising out of or relating to this Agreement shall be resolved solely by means of the procedures set forth in this Article, and that such procedures constitute legally binding obligations that are an essential provision of this Agreement; provided, however, that all procedures and deadlines specified in this Article may be modified by written agreement of the parties. If either party fails to observe the procedures of this Article, as modified by their written agreement, the other party may bring an action for specific performance in any court of competent jurisdiction.

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10.2 DISPUTE RESOLUTION PROCEDURES.

10.2.1 NEGOTIATION. Except as otherwise provided in Subsection 2.2.6., in the event of any dispute arising out of or relating to this Agreement, the affected party shall notify the other party, and the Steering Committee shall attempt in good faith to resolve the matter within [***]after the date such notice is received by the other party (the "NOTICE DATE"). Any disputes not resolved by good faith discussions within the Steering Committee shall be referred to senior executives of each party, who shall meet at a mutually acceptable time and location within [***] after the Notice Date and attempt to negotiate a settlement.

10.2.2 MEDIATION. If the matter remains unresolved within [***] after the Notice Date, or if the senior executives fail to meet within [***] after the Notice Date, either party may initiate mediation upon written notice to the other party, whereupon both parties shall be obligated to engage in a mediation proceeding under the then current Center for Public Resources ("CPR") Model Procedure for Mediation of Business Disputes, except that specific provisions of this Section shall override inconsistent provisions of the CPR Model Procedure. The mediator will be selected from the CPR Panels of Neutrals. If the parties cannot agree upon the selection of a mediator within [***] after the Notice Date, then upon the request of either party, the CPR shall appoint the mediator. The parties shall attempt to resolve the dispute through mediation until one of the following occurs: (i) the parties reach a written settlement; (ii) the mediator notifies the parties in writing that they have reached an impasse; (iii) the parties agree in writing that they have reached an impasse; or (iv) the parties have not reached a settlement within [***] after the Notice Date.

10.2.3 TRIAL WITHOUT JURY. If the parties fail to resolve the dispute through mediation, or if neither party elects to initiate mediation, each party shall have the right to pursue any other remedies legally available to resolve the dispute; provided, however, that the parties expressly waive any right to a jury trial in any legal proceeding under this Section.

10.3 PRESERVATION OF RIGHTS PENDING RESOLUTION.

10.3.1 PERFORMANCE TO CONTINUE. Each party shall continue to perform its obligations under this Agreement pending final resolution of any dispute arising out of or relating to this Agreement; provided, however, that a party may suspend performance of its obligations during any period in which the other party fails or refuses to perform its obligations.

10.3.2 PROVISIONAL REMEDIES. Although the procedures specified in this Article are the sole and exclusive procedures for the resolution of disputes arising out of or relating to this Agreement, either party may seek a preliminary injunction or other provisional equitable relief if, in its reasonable judgment, such action is necessary to avoid irreparable harm to itself or to preserve its rights under this Agreement.

10.3.3 STATUTE OF LIMITATIONS. The parties agree that all applicable statutes of limitation and time-based defenses (such as estoppel and laches) shall be tolled while the procedures set forth in Subsections 10.2.1. and 10.2.2. are pending. The parties shall take any actions necessary to effectuate this result.

* CONFIDENTIAL TREATMENT REQUESTED

11. MISCELLANEOUS.

11.1 PUBLICITY. No press release, advertising, promotional sales literature, or other promotional oral or written statements to the public in connection with or alluding to work performed under this Agreement or the relationship between the parties created by it, having or containing any reference to ArQule or ACADIA, shall be made by either party without the prior written approval of the other party, except for restatements of previously-approved statements and disclosures required by applicable law or regulation.

11.2 RELATIONSHIP OF PARTIES. For the purposes of this Agreement, each party is an independent contractor and not an agent or employee of the other party. Neither party shall have authority to make any statements, representations, or commitments of any kind, or to take any action which shall be binding on the other party, except as may be explicitly provided for herein or authorized in writing. In particular, (i) neither party shall represent to creditors or vendors that such party has any authority to obligate or bind the other party, and shall affirmatively correct any misconception to that effect and (ii) neither party shall use the name of the other party in connection with such transactions without the prior written consent of the other party, which consent may be withheld in its sole discretion.

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

11.4 HEADINGS. All headings in this Agreement are for convenience only and shall not affect the meaning of any provision hereof.

11.5 BINDING EFFECT. This Agreement shall inure to the benefit of and be binding upon the parties and their respective lawful successors and assigns.

11.6 ASSIGNMENT. This Agreement may not be assigned by either party without the prior written consent of the other party, except that either of the parties may assign this Agreement to a successor in connection with the merger, consolidation, or sale of all or substantially all of its assets or that portion of its business pertaining to the subject matter of this Agreement; provided, however, that in the event of such a transaction, no intellectual property rights of any Affiliate or third party that is an acquiring party shall be included in the technology subject to this Agreement.

11.7 NOTICES. All notices, requests, demands and other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be deemed to have been duly given upon the date of receipt if delivered by hand, recognized national overnight courier, confirmed facsimile transmission, or registered or certified mail, return receipt requested, postage prepaid, to the following addresses or facsimile numbers:

If to ACADIA:

ACADIA Pharmaceuticals
3911 Sorrento Valley Blvd.
San Diego, CA 92121-1402
Attn: Chief Executive Officer
Tel: (858) 320-8614
Fax: (858) 455-1751

with a copy (which shall not constitute notice) to:

Pillsbury Madison & Sutro LLP
101 West Broadway, Suite 1800
San Diego, CA 92101-8219
Attn: John M. Dunn
Tel: (858) 509-4015
Fax: (858) 236-1995

If to ArQule:

ArQule, Inc.
19 Presidential Way
Woburn, MA 01801
Attn: President
Tel: (781) 994-0300
Fax: (781) 503-0009

with a copy (which shall not constitute notice) to:

ArQule, Inc.
19 Presidential Way
Woburn, MA 01801
Attn: Legal Department
Tel: (781) 994-0300
Fax: (781) 994-0676

Either party may change its designated address and facsimile number by notice to the other party in the manner provided in this Section.

11.8 AMENDMENT AND WAIVER. This Agreement may be amended, supplemented, or otherwise modified at any time, but only by means of a written instrument signed by both parties. Any waiver of any rights or failure to act in a specific instance shall relate only to such instance and shall not be construed as an agreement to waive any rights or fail to act in any other instance, whether or not similar.

11.9 GOVERNING LAW. This Agreement and the legal relations among the parties shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts irrespective of any conflict of laws principles.

11.10 SEVERABILITY. In the event that any provision of this Agreement shall, for any reason, be held to be invalid or unenforceable in any respect, such invalidity or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid or unenforceable provision had not been included herein.

11.11 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any and all prior or contemporaneous oral and prior written agreements and understandings including, without limitation, the MTA.

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement as a sealed instrument effective as of the date first above written.

ACADIA PHARMACEUTICALS, INC.

By:/s/ ULI HACKSELL

Uli Hacksell, Ph.D.
Chief Executive Officer

ARQULE, INC.

By:/s/ STEPHAN A. HILL

Stephen A. Hill, M.D.
President and Chief Executive Officer

EXHIBIT A

COLLABORATION PLAN

[***]

* CONFIDENTIAL TREATMENT REQUESTED

[***]

2.

* CONFIDENTIAL TREATMENT REQUESTED

[***]

3.

* CONFIDENTIAL TREATMENT REQUESTED

[***]

4.

* CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT 10.17

ASSIGNMENT OF BRANN INTELLECTUAL PROPERTY RIGHTS

This Assignment dated January 29, 1997 is executed and delivered by Mark R. Brann, residing at 25 Cavendish Cove Road, South Hero, Vermont 05486 ("Brann"), to Receptor Technologies, Inc., a Delaware corporation, having its principal place of business at 276 East Allen Street, Winooski, Vermont 05404 (the "Company") in connection with the Series A Stock Purchase Agreement dated January 29, 1997 between and among Brann, the Company and certain investors (the "Agreement").

WHEREAS, Brann is the owner of "Brann Intellectual Property Rights," which includes "Brann Patent Rights," Brann Contract Rights and "Brann Know-How" in the "Technology" as these terms are defined as follows:

"TECHNOLOGY" means mass drug screening by clonal selection or amplification of receptor in RNAs and all technology incorporated therein or necessary therefor.

"BRANN PATENT RIGHTS" means all patents and patent applications (which for all purposes of this agreement shall be deemed to include certificates of invention, applications for certificates of invention and utility models) throughout the world, covering or relating to the Technology, including any substitutions, extensions, reissues, reexaminations, renewals, divisions, continuations or continuations-in-part, which Brann owns or controls as of the date of this Agreement and thereafter.

"BRANN KNOW-HOW RIGHTS" means all rights, methods, materials, data and other information owned or possessed by Brann as of the date of this Agreement, whether patentable or otherwise, relating to the Technology, including Brann Patent Rights.

"BRANN CONTRACT RIGHTS" means all rights of Brann with respect to the Technology, Brann Patent Rights and Brann Know-How Rights under any agreement, written or oral, with any person, including but not limited to the agreement with Novo Nordisk dated May 5, 1995.

WHEREAS, Brann is the owner of 1,523,088 shares of Common Stock of the Company, representing all outstanding capital stock of the Company as of the date of this Agreement;

WHEREAS, the transfer of the Brann Intellectual Property Rights is a capital contribution by Brann to the Company under Section 351(a) of the Internal Revenue Code of 1986, as amended; and

WHEREAS, the Company desires to acquire Brann's Intellectual Property Rights for good and valuable consideration and pursuant to the Agreement;

NOW, THEREFORE, for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Brann hereby agrees as follows:

1. Brann hereby assigns, transfers, conveys, and sets over to the Company, its successors, and assigns all right, title and interest in and to the Brann Intellectual Property Rights and all rights and benefits therefrom otherwise inuring to him, free and clear of all liabilities, obligations, claims or encumbrances of any kind except as set forth in Section 2 hereof.

2. Brann represents and warrants to the Company that he is the owner of the Intellectual Property rights, and has good title thereto, free and clear of any liability, obligation claim or encumbrance other than the rights of Novo Nordisk pursuant to a contract dated May 5, 1995; and that the execution and delivery of this Assignment and the transfer to the Company of the rights transferred hereby will not constitute a breach of or a default under any agreement to which Brann is a party or by which the Brann Intellectual Property Rights are bound or subject. Except for the agreement with Novo Nordisk, Brann has not granted any rights to the Brann Intellectual Property Rights to any person. Brann agrees to warrant and defend the ownership of the Intellectual Property Rights transferred hereunder against all persons.

