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As filed with the Securities and Exchange Commission on February 27, 2004

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 Cooley Godward LLP 4401 Eastgate Mall, San Diego, CA 92121-9109 (858) 550-6000	Bruce Czachor Siang H. Chin Shearman & Sterling LLP 1080 Marsh Road, Menlo Park, CA 94025-1022 (650) 838-3600

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, 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	$ 86,250,000	$ 10,928

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

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until 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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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 it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Prospectus SUBJECT TO COMPLETION, DATED FEBRUARY 27, 2004

Shares

Common Stock

ACADIA Pharmaceuticals Inc. is offering shares of common stock. This is our initial public offering, and no public market currently exists for our shares. We anticipate that the initial public offering price will be between $ and $ per share. After the offering, the market price for our shares may be outside this range.

We have applied to list our common stock. Our common stock has been approved for quotation on The Nasdaq National Market under the symbol "ACAD".

Investing in our common stock involves a high degree of risk. See " Risk Factors" beginning on page 6.

	Per Share	Total
Offering price	$	$
Discounts and commissions to underwriters	$	$
Offering proceeds to ACADIA Pharmaceuticals Inc., before expenses	$	$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

We have granted the underwriters the right to purchase up to additional shares of common stock to cover any over-allotments. The underwriters can exercise this right at any time within 30 days after the offering. The underwriters expect to deliver the shares of common stock to investors on or about , 2004.

Sole Book-Running Manager

Banc of America Securities LLC **Piper Jaffray**

Wachovia Securities **JMP Securities**

, 2004

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not making offers to sell or seeking offers to buy these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus is accurate as of the date on the front of this prospectus only, regardless of the time of delivery of this prospectus or any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

References in this prospectus to "ACADIA," "the Company," "we," "us" and "our" refer to ACADIA Pharmaceuticals Inc.

References in this prospectus to our certificate of incorporation and bylaws refer to the certificate of incorporation and bylaws that will be in effect upon the completion of this offering.

"ACADIA" and "R-SAT" are our trademarks. This prospectus also includes trademarks and trade names owned by other parties, and these trademarks and trade names are the property of their respective owners.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider before investing in our common stock. You should read the entire prospectus carefully, including the "Risk Factors" section and our consolidated financial statements and the related notes included elsewhere in this prospectus before making an investment decision.

ACADIA PHARMACEUTICALS INC.

We are a biopharmaceutical company focused on the discovery, development and commercialization of small molecule drugs for the treatment of central nervous system disorders. We currently have five drug programs in clinical and preclinical development. Our three clinical programs are ACP-103 for treatment-induced dysfunction in Parkinson's disease currently in Phase II clinical trials, and ACP-104 and ACP-103, both for the treatment of schizophrenia and expected to enter into Phase II clinical trials in 2004. We have retained worldwide commercialization rights to these drug candidates. We also have two preclinical programs for the development of drug candidates for neuropathic pain and glaucoma in collaboration with Allergan, Inc. Using our proprietary drug discovery platform, we have discovered all of the drug candidates in our product pipeline.

The annual worldwide market for drugs used to treat Parkinson's disease exceeds $2 billion, and the annual worldwide market for drugs used to treat schizophrenia and other psychoses exceeds $9 billion. Current therapies in each of these two markets have substantial limitations, and we believe that significant opportunities exist for improved therapies.

We leverage our proprietary drug discovery platform and expertise through collaborations with leading pharmaceutical and biotechnology companies. We have three collaborations with Allergan and one with Amgen for the discovery of small molecule drug candidates and a technology license agreement with Aventis.

We have assembled a management team with significant industry experience to lead the discovery, development and commercialization of our drug programs. We complement our management team with a network of scientific and clinical advisors that includes recognized experts in the fields of Parkinson's disease, schizophrenia and other central nervous system disorders.

Our Clinical and Preclinical Development Programs

In our first clinical program, we discovered and are developing ACP-103, a small molecule drug candidate, to treat the debilitating psychiatric and neurological dysfunction produced by current Parkinson's disease therapies. ACP-103 is an orally available compound that turns off the spontaneous activity of the 5-HT2A receptor, a clinically validated drug target that plays an important role in the treatment of various neuropsychiatric disorders. We are currently conducting our second Phase II clinical trial with ACP-103. This trial is designed to evaluate the efficacy and safety of this drug candidate in Parkinson's disease patients suffering from treatment-induced hallucinosis or psychosis without impairing motor skills.

In February 2004, we completed the treatment phase of a Phase Ib/IIa clinical trial designed to evaluate the safety and tolerability of ACP-103 in Parkinson's disease patients. In 2003, we completed two Phase I clinical trials that assessed the safety, tolerability and pharmacokinetics of ACP-103. In all of our clinical trials to date, ACP-103 has been well tolerated and no serious adverse events have been observed.

In our second clinical program, we are developing ACP-104, a small molecule drug candidate, as a novel therapy for schizophrenia with the added advantage of beneficial cognitive effects. We plan to conduct

four Phase II clinical trials with ACP-104 in 2004. The first two clinical trials will focus on safety and pharmacokinetics, and the second two clinical trials are designed to assess the efficacy of ACP-104 in the treatment of patients with schizophrenia having acute psychosis or untreated cognitive disturbances. ACP-104 acts upon a set of targets that have been validated by clinical experience to provide antipsychotic activity and cognitive enhancement.