Without charge to the Company, but without expense to Brann, Brann agrees to execute and deliver to the Company such papers, including applications and assignments as may be presented to him for the purpose of obtaining patents or other protections for the Brann Intellectual Property Rights and to better evidence the transfer of ownership made hereunder.

3. Brann, by his execution of this Assignment, and the Company, by its acceptance of this Assignment, each hereby acknowledges and agrees that neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, modified or altered in any way by this instrument.

4. In the event that the Company determines (a) to liquidate its assets, including the Brann Intellectual Property Rights or (b) to abandon the Brann Intellectual Rights, the Company agrees to consider in good faith any reasonable proposal from Brann to reacquire the Brann Intellectual Property Rights.

IN WITNESS WHEREOF, Brann and the Company have caused this instrument to be duly executed under seal as of and on the date first above written.

/s/ Mark R. Brann

Mark R. Brann

ACCEPTED:

Receptor Technologies, Inc. hereby accepts assignment of the Brann Intellectual Property Rights and agrees to perform and discharge, according to its tenor, the obligations of Brann under the agreement with Novo Nordisk dated May 5, 1995.

By: /s/ John M. Barberich

Title: Vice President

[LOGO] AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE-NET
(DO NOT USE THIS FORM FOR MULTI-TENANT BUILDINGS)

1. BASIC PROVISIONS ("BASIC PROVISIONS")

1.1 PARTIES: This Lease ("LEASE"), dated for reference purposes only August 15, 1997, is made by and between R.G. HARRIS CO., a California corporation, as to an undivided 72.6568% interest, and HARRIS FAMILY REVOCABLE TRUST, as to an undivided 27.3432% interest ("LESSOR") and RECEPTOR TECHNOLOGIES INC., a Delaware corporation ("LESSEE"), (collectively the "PARTIES," or individually a "PARTY").

1.2 PREMISES: That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, and commonly known as 3911 Sorrento Valley Blvd., San Diego, located in the County of San Diego, State of California, and generally described as (describe briefly the nature of the property and, if applicable, the "Project", if the property is located within a Project) that certain real property and improvements consisting of an existing building of approximately 28,900 square feet and an asphalt parking lot as depicted on Exhibit "A" attached hereto (see Paragraph 53 of Addendum No. 1) ("Premises"). (See also Paragraph 2).

1.3 TERM: eight (8) years and no months ("ORIGINAL TERM") commencing October 15, 1997 ("COMMENCEMENT DATE") and ending October 14, 2005 ("EXPIRATION DATE"). (See also Paragraph 3).

1.4 EARLY POSSESSION: See Paragraph 51 of Addendum No. 1 ("EARLY POSSESSION DATE"). (See also Paragraphs 3.2 and 3.3).

1.5 BASE RENT: $44,255.00 per month ("BASE RENT"), payable on the 1st day of each month commencing October 15, 1997. (See also Paragraph 4). /X/ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Paragraph 50 of Addendum No. 1.

1.6 BASE RENT PAID UPON EXECUTION: $44,255.00 as Base Rent for the first month of the Term.

1.7 SECURITY DEPOSIT: $294,780.00 (See Paragraph 54 of Addendum No. 1) ("SECURITY DEPOSIT"). (See also Paragraph 5).

1.8 AGREED USE: office, research and development. (See also Paragraph 6).

1.9 INSURING PARTY: Lessor is the "INSURING PARTY" unless otherwise stated herein. (See also Paragraph 8).

1.10 REAL ESTATE BROKERS: (See also Paragraph 15).

(a) REPRESENTATION: The following real estate brokers (collectively, the "BROKERS") and brokerage relationships exist in this transaction (check applicable boxes):

/X/ CB COMMERCIAL REAL ESTATE GROUP, INC. represents Lessor exclusively ("LESSOR'S BROKER");
/X/ JOHN BURNHAM & COMPANY represents Lessee exclusively ("LESSEE'S BROKER"); or
|_| _____ represents both Lessor and Lessee ("DUAL AGENCY").

(b) PAYMENT TO BROKERS: Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Broker the fee agreed to in their separate written agreement.

1.11 GUARANTOR. The obligations of the Lessee under this Lease are to be guaranteed by Not Applicable ("GUARANTOR"). (See also Paragraph 37).

1.12 ADDENDA AND EXHIBITS. Attached hereto is an Addendum or Addenda consisting of Paragraphs 50 through 63 and Exhibits "A" and "B", all of which constitute a part of this Lease.

2. PREMISES.

2.1 LETTING. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, all the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating rental, is an approximation which the Parties agree is reasonable and the rental based thereon is not subject to revision whether or not the actual size is more or less.

2.2 CONDITION. Lessor shall deliver the Premises to Lessee broom clean and free of debris on the date hereof ("START DATE"), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee within thirty (30) days following the completion of Lessee's Work, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("HVAC"), loading doors, if any, and all other such elements in the Premises, other than those constructed by Lessee, shall be in good operating condition on said date and that the structural elements of the roof, bearing walls and foundation of any buildings on the Premises (the "BUILDING") shall be free of material defects. If a non-compliance with said warranty exists as of the Start Date, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify same at Lessor's expense. If, after the Start Date, Lessee does not give Lessor written notice of any non-compliance with this warranty within: one year, correction of such non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense.

2.3 COMPLIANCE. Lessor warrants that the improvements on the Premises comply with all applicable laws, covenants or restrictions of record, building codes, regulations and ordinances ("APPLICABLE REQUIREMENTS") in effect on the Start Date. Said warranty does not apply to the use to which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. NOTE: Lessee is responsible for determining whether or not the zoning is appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed. If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within six (6) months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed (as opposed to being in existence at the Start Date, which is addressed in Paragraph 6.2(e) below) so as to require during the term of this Lease the construction of an addition to or an alteration of the Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Building ("CAPITAL EXPENDITURE"), Lessor and Lessee shall allocate the cost of such work as follows:

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(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however that if such Capital Expenditure is required during the last two (2) years of this Lease and the cost thereof exceeds six (6) months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within ten (10) days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to six (6) months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least ninety (90) days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for such costs pursuant to the provisions of Paragraph 7.1(c); provided, however, that if such Capital Expenditure is required during the last two years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon ninety (90) days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within ten (10) days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct the same, with interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, of if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon thirty (30) days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity or use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 ACKNOWLEDGEMENTS. Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's agents, nor any Broker has made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (a) Broker has made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (b) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

3. TERM.

3.1 TERM. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 EARLY POSSESSION. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Real Property Taxes and insurance premiums and to maintain the Premises) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date.

3.3 DELAY IN POSSESSION. Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within thirty (30) days after the date hereof, Lessee may, at its option, by notice in writing within thirty (30) days after the end of such thirty (30) day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said thirty (30) day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within four (4) months after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3.4 LESSEE COMPLIANCE. Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent,

notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. RENT.

4.1 RENT DEFINED. All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("RENT").

4.2 PAYMENT. Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one (1) full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating.

5. SECURITY DEPOSIT. Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor after notice to Lessee, for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of said Security Deposit, Lessee shall within ten (10) days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. Within fourteen (14) days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within thirty (30) days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor.

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6. USE.

6.1 USE. Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to neighboring properties. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements on the Premises or the mechanical or electrical systems therein, is not significantly more burdensome to the Premises. If Lessor elects to withhold consent, Lessor shall within five (5) business days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in use.

6.2 HAZARDOUS SUBSTANCES.

(a) REPORTABLE USES REQUIRE CONSENT. The term "HAZARDOUS SUBSTANCE" as used in this Lease mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "REPORTABLE USE" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use including materials typically used in biomedical research and development laboratories so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) DUTY TO INFORM LESSOR. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) LESSEE REMEDIATION. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) LESSEE INDEMNIFICATION. Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party during the Term (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from adjacent properties). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessor or Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed in writing at the time of such agreement.

(e) LESSOR INDEMNIFICATION. Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) INVESTIGATIONS AND REMEDIATIONS. Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) LESSOR TERMINATION OPTION. If a Hazardous Substance Condition occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessors rights under Paragraph 6.2(d) and Paragraph 13). Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds twelve (12) times the then monthly Base Rent, give written notice to Lessee, within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date sixty (60) days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within ten (10) days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to twelve (12) times the then monthly Base Rent. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within thirty (30) days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 LESSEE'S COMPLIANCE WITH APPLICABLE REQUIREMENTS. Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or subject to the provisions of Section 2.3, become effective after the Start Date. Lessee shall, within ten (10) days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 INSPECTION; COMPLIANCE. Lessor and Lessor's "Lender" (as defined in Paragraph 30 below) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspections, so long as such inspection is reasonably related to the violation or contamination.

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7. MAINTENANCE; REPAIRS, UTILITY INSTALLATIONS; TRADE, FIXTURES AND ALTERATIONS.

7.1 LESSEE'S OBLIGATIONS.

(a) IN GENERAL. Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installation and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, heating, ventilating, air-conditioning, electrical, lighting facilities, boilers, pressure vessels, fire protection system fixtures, walls (interior), ceilings, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. Lessee shall, during the term of this Lease, keep the exterior appearance of the Building in a first-class condition consistent with the exterior appearance of other similar facilities of comparable age and size in the vicinity, including, when necessary, the exterior repainting of the Building.

(b) SERVICE CONTRACTS. Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler, and pressure vessels, (iii) fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, (vii) clarifiers, (viii) basic utility feed to the perimeter of the Building, and (ix) any other equipment, if reasonably required by Lessor.

(c) REPLACEMENT. Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if the Basic Elements described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such Basic Elements, then such Basic Elements shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is the number of months of the useful life of such replacement as such useful life is specified pursuant to Federal income tax regulations or guidelines for depreciation thereof (including interest on the unamortized balance as is then commercially reasonable), with Lessee reserving the right to prepay its obligation at any time.

7.2 LESSOR'S OBLIGATIONS. Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 9 (Damage or Destruction) and 14 (Condemnation), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, or the equipment therein, all of which obligations are intended to be that of the Lessee. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises, and they expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease. Notwithstanding the foregoing, Lessor at Lessor's expense, shall have the obligation to maintain and repair the roof, foundation and exterior walls.

7.3 UTILITY INSTALLATIONS; TRADE FIXTURES; ALTERATIONS.

(a) DEFINITIONS; CONSENT REQUIRED. The term "Utility Installations" refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term "TRADE FIXTURES" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "ALTERATIONS" shall mean any modification of the Improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "LESSEE OWNED ALTERATIONS AND/OR UTILITY INSTALLATIONS" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a). Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent not to be unreasonably withheld. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed $100,000.00 in any one year.

(b) CONSENT. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) acquiring Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and

expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount equal to the greater of two month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to one and one-half times the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) INDEMNIFICATION. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to one and one-half times the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 OWNERSHIP; REMOVAL; SURRENDER; AND RESTORATION.

(a) OWNERSHIP. Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per Paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) REMOVAL. By delivery to Lessee of written notice from Lessor not earlier than ninety (90) and not later than thirty (30) days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations (except for Lessee's Work constructed at the beginning of the term of this Lease pursuant to Paragraph 52 hereof) be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) SURRENDER/RESTORATION. Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris and in at least as good operating order, condition and state of repair as the same were in on the Start Date ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee Owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee, and the removal, replacement, or remediation of any soil, material or groundwater contaminated by Lessee. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below. Notwithstanding any other provision of this Lease, Lessee shall at the expiration or earlier termination of this Lease, surrender to Lessor all of the improvements which were purchased with Landlord's Contribution to Lessee's Work as referred to in Paragraph 52 of the Addendum and as evidenced by the invoices delivered to Lessor pursuant to the provisions of Paragraph 52 except that Lessee may remove trade fixtures with an original purchase price of up to $300,000.00 which were purchased with Landlord's contribution.

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8. INSURANCE; INDEMNITY.

8.1 PAYMENT FOR INSURANCE. Lessee shall pay for all insurance required under Paragraph 8, except to the extent of the cost attributable to liability insurance carried by Lessor under Paragraph 8.2(b) in excess of $2,000,000 per occurrence. Premiums for policy periods commencing prior to or extending beyond the Lease term shall be prorated to correspond to the Lease term. Payment shall be made by Lessee to Lessor within ten (10) days following receipt of an invoice.

8.2 LIABILITY INSURANCE.

(a) CARRIED BY LESSEE. Lessee shall obtain and keep in force a Commercial General Liability Policy of Insurance protecting Lessee and Lessor against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $2,000,000 per occurrence with an "ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES ENDORSEMENT" and contain the "AMENDMENT OF THE POLLUTION EXCLUSION ENDORSEMENT" for damage caused by heat, smoke or fumes from a hostile fire. The Policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) CARRIED BY LESSOR. Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 PROPERTY INSURANCE - BUILDING, IMPROVEMENTS AND RENTAL VALUE. SEE PARAGRAPH 58 OF ADDENDUM NO.

(a) BUILDING AND IMPROVEMENTS. The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor, with loss payable to Lessor, any groundlessor, and to any Lender(s) insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises including Alterations and Utility Installations as the same shall exist from time to time, or the amount required by any Lenders, but in no event more than the commercially reasonable and available insurable value thereof. If Lessor is the Insuring Party, however, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4 rather than by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence, and Lessor shall be liable for such deductible amount in the event of an Insured Loss.

(b) RENTAL VALUE. The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one (1) year. Said insurance shall provide that in the event the Lease is terminated by reason of an insured loss, the period of indemnity for such coverage shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of Rent from the date of any such loss. Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next twelve (12) month period. Lessor shall be liable for any deductible amount in the event of such loss.

(c) ADJACENT PREMISES. If the Premises are part of a larger building, or of a group of buildings owned by Lessor which are adjacent to the Premises, the Lessee shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

8.4 LESSEE'S PROPERTY/BUSINESS INTERRUPTION INSURANCE.

(a) PROPERTY DAMAGE. Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property and Trade Fixtures. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property and Trade Fixtures. Lessee shall provide Lessor with written evidence that such insurance is in force.

(b) BUSINESS INTERRUPTION. Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) NO REPRESENTATION OF ADEQUATE COVERAGE. Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 INSURANCE POLICIES. Insurance required herein shall be by companies duly licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after thirty (30) days prior written notice to Lessor. Lessee shall, at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may after notice to the other but shall not be required to, procure and maintain the same.

8.6 WAIVER OF SUBROGATION. Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 INDEMNITY. Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 EXEMPTION OF LESSOR FROM LIABILITY. Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building of which the Premises are a part, or from other sources or places, unless resulting from the negligence or misconduct of Lessor. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit therefrom.

9. DAMAGE OR DESTRUCTION.

9.1 DEFINITIONS.

(a) "PREMISES PARTIAL DAMAGE" shall mean damage or destruction to the improvements on the Premises, including Alterations and Utility Installations, which can reasonably be repaired in six (6) months or less from the date of the damage or destruction.

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Lessor shall notify Lessee in writing within thirty (30) days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) "PREMISES TOTAL DESTRUCTION" shall mean damage or destruction to the Premises, including Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in six (6) months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within thirty (30) days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) "INSURED LOSS" shall mean damage or destruction to improvements on the Premises including Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "REPLACEMENT COST" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) "HAZARDOUS SUBSTANCE CONDITION" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 PARTIAL DAMAGE - INSURED LOSS. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $10,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds (except as to the deductible which Lessor's responsibility) as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within ten (10) days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said ten (10) day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within ten (10) days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease hall remain in full force and effect, or have this Lease terminate thirty (30) days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 PARTIAL DAMAGE - UNINSURED LOSS. If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective sixty (60) days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within ten (10) days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within thirty (30) days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 TOTAL DESTRUCTION. Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate sixty (60) days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6, and except to the extent Lessor is compensated for such damage by insurance.

9.5 DAMAGE NEAR END OF TERM. If at any time during the last six (6) months of this Lease there is damage for which the cost to repair exceeds one (1) month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective sixty (60) days following the date of occurrence of such damage by giving a written termination notice to Lessee within thirty (30) days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the date which is twenty (20) days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease. If Lessee duly exercises such option during such period

and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 ABATEMENT OF RENT; LESSEE'S REMEDIES.

(a) ABATEMENT. In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) REMEDIES. If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within ninety (90) days after such obligation shall accrue and complete such repair or restoration within 360 days after such obligation shall occur subject to force majeure, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than sixty (60) days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within thirty (30) days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within said thirty (30) days, this Lease shall continue in full force and effect. "COMMENCE" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 TERMINATION-ADVANCE PAYMENTS. Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 WAIVE STATUTES. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. REAL PROPERTY TAXES.

10.1 DEFINITION OF "REAL PROPERTY TAXES." As used herein, the term "Real Property Taxes" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Premises, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated

with reference to the Building address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises are located. The term "REAL PROPERTY TAXES" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Premises.

10.2

(a) PAYMENT OF TAXES. Lessee shall pay the Real Property Taxes applicable to the Premises during the term of this Lease. Subject to Paragraph 10.2(b), all such payments shall be made prior to any delinquency date. Lessee shall promptly upon request furnish Lessor with satisfactory evidence that such taxes have been paid. If any such taxes shall cover any period of time prior to or after the expiration or termination of this Lease, Lessee's share of such taxes shall be prorated to cover only that portion of the tax bill applicable to the period that this Lease is in effect, and Lessor shall reimburse Lessee for any overpayment. If Lessee shall fail to pay any required Real Property Taxes, Lessor shall have the right after notice to Lessee, to pay the same, and Lessee shall reimburse Lessor therefor upon demand.

(b) ADVANCE PAYMENT. In the event Lessee incurs a late charge on any Rent payment, Lessor may, at Lessor's option, estimate the current Real Property Taxes, and require that such taxes be paid in advance to Lessor by Lessee, either: (i) in a lump sum amount equal to the installment due, at least twenty (20) days prior to the applicable delinquency date, or (ii) monthly in advance with the payment of the Base Rent. If Lessor elects to require payment monthly in advance, the monthly payment shall be an amount equal to the amount of the estimated installment of taxes divided by the number of months remaining before the month in which said installment becomes delinquent. When the actual amount of the applicable tax bill is known, the amount of such equal monthly advance payments shall be adjusted as required to provide the funds needed to pay the applicable taxes. If the amount collected by Lessor is insufficient to pay such Real Property Taxes when due, Lessee shall pay Lessor, upon demand, such additional sums as are necessary to pay such obligations. All moneys paid to Lessor under this Paragraph may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a Breach by Lessee in the performance of its obligations under this Lease, then any balance of funds paid to Lessor under the provisions of this Paragraph may at the option of Lessor, be treated as an additional Security Deposit.

10.3 JOINT ASSESSMENT. If the Premises are not separately assessed, Lessee's liability shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be conclusively determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. If the Premises are not separately assessed, Lessor shall make reasonable efforts following the execution of this Lease to have the Premises separately assessed.

10.4 PERSONAL PROPERTY TAXES. Lessee shall pay, prior to delinquency, all taxes assessed against and levied upon Lessee Owned Alterations, Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee. When possible, Lessee shall cause such property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said personal property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within ten (10) days after receipt of a written statement.

11. UTILITIES. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor, of all charges jointly metered. To the extent any services are not separately metered but can be separately metered at a commercially reasonable expense, Lessee may have any such services separately metered and Lessor shall reimburse Lessee for the cost thereof to the extent it is not a part of Lessee's Work.

12. ASSIGNMENT AND SUBLETTING.

12.1 LESSOR'S CONSENT REQUIRED.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "assign or assignment") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent which shall not be unreasonably withheld, conditioned or delayed.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of twenty-five percent (25%) or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than twenty-five percent (25%) of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. "NET WORTH OF LESSEE" shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period.

12.2 TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND SUBLETTING. See Paragraph 56 of Addendum No.

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $750.00 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested within five (5) days after Lessee's request for consent.

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO SUBLETTING. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice

from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent, which shall not be unreasonably withheld.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee.

12.4 DEEMED CONSENT. If Lessor fails to respond to any request by Lessee for Lessor's consent or approval within ten (10) days of such request, the consent or approval of Lessor shall be deemed given.

12.5 PERMITTED TRANSFERS. Lessee shall have the right to assign its interest in the Lease or to sublet the whole or any part of the Premises to any entity that controls, is controlled by, or is under common control with Lessee, in connection with the consolidation, merger, restructuring or reorganization of Lessee or the sale by Lessee of all or any significant portion of its stock or assets, and in none of the foregoing events shall the consent of Lessor be required. In such event, Lessee will promptly notify Lessor of such assignment or subletting, Lessor will be provided with such reasonable current financial information that Lessor may require relating to such assignee or sublessee, Lessor will be provided with any and all documentation reflecting, from time to time, the terms of such subletting or assignment and in no event shall Lessee be relieved of its duties and obligations under the Lease by reason of such subletting or assignment. Any assignee or sublessee must assume all of the duties and obligations of Lessee under the Lease.

13. DEFAULT; BREACH; REMEDIES.

13.1 DEFAULT; BREACH. A "DEFAULT" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or rules under this Lease. A "BREACH" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party within five (5) days after notice that the same is due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of three (3) business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) a Tenancy Statement, (v) a requested subordination with the required nondisturbance agreement, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 42 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of fifteen (15) days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of thirty (30) days after written notice; provided, however, that if the nature of Lessee's Default is such that more than thirty (30) days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. Section 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of

any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within sixty (60) days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 REMEDIES. If Lessee fails to perform any of its affirmative duties or obligations and such failure constitutes a Breach within ten (10) days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent (1%). Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability

under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.4 LATE CHARGES. Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within five (5) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to four percent (4%) of each such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder.

13.5 INTEREST. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within thirty (30) days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the thirty-first (31st) day after it was due as to non-scheduled payments. The interest ("INTEREST") charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus four percent (4%), but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 BREACH BY LESSOR.

(a) NOTICE OF BREACH. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than thirty (30) days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

(b) PERFORMANCE BY LESSEE ON BEHALF OF LESSOR. In the event that neither Lessor nor Lender cures said breach within thirty (30) days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent an amount equal to the greater of one month's Base Rent or the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. CONDEMNATION. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "CONDEMNATION"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than ten percent (10%) of any building portion of the premises, or more than twenty-five percent (25%) of the land area portion of the premises not occupied by any building, is taken by Condemnation, Lessee may, at Lessee option, to be exercised in writing within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15.3 REPRESENTATIONS AND INDEMNITIES OF BROKER RELATIONSHIPS. Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. ESTOPPEL CERTIFICATES.

(a) Each Party (as "RESPONDING PARTY") shall within fifteen (15) days after written notice from the other Party (the "REQUESTING PARTY") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "ESTOPPEL CERTIFICATE" form published

by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

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(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past three (3) years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth. Lessor and any persons reviewing such financial information shall sign a reasonable confidentiality agreement.

17. DEFINITION OF LESSOR. The term "LESSOR" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor Provided the transferee or assignee assumes the obligation to return the Security Deposit to Lessee, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6 above.

18. SEVERABILITY. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. DAYS. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days.

20. LIMITATION ON LIABILITY. Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Promises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against the individual partners of Lessor, or its or their individual partners, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. TIME OF ESSENCE. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. NO PRIOR OR OTHER AGREEMENTS; BROKER DISCLAIMER. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and Attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. NOTICES.

23.1 NOTICE REQUIREMENTS. All notices required or permitted by this Lease shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 DATE OF NOTICE. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given five (5) days after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given twenty-four (24) hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt, provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. WAIVERS. No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's

content to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. RECORDING. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a short form memorandum of this Lease for recording purposes. The Party requesting recordation shall be responsible for payment of any fees applicable thereto.

26. NO RIGHT TO HOLDOVER. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to one hundred fifty percent (150%) of the Base Rent applicable during the month immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. CUMULATIVE REMEDIES. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. COVENANTS AND CONDITIONS; CONSTRUCTION OF AGREEMENT. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the parties, but rather according to its fair meaning as a whole, as if both parties had prepared it.

29. BINDING EFFECT; CHOICE OF LAW. This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initialed in the county in which the Premises are located.

30. SUBORDINATION; ATTORNMENT; NON-DISTURBANCE.

30.1 SUBORDINATION. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "SECURITY DEVICE"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof provided Lessee receives a commercially reasonable nondisturbance agreement, Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "LESSOR'S LENDER") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease unless they succeed to Lessor's interest in the Premises. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 ATTORNMENT. Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new

owner shall not: (i) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (ii) be subject to any offsets or defenses which Lessee might have against any prior lessor, or (iii) be bound by prepayment of more than one (1) month's rent.

30.3 NON-DISTURBANCE. With respect to Security Devices entered into by Lessor after file execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "NON-DISTURBANCE AGREEMENT") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within sixty (60) days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said sixty (60) days, then Lessee may, at Lessee's option, directly contact Lessor's lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 SELF-EXECUTING. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. ATTORNEYS' FEES. If any Party or Broker brings an action or proceeding involving the Premises to enforce the terms hereof or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "PREVAILING PARTY" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach.

32. LESSOR'S ACCESS; SHOWING PREMISES; REPAIRS. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or during the last six (6) months of the Term, lessees, and making such alterations, repairs, improvements or additions to the Premises as Lessor may reasonably deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any ordinary "FOR SALE" signs and Lessor may during the last six (6) months of the term hereof place on the Premises any ordinary "FOR LEASE" signs. Lessee may at any time place on or about the Premises any ordinary "FOR SUBLEASE" sign.

33. AUCTIONS. Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. SIGNS. Except for ordinary "For Sublease" signs, Lessee shall not place any sign upon the Premises without Lessor's prior written consent. All signs must comply with all Applicable Requirements. See Paragraph 57 of Addendum No. 1.

35. TERMINATION; MERGER. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within ten (10) days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. CONSENTS. Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation thereof up to a maximum of $750.00. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within ten (10) business days following such request.

38 QUIET POSSESSION. Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. OPTIONS.

39.1 DEFINITION. "OPTION" shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.3 MULTIPLE OPTIONS. In the event that Lessee has any multiple Options to extend or renew this Lease, a later Opinion cannot be exercised unless the prior Options have been validly exercised.

39.4 EFFECT OF DEFAULT ON OPTIONS.

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given three (3) or more notices of separate Default, whether or not the Defaults are cured, during the twelve (12) month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of thirty (30) days after such Rent becomes due, (ii) Lessor gives to Lessee three (3) or more notices of separate Default during any twelve (12) month period, whether or not the Defaults are cured, or (iii) if Lessee is in Breach of this Lease at the commencement of the extended Term.

40. MULTIPLE BUILDINGS. If the Premises are a part of a group of buildings controlled by Lessor, Lessee agrees that it will observe reasonable rules and regulations which Lessor may make from time to time for the management, safety, and care of said properties, including

Initials [ILLEGIBLE] [ILLEGIBLE]
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the care and cleanliness of the grounds and including the parking, loading and unloading of vehicles, and that Lessee will pay its fair share of common expenses incurred in connection therewith.

41. SECURITY MEASURES. Lessee hereby acknowledges that the rental payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. RESERVATIONS. Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. PERFORMANCE UNDER PROTEST. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

44. AUTHORITY. If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each party shall, within thirty (30) days after request, deliver to the other party satisfactory evidence of such authority.

45. CONFLICT. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. OFFER. Preparation of this Lease by either Party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. AMENDMENTS. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Promises.

48. MULTIPLE PARTIES. If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

49. MEDIATION AND ARBITRATION OF DISPUTES. An Addendum requiring the Mediation and/or the Arbitration of all disputes between tile Parties and/or Brokers arising out of this Lease / / Is /X/ Is not attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

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ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEE ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.

2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES IS LOCATED.

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The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: Malibu, CA	Executed at: San Diego, CA
on: 8/11/97	on: 8/7/97
By LESSOR:	By LESSEE:

R.G. HARRIS CO., a California corporation	RECEPTOR TECHNOLOGIES INC., a Delaware corporation
By: /s/ Henry K. Workman	By: /s/ John Barberich
Printed Name: HENRY K. WORKMAN	Printed Name: JOHN BARBERICH
Title: PRESIDENT	Title: VICE PRESIDENT

HARRIS FAMILY REVOCABLE TRUST

By: /s/ Don C. Sherwood	By:
Printed Name: DON C. SHERWOOD	Printed Name:
Title: TRUSTEE	Title:
Address:	Address:
Telephone:( )	Telephone:( )
Facsimile:( )	Facsimile:( )
Federal ID No.	Federal ID No.

ADDITIONAL SIGNATURES FOLLOW ON PAGE 12-A

NOTE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION, 700 So. Flower Street, Suite 600, Los Angeles, California 90017, (213) 687-8777, Fax No. (213) 687-8616

LESSOR:

HARRIS FAMILY REVOCABLE TRUST

By: /s/ Henry K. Workman

Printed Name: HENRY K. WORKMAN

Title: TRUSTEE

Address:

- ----------

Telephone:( )

Facsimile:( )

Federal ID No.

By: /s/ Elizabeth Gage Harris

Name Printed: ELIZABETH GAGE HARRIS

Title: TRUSTEE

Address:

- ----------

Telephone:( )

Facsimile:( )

Federal ID No.

ADDENDUM NO. 1

This Addendum No. 1 (hereinafter referred to as the "Agreement") is entered into as of August 15, 1997 (hereinafter referred to as the "Effective Date") by and between R. G. HARRIS CO., a California corporation as to an undivided 72.6568% interest, and HARRIS FAMILY REVOCABLE TRUST, as to an undivided 27.3432% interest (hereinafter collectively referred to as the "Lessor") and RECEPTOR TECHNOLOGIES INC., a Delaware corporation (hereinafter referred to as "Lessee") and is made with reference to the following facts:

A. Lessor and Lessee are, concurrently with the execution of this Agreement, entering into a written STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE-NET (hereinafter referred to as the "Lease") of and to those certain premises in San Diego, California commonly known as and located at 3911 Sorrento Valley Boulevard and as designated, depicted or outlined on Exhibit "A" attached to the Lease consisting of a single building containing approximately 28,900 square feet of floor area situated on an asphalt parking lot (hereinafter referred to as the "Premises").

B. Lessor and Lessee wish to amend and modify the Lease in certain respects and affirm, ratify and confirm the Lease in all other particulars.

NOW THEREFORE, in consideration of the terms, covenants and conditions of the Lease and this Agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

50. BASE RENT ADJUSTMENTS

Section 1.5 and Section 4 of the Lease are amended by the addition of the following specifications of the amount of Base Rent that shall be payable by Lessee to Lessor during the term of this Lease:

> "(a) For that part of the Lease Term commencing on the Commencement Date through January 31, 1999, the monthly Base Rent shall be the sum of Forty-Four Thousand Two Hundred Fifty-Five Dollars ($44,255.00) except that monthly Base Rent for the Second, Third, Fourth and Fifth

month of the Term of this Lease shall be the sum of Twenty-Two Thousand One Hundred Twenty-Seven and 50/100 Dollars ($22,127.50) per month.

"(b) For that part of the Lease Term commencing on February 1, 1999 through October 31, 1999 the monthly Base Rent shall be the sum of Forty-Nine Thousand Seven Hundred Eight Dollars ($49,708.00) per month.

"(c) For that part of the Lease Term commencing on November 1, 1999 through October 31, 2000, the monthly Base Rent shall be the sum of Fifty-Two Thousand Eight Hundred Ninety-Nine Dollars ($52,899.00) per month.

"(d) For that part of the Lease Term commencing on November 1, 2000 through October 31, 2001, the monthly Base Rent shall be the sum of Fifty-Five Thousand Fifteen Dollars ($55,015.00) per month.

"(e) For that part of the Lease Term commencing on November 1, 2001 through October 31, 2002, the monthly Base Rent shall be the sum of Fifty-Seven Thousand Two Hundred Sixteen Dollars ($57,216.00) per month.

"(f) For that part of the Lease Term commencing on November 1, 2002 through October 31, 2003, the monthly Base Rent shall be the sum of Fifty-Nine Thousand Five Hundred Five Dollars ($59,505.00) per month.

"(g) For that part of the Lease Term commencing on November 1, 2003 through October 31, 2004, the monthly Base Rent shall be the sum of Sixty-One Thousand Eight Hundred Eighty-Five Dollars ($61,885.00) per month.

"(h) For that part of the Lease Term commencing on November 1, 2004 through October 14, 2005, the monthly Base Rent shall be the sum of Sixty-Four Thousand Three Hundred Sixty Dollars ($64,360.00) per month."

51. EARLY POSSESSION

Lessor shall deliver the Premises to Lessee prior to August 8, 1997. Effective as of such delivery date, all of the provisions of the Lease including, without limitation, Sections 3.2

and 3.3 thereof, but excluding provisions relating to payment of Base Rent, shall be applicable and in full force and effect. Accordingly, as of the delivery date, and continuing through the Commencement Date, Lessee shall pay to Lessor all of the charges, costs and expenses payable to Lessor under the term of this Lease except for Base Rent which shall not be payable to Lessor until the Commencement Date.

52. CONSTRUCTION OF PREMISES

A. CONDITION OF PREMISES

Except as expressly provided to the contrary in the Lease, Lessee acknowledges by execution of the Lease and this Agreement that Lessee has inspected the Premises and accepts the Premises "as is." Lessee acknowledges that neither Lessor nor any agent of Lessee has made any representations or warranty with respect to the Premises or the suitability of the Premises for the conduct of Lessee's business.

B. DESCRIPTION OF LESSOR'S WORK

1. Prior to the Lease Commencement Date, Lessor shall, at Lessor's sole cost and expense, (a) resurface and restripe the parking lot serving the Premises as reflected on Exhibit "A" hereto, and (b) install new HVAC units with all reasonably appropriate safety devices to protect against a catastrophic failure (with current tonnage) on the roof of the Premises. Lessor will obtain for the benefit of Lessor and Lessee a standard warranty on the new HVAC units for at least twelve (12) months.

2. Lessor shall not be obligated to perform any other work at the Premises except as expressly provided in Section 2.2 of the Lease.

C. DESCRIPTION OF LESSEE'S WORK

All other work not expressly provided to be done by Lessor as set forth in Section 2.2 of the Lease and Paragraph 52.B. of this Agreement and required to place the Premises in a finished condition for Lessee's business (hereinafter referred to as "Lessee's Work") shall be undertaken by Lessee and, except as

otherwise provided herein, at Lessee's sole expense, and in compliance with the Working Drawings approved by Lessor as hereinafter provided. This work shall include, but not be limited to the following:

1. All necessary doors, entranceways, floors, ceilings, etc. and all interior walls, partitions, ceilings, etc., and their respective paints and other finishes.

2. Finish floor and all floor coverings thereon.

3. Installation of all required utilities services to the Premises, including:

(a) Electrical power and distribution within the Premises, including electrical panels, conduits and wire conduit, outlet boxes, switch outlets, service fuses, copper wiring, lighting fixtures with lamping and connection of heating and air conditioning units.

(b) All plumbing distribution and fixtures including connection to water utility and sewer mains for restroom facilities within the Premises. Any removal and replacement of the existing structural slab, and any other structural work, shall be accomplished in a manner reasonably approved by Lessor prior to commencement of such removal.

(c) Telephone conduits, cabinets and outlets within the Premises as required by the utility company supplying the service requested by Lessee and extension of conduits to central telephone backboard.

(d) All gas lines and connections, if required, from Lessor's point of connection to and in the Premises.

(e) Installation, modification and/or extension of any required sprinkler system through the ceiling to conform to Lessee's plans.

(f) All meters for utilities shall be furnished and installed by Lessee in a location(s) reasonably acceptable to Lessor.

4. All heating, cooling or ventilating, except as provided by Lessor.

5. Any special equipment required by Lessee, including all mechanical equipment such as conveyors and their shafts, doors and electrical connections and all mechanical and structural work necessary for installation and operation of such items. Special equipment includes any burglar, speaker, intercom and other systems required by Lessee.

6. Furnishing and installation of all toilet rooms, janitorial and drinking fountains, together with all work customarily incidental thereto to meet applicable building code requirements.

7. Roof openings, including necessary curbs and flashings to accommodate installation of the improvements.

8. Furnishing of all trade fixtures, merchandise and other property incidental to Lessee's business, including but not limited to:

(a) All shelving, fixtures, furnishings, interior decorations, graphics and all other fixtures, lighting and other effects.

(b) Electrical and mechanical connection of all fixtures and equipment with related parts, including equipment peculiar to Lessee's occupancy.

(c) Laboratory benches, fume hoods and other equipment.

9. The construction of demising walls in order to separate the Premises into two separate and unconnected areas of the Premises as follows:

(a) Premises "A" as depicted on Exhibit "A" hereto which shall consist of approximately 21,400 square feet; and

(b) Premises "B" as depicted on Exhibit "A" hereto which shall consist of approximately 7,500 square feet.

D. PLANS FOR LESSEE'S WORK

1. Attached hereto as Exhibit "B" are preliminary plans and specifications ("Preliminary Plans") prepared by Mansour Architecture relative to Premises "A". Within eleven (11) months of the Commencement Date, Lessee shall submit to Lessor for

Lessor's approval two (2) sets of Preliminary Plans by Mansour Architecture relative to Premises "B". Lessee's Preliminary Plans shall contain detailed depictions of all aspects of Lessee's Work and shall include the remodeling work to the interior and the exterior of the Premises. In the event Lessee fails to submit Preliminary Plans by Mansour Architecture relative to Premises "B" within eleven (11) months of the Commencement Date, Lessor shall give Lessee thirty (30) days written notice of such failure. If Preliminary plans of Mansour Architecture relative to Premises "B" are not submitted to Lessor within such thirty (30) day period, Lessor not be obligated to pay any portion of Landlord's Contribution which is allocated to Premises "B" and no portion thereof shall be allocated toward Base Rent. Lessor hereby approves the Preliminary Plans as to Premises "A" and, as to Premises "B", shall notify Lessee within two (2) business days of the respects, if any, in which said Preliminary Plans are disapproved and Lessee shall make any revisions necessary to correct such matters and resubmit to Lessor within seven (7) days of such notice. Lessor's approval shall be evidenced by Lessor causing one (1) set of such Preliminary Plans to be initialed on its behalf and returned to Lessee. Lessor's failure to disapprove such Preliminary Plans within such two (2) business day period shall be deemed approval of such plans.

2. Within fifteen (15) business days after execution of this Lease (as to Premises "A") and fifteen (15) business days after Lessor's approval or deemed approval of the Preliminary Plans as to Premises "B", Lessee, at Lessee's sole cost and expense, shall cause to be prepared and delivered for Lessor's approval two (2) sets of working drawings and specifications ("Working Drawings") for the applicable portion of the Premises prepared in conformity with the approved Preliminary Plans by Mansour Architecture. Lessor shall notify Lessee within two (2) business days of the respects, if any, in which said Working Drawings are disapproved (which disapproval shall only be based on substantial deviation from the Preliminary Plans or the inability of the building systems to support the improvements shown in the Preliminary Plans) and Lessee shall make any revisions necessary to

correct such matters and resubmit to Lessor within seven (7) days of such notice. Lessor's approval shall be evidenced by Lessor causing one (1) set of such Working Drawings to be initialed on its behalf and returned to Lessee. Lessor's failure to disapprove the Working Drawings within such two (2) business day period shall be deemed approval of such Working Drawings. In no event shall Lessee proceed with Working Drawings until Lessor has approved or deemed approved in all respects Lessee's Preliminary Plans. Lessor's approval of the Preliminary Plans and Working Drawings will not be unreasonably withheld or delayed.

3. After Lessor's approval of the Working Drawings no material change shall be made therein without the prior written consent of Lessor (which shall not be unreasonably withheld or delayed).

4. At the time that Lessee submits its Working Drawings to Lessor, Lessee shall submit to Lessor (a) engineered electrical, mechanical and structural drawings for the Premises signed by licensed architects, engineers or contractors as required by appropriate building codes, and (b) a complete set of structural and electrical calculations showing the electrical load for the Premises (upon completion of Lessee's Work with respect to Lessee's Work only) and demonstrating compliance as to electrical, mechanical and structural requirements with applicable state and local codes.

5. Lessor's review and approval of materials, plans, specifications and Working Drawings shall indicate no more than aesthetic approval, and shall not relieve Lessee of its obligation to obtain all approvals and permits from all governmental authorities having jurisdiction or constitute a warranty that any items approved by Lessor comply with applicable law or any requirements of governmental authorities having jurisdiction.

E. LESSEE'S WORK

1. As a material consideration to Lessor for its execution of this Lease, Lessee agrees to construct tenant improvements in the Premises pursuant to the Working Drawings.

Lessee shall cause Lessee's Work to be performed by a licensed general contractor, or contractors, reasonably approved by Lessor. Lessor hereby approves J. B. Riha Corporation as Lessee's general contractor. Lessee's Work shall be commenced promptly after Lessor's approval of the Preliminary Plans therefor provided, however, that in no event shall Lessee proceed with any portion of Lessee's Work without having secured and submitted to Lessor all necessary building permits and/or any other permits or authorizations required by any appropriate governmental agency. Lessee shall deliver a construction schedule to Lessor at the time of submission of Working Drawings, shall update the construction schedule on a bi-weekly basis and shall cause Lessee's Work to be completed in accordance with rules and regulations of governmental authorities having jurisdiction as soon as practicable following delivery of possession of the Premises to Lessee. Copies of all plans, permits and inspection reports shall be promptly delivered to Lessor upon receipt by Lessee or Lessee's contractor. A preliminary construction schedule will be delivered to Lessor with the Preliminary Plans.

2. The provisions of Article 7 of the Lease shall be specifically applicable to Lessee's Work. Lessee shall promptly furnish to Lessor upon completion of Lessee's Work with (a) a copy of a Certificate of Occupancy issued by the appropriate governmental agency; and (b) lien waivers and sworn statements from all persons who performed labor or supplied material in connection with Lessee's Work showing that they have been compensated in full.

3. Failure of Lessee to perform its obligations pursuant to this Paragraph 52 in a timely fashion shall be deemed a default by Lessee under the Lease entitling Lessor to exercise all remedies available to a landlord against a defaulting tenant, including but not limited to those provided in Article 13 of the Lease.

F. COMMENCEMENT OF LESSEE'S WORK

If Lessee fails to commence Lessee's Work within thirty (30) days after Premises "A" are made available to Lessee

for Lessee's Work, Lessor shall have the right at any time thereafter to cancel this Lease upon fifteen (15) days notice to Lessee unless at the time of such notice Lessee has commenced Lessee's Work and Lessee is diligently and continuously completing the performance of Lessee's Work.

G. LABOR RELATIONS

Lessee agrees to conduct its labor relations and its relations with its employees so as to avoid all strikes, picketing and boycotts of, on or about the Premises. If any of its employees strike, or if picket lines or boycotts or other visible activities reasonably objectionable to Lessor are established or conducted or carried out against Lessee or its employees, or any of them on or about the Premises, Lessee shall use diligent efforts to settle the dispute giving rise to such strike, picket line, boycott or objectionable activity.

H. NO CLAIMS BY LESSEE

Lessee shall have no right to cancel this Lease, seek a diminution of rent, sue for damages or assert any other contractual, legal or equitable remedy based on any delay in the completion of Lessee's Work or based on a claim that the size, location, layout, dimension or construction of the Premises or any facilities to be furnished by Lessor, were not completed or furnished in accordance with the provisions of this Lease.

I. LESSOR'S CONTRIBUTION TO LESSEE'S WORK

PREMISES "A":

Lessor shall pay to Lessee, as a contribution ("LESSOR'S CONTRIBUTION") toward the actual cost of Lessee's Work at Premises "A" contemplated by this Paragraph 52 of this Agreement (including architectural, design, consulting and engineering costs) a total sum not to exceed One Million Dollars ($1,000,000.00) as follows.

1. The sum of Two Hundred Fifty Thousand Dollars ($250,000.00) shall be paid within three (3) business days after Lessor has received Lessee's written request for such payment and provided that all of the following have occurred:

(a) Lessor has fully approved Lessee's Preliminary Plans and commenced construction;

(b) Lessee has obtained and delivered copies to Lessor of all necessary approvals including appropriate building permits for he commencement and completion of Lessee's Work in Premises "A";

(c) Lessee has taken possession of the Premises;

(d) Lessee has commenced and is diligently pursuing completion of Lessee's Work in Premises "A";

(e) Lessor has been furnished a copy of Lessee's contract with Lessee's general contractor and a detailed breakdown of Lessee's construction costs to date together with receipted invoices showing payment by Lessee to Lessee's general contractor of at least $250,000.00; and

(f) Lessor has been given a signed statement by Lessee's architect and Lessee's general contractor certifying that Lessee's Work in Premises "A" is at least twenty-five percent (25%) completed.

2. The additional sum of $250,000.00 shall be paid within three (3) business days following Lessor's receipt of Lessee's written request for payment and provided that all of the conditions for the prior distribution of Lessor's Contribution has been fulfilled, and all of the following have occurred:

(a) Lessee is diligently pursuing completion of Lessee's Work in Premises "A";

(b) Lessor has been furnished with a detailed breakdown of Lessee's construction costs to date together with receipted invoices showing payment by Lessee to Lessee's general contractor of at least $500,000.00; and

(c) Lessor has been given a signed statement by Lessee's architect and Lessee's general contractor certifying that Lessee's Work in Premises "A" is at least fifty percent (50%) completed.

3. The additional sum of $250,000.00 shall be paid within three (3) business days following Lessor's receipt of Lessee's written request for payment and provided that all of the conditions for the prior distributions of Lessor's Contribution have been fulfilled, and all of the following have occurred:

(a) Lessee is diligently pursuing completion of Lessee's Work in Premises "A";

(b) Lessor has been furnished with a detailed breakdown of Lessee's construction costs to date together with receipted invoices showing payment by Lessee to Lessee's general contractor of at least $750,000.00; and

(c) Lessor has been given a signed statement by Lessee's architect and Lessee's general contractor certifying that Lessee's Work in Premises "A" is at least seventy-five percent (75%) completed.

4. Upon substantial completion of all of Lessee's Work to be constructed by Lessee in Premises "A" pursuant to the terms of the Lease and this Agreement, the additional sum of Two Hundred Fifty Thousand Dollars ($250,000.00) shall be paid to Lessee provided that all of the conditions for the prior distributions of Lessor's Contribution have been fulfilled and following the occurrence of all the events specified in Paragraphs (a) through (g) below.

(a) Lessor shall have been given a signed statement by Lessee's architect and Lessee's general contractor certifying that Lessee's Work as to Premises "A" (excluding "Punch List" items) has been substantially completed in accordance with the approved Working Drawings in all respects;

(b) Either the lien periods for Lessee's Work performed in Premises "A" have expired with no liens having been recorded or Lessee has furnished Lessor with waivers of liens from all persons who have performed labor or supplied material in connection with Lessee's Work showing that they have been compensated in full.

(c) Lessee shall have submitted to Lessor a detailed breakdown certified by Lessee's general contractor of Lessee's construction costs for the entirety of Lessee's Work as to Premises "A" together with receipted invoices showing payments made to Lessee's general contractor of at least $1,000,000.00.

(d) Lessee shall have submitted to Lessor documentation showing that Lessee has obtained warranties for Lessee's Work for not less than one (1) year against defects in workmanship, materials and equipment in accordance with Paragraph 52.J.(10) below.

(e) Lessee must not be in default of any term, covenant or condition of the Lease and this Agreement and the Lease must be in full force and effect.

(f) Premises "A" must be free and clear of all liens, security interests, charges and encumbrances relating to Lessee's Work and there must be no judgments, levies, attachments or liens pending or threatened with respect to Lessee or the Premises with respect to Lessee's Work, and

(g) Lessee shall have delivered to Lessor a final and unconditional Certificate of Occupancy for Premises "A".

PREMISES "B":

Lessor shall pay to Lessee, as a contribution ("LESSOR'S CONTRIBUTION") toward the actual cost of Lessee's Work at Premises "B" contemplated by this Paragraph 52 of this Agreement (including architectural, design, consulting and engineering costs) a total sum not to exceed Three Hundred Thousand Dollars ($300,000.00) as follows:

1. The sum of One Hundred Thousand Dollars ($100,000.00) shall be paid within three (3) business days after Lessor has received Lessee's written request for such payment but in no event earlier than one (1) year after the Commencement Date, and provided that all of the following have occurred:

(a) Lessor has fully approved Lessee's Preliminary Plans and commenced construction;

(b) Lessee has obtained and delivered copies to Lessor of all necessary approvals including appropriate building permits for the commencement and completion of Lessee's Work in Premises "B";

(c) Lessee has taken possession of the Premises;

(d) Lessee has commenced and is diligently pursuing completion of Lessee's Work in Premises "B";

(e) Lessor has been furnished a copy of Lessee's contract with Lessee's general contractor and a detailed breakdown of Lessee's construction costs to date together with receipted invoices showing payment by Lessee to Lessee's general contractor of at least $100,000.00; and

(f) Lessor has been given a signed statement by Lessee's architect and Lessee's general contractor certifying that Lessee's Work in Premises "B" is at least thirty-three percent (33%) completed.

2. The additional sum of $100,000.00 shall be paid within three (3) business days following Lessor's receipt of Lessee's written request for payment and provided that all of the conditions for the prior distribution of Lessor's Contribution has been fulfilled but in no event earlier than one (1) year after the Commencement Date, and all of the following have occurred:

(a) Lessee is diligently pursuing completion of Lessee's Work in Premises "B";

(b) Lessor has been furnished with a detailed breakdown of Lessee's construction, costs to date together with receipted invoices showing payment by Lessee to Lessee's general contractor of at least $200,000.00; and

(c) Lessor has been given a signed statement by Lessee's architect and Lessee's general contractor certifying that Lessee's Work in Premises "B" is at least sixty-six percent (66%) completed.

3. Upon substantial completion of all of Lessee's Work to be constructed by Lessee in Premises "B" pursuant to the terms of the Lease and this Agreement, but in no event earlier than one (1) year after the Commencement Date, the additional and final sum of One Hundred Thousand Dollars ($100,000.00) shall be paid to Lessee provided that all of the conditions for the prior distributions of Lessor's contribution have been fulfilled and following the occurrence of all the events specified in Paragraphs (a) through (g) below.

(a) Lessor shall have been given a signed statement by Lessee's architect and Lessee's general contractor certifying that Lessee's Work as to Premises "B" (excluding "Punch List" items) has been substantially completed in accordance with the approved Working Drawings in all respects;

(b) Either the lien periods for Lessee's Work performed in the Premises "B" have expired with no liens having been recorded or Lessee has furnished Lessor with waivers of liens from all persons who have performed labor or supplied material in connection with Lessee's Work showing that they have been compensated in full.

(c) Lessee shall have submitted to Lessor a detailed breakdown certified by Lessee's general contractor of Lessee's construction costs for the entirety of Lessee's Work as to Premises "B" together with receipted invoices showing payments made to Lessee's general contractor of at least $300,000.00.

(d) Lessee shall have submitted to Lessor documentation showing that Lessee has obtained warranties for Lessee's Work for not less than one (1) year against defects in workmanship, materials and equipment in accordance with Paragraph 52.J.(10) below.

(e) Lessee must not be in default of any term, covenant or condition of the Lease and this Agreement and the Lease must be in full force and effect.

(f) Premises "B" must be free and clear of all liens, security interests, charges and encumbrances relating to

Lessee's Work and there must be no judgments, levies, attachments or liens pending or threatened with respect to Lessee or the Premises with respect to Lessee's Work, and

(g) Lessee shall have delivered to Lessor a final and unconditional Certificate of Occupancy for Premises "B".

4. In the event that as of the date which is fifteen (15) months from the Lease Commencement Date less than $1,000,000.00 has been spent by Lessee in connection with Lessee's Work relative to Premises "A" and/or less than $300,000.00 has been spent by Lessee in connection with Lessee's Work relative to Premises "B" the amount of Lessor's Contribution shall be reduced to a sum equal to the amount actually incurred by Lessee in connection with Lessee's Work as to Premises "A" and Premises "B" as of such Date. Notwithstanding the foregoing, in the event Lessee's Work costs less than One Million Three Hundred Thousand Dollars ($1,300,000.00), any unused portion of the original One Million Three Hundred Thousand Dollars ($1,300,000.00) Lessor's Contribution as of the date which is fifteen (15) months from the Lease Commencement Date, up to a maximum of One Hundred Thousand Dollars ($100,000.00), shall be applied against Base Rent next due.

5. If prior to the completion of Lessee's Work, this Lease terminates because of a default by Lessee of any of the provisions of the Lease or this Agreement, Lessor shall have no obligation or duty to make any payments of Lessor's Contribution whatsoever to Lessee and Lessee shall immediately refund to Lessor any amounts of Lessor's Contribution previously paid to Lessee by Lessor. No portion of Lessor's Contribution shall be payable to Lessee if Lessee is in default of any term, covenant or condition of the Lease, the Lease is not in full force or effect or if there are any liens pending or threatened relative to Lessee's Work.

6. All risk of loss prior to completion of Lessee's Work shall be borne by Lessee. Any damage shall be promptly repaired by Lessee. Lessee will provide builder's risk coverage in the amount of Lessee's construction contract and change

orders and will furnish Lessor with certificates of insurance, naming Lessor and Lessee as additional insureds thereunder.

7. To the extent Lessee owes Lessor any monies under the Lease at the time Lessor is obligated to pay any portion of Lessor's Contribution to Lessee, Lessor may deduct such sums.

J. MISCELLANEOUS

1. Lessee shall not place or maintain on the exterior of the building located at the Premises any awnings, canopies, signs, appurtenances or any other item of any nature whatsoever except with the written consent of Lessor.

2. Lessee shall notify Lessor immediately of the commencement of Lessee's Work in sufficient time to permit Lessor to post a Notice of Nonresponsibility.

3. Lessee and/or Lessee's contractor shall not use the driveways, parking areas or other exterior areas of the Premises for storage of materials or equipment or other construction activities without the prior written consent of Lessor (not to be unreasonably withheld), and all such storage shall be limited to those areas reasonably designated by Lessor. Any damage, staining or defacing of the parking area surfaces or other areas shall be repaired by Lessee at its cost and such repairs shall be to the satisfaction of Lessee.

4. Lessee shall at all times during the construction of Lessee's Work assure that the Premises and the surrounding area are maintained in a clean, neat and orderly manner. Any rubbish caused by construction operations shall be removed immediately.

5. No sign of any type shall be placed on or about the Premises during the construction period without the prior written consent of Lessor, not to be unreasonably withheld.

6. Lessor shall have the right to approve, in writing, Lessee's contractor prior to start of work and Lessor shall not unreasonably withhold or delay such approval provided that such contractor has all required state and local licenses, is bonded and has reasonable experience with projects of the scope and

type of Lessee's Work. Lessor hereby approves J. B. Riha Corporation as general contractor.

7. It shall be Lessee's responsibility to obtain from its contractor and forward to Lessor a complete set of "as-built" drawings showing thereon all architectural, structural, mechanical and electrical work as actually installed in the Premises. These drawings shall be furnished as soon as is practicable following substantial completion of Lessee's Work, but in no event later than ninety (90) days after substantial completion of Lessee's Work.

8. Lessee shall obtain and deliver to Lessor all approvals with respect to electrical, gas, water and telephone work as may be required by the utility companies supplying the services. Lessee shall obtain utility service, including meters, from the utility companies which supply service. Lessor, an independent contractor, or an authorized utility company, as the case may be, shall have the right, subject to Lessee's written reasonable approval, which will not be unreasonably withheld or delayed, to run utility 1ines, pipes, conduits or ductwork, where necessary or desirable, through attic space, column space, partitions, beneath the floor slab, or in or through other parts of the Premises and to repair, alter, replace or remove the same, all in a manner which does not interfere unnecessarily with Lessee's use thereof.

9. Lessor shall have the right to require Lessee to furnish a bond or other security in form satisfactory to Lessor for the prompt and faithful performance by Lessee of Lessee's Work.

10. Lessee's contractor shall include in his bid or contract proposal a provision that he will guarantee that Lessee's Work shall be free from any defects in workmanship and materials for a period of not less than one (1) year from the date of completion thereof. Such contractor shall be responsible for the replacement or repair, without additional charge, of all work done or furnished in accordance with his contract which shall become defective within one (1) year after substantial completion of the work. The correction of such work shall include, without addi-

tional charge, all additional expenses or damages in connection with such removal or replacement of all or any part of Lessee's Work, the building shell and/or the other improvements which may be damaged or disturbed thereby. Such guaranties as to materials or workmanship of or with respect to the Lessee's Work and all improvements shall be contained in the contract and shall be so written that such guaranties or warranties shall inure to the benefit of both Lessor and Lessee, as their respective interests may appear and can be directly enforced by either.

11. All of Lessee's Work and the improvements consisting hereof, shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of Lessee's Work. Lessor shall have the option to require Lessee to remove all or any part of Lessee's Work at the expiration or termination of the Lease in accordance with Section 7.4(b) of the Lease. Unless otherwise instructed per Section 7.4(b), all of Lessee's Work shall at the expiration or termination of the Lease, become the Property of Lessor and be surrendered by Lessee with the Premises.

K. LESSOR DELAYS

Each day of delay resulting from Lessor's failure to respond to plan and specification submissions or changes in the same within the periods specified above or resulting from the unavailability of funding of Lessor's Contribution shall constitute a "Lessor Delay". The Commencement Date hereunder shall be tolled by one (1) day for each day of Lessor Delay.

L. LESSOR'S FAILURE TO PAY LESSOR'S CONTRIBUTION

In the event Lessor fails to pay Lessor's Contribution contrary to its obligations under the Lease, Lessee may offset the same against charges, including Base Rent, due Lessor from Lessee under the Lease.

53. SIZE OF PREMISES

Although the size of the Premises is estimated by Lessor to be approximately 28,900 square feet, Lessor and Lessee acknowledge that the actual square footage may be more or less than this

estimate and, in fact, Lessee estimates that the actual square footage is approximately 26,000 square feet. Lessor has made certain rental concessions to Lessee with respect to their disagreement regarding the square footage of the Premises as reflected in Paragraph 50(a) hereof. Notwithstanding this disagreement, Lessor and Lessee agree, however, that for all purposes of this Lease the Premises shall be conclusively deemed to be 28,900 square feet and that there will be no adjustment of Base Rent or other sums payable under the Lease in the event the actual square footage of the Premises is greater or less than 28,900 square feet.

54. SECURITY DEPOSIT

In addition to payment of the first month's rent in the sum of Forty-Four Thousand Six Hundred Eighty-Three Dollars ($44,683.00), upon execution of this Lease Lessee shall pay to Lessor a security deposit of Two Hundred Ninety-Four Thousand Seven Hundred Eighty Dollars ($294,780.00) to be held by Lessor in accordance with the provisions of Section 5 of the Lease. Lessor agrees to maintain the security deposit in an interest bearing savings account at a federally insured institution throughout the term of the Lease except as Lessor may be authorized under the Lease or this Agreement to withdraw funds from such depository. The interest shall accrue to the benefit of Lessee and shall be returned to Lessee by Lessor at the end of each calendar year during the Lease Term if not retained by Lessor in accordance with the provisions of the Lease. Lessor agrees to refund the following amounts to Lessee on the dates indicated provided (i) on the date of refund Lessee has a positive minimum net worth in the sum of at least Five Million Dollars ($5,000,000.00) and liquid assets of at least Two Million Five Hundred Thousand Dollars ($2,500,000.00) as defined by generally accepted accounting practices, (ii) immediately prior to the date of refund, Lessee delivers to Lessor a current audited financial statement, and (iii) Lessee is not in default in the performance of any of its duties and obligations

under the Lease after expiration of all applicable grace periods as of the date of refund:

DATE OF REFUND	AMOUNT OF REFUND
October 1, 2000	$49,130.00
October 1, 2001	$49,130.00
October 1, 2002	$49,130.00
October 1, 2003	$49,130.00
October 1, 2004	$49,130.00

In the event that Lessee fails to meet all the criteria of this Paragraph 54(1) through (iii), the refund shall not be made until the next scheduled date of refund provided that on such next scheduled date of refund Lessee meets all of the criteria of this Paragraph 54(i) through (iii).

55. LENDER INDEMNIFICATION

Lessee agrees to indemnify and hold harmless any holder of any mortgage, deed of trust, or other hypothecation or security device now or hereafter placed upon the Premises, relative to any liens or claims of liens recorded against Lessee's interest in this Lease, the Premises or any part thereof, arising out of or relating to any work performed, materials furnished or obligations incurred by Lessee, it agents, employees or contractors.

56. SUBLETTING AND ASSIGNMENT

A. A. Notwithstanding the provisions of Article 12 of the Lease, Lessee shall have the right to sublease the Premises "B" portion of the Premises as reflected on Exhibit "A" hereto without Lessor's consent being required provided the following conditions are met: (i) the term of the Sublease does not exceed eighteen (18) months, (ii) Lessee delivers to Lessor a fully executed copy of the Sublease Agreement together with the most recent financial statement of the Sublessee (or other financial information reasonably acceptable to Lessor) and such other documentation as Lessor reasonably requests, and (iii) the Sublessee agrees in writing satisfactory to Lessor to assume, to be bound by, and to perform the obligations of the Lease to be performed by Lessee which relate to Premises "B".

B. With respect to any assignment or subletting, Lessor shall be entitled to receive, in the case of a subletting, fifty percent (50%) of all rent (however denominated and paid) payable by the subtenant to Lessee in excess of that payable by Lessee to Lessor pursuant to the other provisions of this Lease and, in the case of an assignment, all consideration given, directly or indirectly, by the assignee to Lessee. For the purposes of this clause, the term "rent" shall mean all consideration paid or given, directly or indirectly, for the use of the Premises or any portion thereof. The term "consideration" shall mean and include money, services, property or any other thing of value such as payment of costs, cancellation of indebtedness, discounts, rebates and the like. Any rent or other consideration which is to be passed through to Lessor by Lessee pursuant to this subsection shall e paid to Lessor promptly upon receipt by Lessee and shall be paid in cash, irrespective of the form in which received by Lessee from any subtenant or assignee. In the event that any rent or other consideration received by Lessee from a subtenant or assignee is in a form other than cash, Lessee shall pay to Lessor in cash the fair value of such consideration.

57. SIGNAGE

A. All drawings for signs and/or graphics to be installed by Lessee on the exterior of the Premises shall be submitted to Lessor for approval, which shall not be unreasonably withheld. No sign of any type shall be placed anywhere on or about the exterior of the Premises or in the area outside of the building of located on the Premises without the express prior written approval of Lessor, which shall not be unreasonably withheld, as to design, color, format, layout, type face and location.

B. Lessee shall submit to Lessor drawings and specifications (including samples of materials and colors) for all proposed sign work. The drawings shall clearly show the location of each sign, together with all graphics, color and construction and attachment details. Full information regarding electrical load requirements also is to be included.

Lessor shall return one (1) set of the sign drawings, within five (5) business days, to Lessee. The drawing will either be marked "Approved," "Approved Based on Lessor's Modifications," or "Disapproved." Sign drawings that have been "Approved Based on Lessor's Modifications" are to be returned to Lessor bearing Lessee's approval, or are to be redesigned and resubmitted for Lessor's approval. Sign drawings that have been disapproved are to be redesigned and resubmitted to Lessor. Lessor's failure to respond within five (5) business days shall be deemed approval.

C. Furnishing and installation of signs and all costs incurred shall be the responsibility of Lessee, against which the Lessor's Contribution may be applied. Sign construction is to be completed in compliance with the instructions, limitations and criteria contained in this Paragraph 57.

D. No sign of any sort shall be permitted on the building roofs.

E. All permits for sign structures and installation shall be obtained by Lessee's sign contractor at Lessee's expense, against which the Lessor's Contribution may be applied.

F. Lessor hereby permits Lessee to erect a sign facing Vista Sorrento Parkway. Any such signage shall be at Lessee's sole cost and expense, against which the Lessor's Contribution may be applied, must comply with all applicable governmental codes and requirements and must only be constructed in accordance with all of the provision of this Paragraph 57.

G. All signage constructed or erected by Lessee during the term of his Lease must be removed by Lessee prior to the expiration or termination of this Lease and Lessee shall repair any damage occasioned by the installation, maintenance or removal of such signage.

58. INSURANCE

To the extent that any policies of insurance obtained by Lessor pursuant to Article 8 of the Lease also provide coverage for other land and improvements owned by Lessor other than the

Premises, the portion allocable to the Premises and payable by Lessee shall be determined by Lessor in its reasonable discretion from information as may be reasonably available which information shall be provided to Lessee upon request.

59. OPTION TO EXTEND

A. Subject to the condition set forth in Paragraph 2 below, Lessee shall have one (1) option to extend the term of this Lease ("Extension Option") for a period of five (5) years from the expiration of the eighth year of the Lease Term (the "Extension Period"), subject to the following conditions:

1. The Extension Option shall be exercised, if at all, by notice of exercise given to Lessor by Lessee not less than six (6) months prior to the expiration of the eighth year of the Lease Term; and

2. Lessee is not in default under any of the terms, covenants or conditions of this Lease, either at the time Lessee exercises the Extension Option or on the commencement date of the Extension Period.

B. In the event the Extension Option is exercised in a timely fashion, the Lease shall be extended for a period of five (5) years upon all of the terms and conditions of this Lease, except that the Base Rent for the extension period shall be equal to the "Fair Market Rent" for comparable properties in the Sorrento Mesa area. For purposes hereof, "Fair Market Rent" shall mean the Base Monthly Rent determined pursuant to the process described below.

C. Within 15 days after receipt of Lessee's notice of exercise, Lessor shall notify Lessee in writing of Lessor's estimate of the monthly Base Rent for the applicable extension period, based on the provisions of Paragraph B above. The parties shall have 15 days to meet and agree on the amount of monthly Base Rent. If the parties are unable to so agree within such period, Lessee shall have the right either to (a) accept Lessor's statement of monthly Base Rent as the monthly Base Rent for the applicable extension period; or (b) elect to arbitrate Lessor's estimate of

respective arbitrator and both shall share the fee and expenses of the third arbitrator.

E. The Extension Option shall not be exercisable if there has been any assignment of the Lease or subletting of any portion of the Premises unless any and all sublessees or assignees have, as of he date of the exercise of the Extension Option, (i) a net worth of at least Ten Million Dollars ($10,000,000.00) each, and (ii) liquid assets of at least Five Million Dollars ($5,000,000.00) all as determined by generally accepted accounting standards and Lessor is furnished with such information and documentation as Lessor may reasonably require in order to verify the same.

60. INTERRUPTION OR DELAY OF USE

In the event Lessee is not reasonably able to use the Premises or the parking areas serving the same on account of work, repairs or alterations made by Lessor, all rent shall be abated equitably hereunder from and after the date that is two (2) days after the date upon which Lessee became unable to use the Premises or such parking areas until the date Lessee is again reasonably able to use the Premises and such parking areas.

61. CONTINGENCY

Notwithstanding the foregoing, the effectiveness of this Lease is contingent upon execution by Lessor, on or before August 7, 1997 of a binding agreement, upon terms acceptable to Lessor in Lessor's sole and absolute discretion, terminating that certain Lease Agreement dated March 26, 1992 between Patricia Roth, an individual doing business as Torrey Pines Park Phase IIIB and Infrasonics, Inc., predecessor in interest in Nellcor Puritan Bennett Incorporated, as amended, as to the Premises (a "Lease Termination Agreement"). In the event that Lessor shall fail to enter into a Lease Termination Agreement by such date, this Lease shall be void and of no further effect.

62. COVENANT REGARDING LESSOR'S ACTIVITIES

In exercising its rights under this Lease, Lessor shall use diligent efforts to minimize or prevent disruption or inconve-

nience to Lessee and its customers. In no event shall access to parking areas serving the Premises be materially diminished or made materially less convenient.

63. EQUIPMENT FINANCING

Lessee shall have the right to pledge as security for any loan or financing agreement all or any portion of Lessee's interest in Lessee's personal property, equipment or fixtures located in the Premises. Lessor agrees to subordinate to Lessee's lender or equipment lessor all of Lessor's right, title and interest, if any, in such personal property, equipment or fixtures, pursuant to a commercially reasonable landlord consent and subordination instrument.

WHEREFORE, the parties hereto have executed this Addendum No. 1 at the place and on the dates specified above their respective signatures:

Executed at: Malibu, CA	Executed at: San Diego, CA
on: 8/11/97	on: 8/7/97
By: LESSOR:	By: LESSEE:
R.G. HARRIS CO., a California corporation	RECEPTOR TECHNOLOGIES INC., a Delaware corporation
By: /s/ Henry K. Workman	By: /s/ John M Barberich
Printed Name: HENRY K. WORKMAN	Printed Name: JOHN M. BARBERICH
Title: PRESIDENT	Title: VICE PRESIDENT-FINANCE
	Address: 276 EAST ALLEN STREET WINOOSKI, VT 05404
	Telephone: (802) 655-4228
	Facsimile: (802) 655-3455
	Federal ID No.

ADDITIONAL SIGNATURES FOLLOW ON PAGE 26

HARRIS FAMILY REVOCABLE TRUST

By: /s/ Don Sherwood

Printed Name: DON SHERWOOD

Title: TRUSTEE

Address:

- ---

By: /s/ Henry K. Workman

Printed Name: HENRY K. WORKMAN

Title: TRUSTEE

Address:

- ---

By: /s/ Elizabeth Gaye Harris

Printed Name: ELIZABETH GAYE HARRIS

Title: TRUSTEE

Address:

- ---

Telephone:( )

Facsimile:( )

Federal ID No.

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTS

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated February 28, 2000 relating to the financial statements of ACADIA Pharmaceuticals Inc., which appear in such Registration Statement. We also consent to the references to us under the headings "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

San Diego, California
December 21, 2000

5
1,000
U.S. DOLLARS

YEAR	YEAR	9-MOS
DEC-31-1998	DEC-31-1999	DEC-31-2000
JAN-01-1998	JAN-01-1999	JAN-01-2000
DEC-31-1998	DEC-31-1999	SEP-30-2000
1	1	1
4,779	3,684	10,218
12,798	8,525	19,266
209	0	0
0	0	0
0	0	0
599	438	633
3,024	3,965	4,984
724	1,456	2,104
21,063	15,518	33,471
1,446	1,859	2,968
3,367	4,432	4,632
24,665	24,665	46,502
0	0	0
0	0	0
(8,414)	(15,437)	(20,630)
21,063	15,518	33,471
0	0	0
1,419	2,238	2,768
0	0	0
0	0	0
8,343	10,083	11,242
0	0	0
(521)	(400)	(720)
(6,403)	(7,445)	(7,754)
0	0	0
(6,403)	(7,445)	(7,754)
0	0	0
0	0	0
0	0	0
(6,403)	(7,445)	(7,754)
(3.12)	(3.57)	(3.63)
(3.12)	(3.57)	(3.63)