In our third clinical program, we discovered and are developing ACP-103 as an adjunctive therapy to current antipsychotic treatments. We plan to initiate a Phase II clinical trial with ACP-103 in mid-2004 to evaluate its ability, in combination with an antipsychotic drug, to reduce acute exacerbations of schizophrenia. We believe that the use of ACP-103 will result in an improved antipsychotic therapy without the severe, dose-limiting side effects of existing drugs.

In addition to our clinical programs, we have two programs in preclinical development in collaboration with Allergan. In the first program, we have discovered a new class of compounds that we believe represents a significant breakthrough in the treatment of neuropathic pain. Allergan has announced that it intends to initiate Phase I clinical trials for two compounds in 2004 and begin Phase II clinical trials in this program in 2005. In the second program, we have discovered, and in collaboration with Allergan, are developing AC-262271, a novel small molecule drug candidate for the treatment of glaucoma. AC-262271 has been found to have a promising preclinical profile and has been selected for testing for lowering intraocular pressure in humans.

Our Drug Discovery Platform

We have built a proprietary drug discovery platform that we use to rapidly discover new compounds that may serve as potential treatments for significant unmet medical needs. Our platform encompasses proprietary target-based and chemistry-based technologies that we integrate with our discovery and development capabilities. We believe that the breadth of our discovery and development programs and the rapid pace at which we have discovered drug candidates provide strong validation of our proprietary platform and a basis for expanding our pipeline.

We have established drug discovery and technical expertise in the areas of molecular biology, ultra-high throughput screening, molecular and behavioral pharmacology, and combinatorial, medicinal and analytical chemistry. In addition, we collaborate with world-renowned scientists, clinicians and academic institutions. We believe that our expertise, combined with our proprietary drug discovery platform, has allowed us to discover drug candidates more efficiently than traditional approaches.

Our Strategy

Our goal is to become a leader in the discovery, development and commercialization of novel small molecule drugs for the treatment of central nervous system disorders and other areas of unmet medical need. Key elements of our strategy are to:

- develop and commercialize our lead drug candidates;
- expand our pipeline of drug candidates for the treatment of central nervous system disorders;
- selectively establish strategic collaborations to advance and maximize the commercial potential of our pipeline;
- leverage our proprietary drug discovery platform to identify novel drug candidates outside of our core focus;
- maintain and enhance our technology leadership position; and
- opportunistically in-license or acquire complementary technologies and drug candidates.

Risks Associated with Our Business

Our business is subject to numerous risks that are highlighted in the section entitled “Risk Factors” immediately following this prospectus summary. All of our drug candidates, including ACP-103 and ACP-104, are in clinical or earlier stages of development. We have not received regulatory approval for, or received commercial revenues from, any of our drug candidates.

Our 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 chemistry research facilities located near Copenhagen, Denmark. Our website is located at www.acadia-pharm.com. We do not consider information contained on, or that can be accessed through, our website to be part of this prospectus.

THE OFFERING

Common stock offered	shares
Common stock outstanding after this offering	shares
Use of proceeds	We intend to use the substantial majority of the net proceeds from this offering to fund research and development activities, including clinical trials, and the remaining balance for working capital and general corporate purposes.
Proposed Nasdaq National Market symbol	ACAD
Risk factors	See “Risk Factors” and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

The number of shares of our common stock to be outstanding after this offering is based on the number of shares outstanding as of January 31, 2004 and assumes the following:

- no exercise of the underwriters’ over-allotment option;
- the conversion or reclassification, as applicable, of all of our outstanding shares of preferred stock into 19,801,848 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.

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

- 3,819,727 shares issuable upon exercise of options outstanding at January 31, 2004, at a weighted average exercise price of $0.96 per share;
- 148,147 shares issuable upon exercise of warrants outstanding at January 31, 2004, at an exercise price of $4.05 per share; and
- 1,710,228 shares available for future grant at January 31, 2004 under our 1997 stock option plan, and an aggregate of 650,000 additional shares available for future grant under our 2004 equity incentive plan and 2004 employee stock purchase plan, both of which will be effective upon the completion of this offering.

SUMMARY CONSOLIDATED FINANCIAL DATA

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

	Year Ended December 31,				
	1999	2000	2001	2002	2003
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Revenues	$ 2,238	$ 4,312	$ 3,714	$ 6,276	$ 7,378
Operating expenses:					
Research and development	7,525	9,728	13,090	14,921	16,935
General and administrative	2,452	2,999	3,756	2,818	2,791
Stock-based compensation	106	2,854	2,147	1,163	1,392
Total operating expenses	10,083	15,581	18,993	18,902	21,118
Loss from operations	(7,845)	(11,269)	(15,279)	(12,626)	(13,740)
Interest income (expense), net	400	1,075	873	(242)	(352)
Net loss	$ (7,445)	$ (10,194)	$ (14,406)	$ (12,868)	$ (14,092)
Net loss per common share, basic and diluted	$ (0.96)	$ (0.95)	$ (1.50)	$ (1.12)	$ (0.62)
Weighted average shares used in computing net loss per common share, basic and diluted(1)	2,087	2,139	2,416	2,904	2,918
Unaudited pro forma net loss per common share, basic and diluted					$ (0.71)
Weighted average shares used in computing unaudited pro forma net loss per share, basic and diluted(1)					19,741

	At December 31, 2003	
	Actual	Pro Forma As Adjusted(2) (unaudited)
	($ in thousands)	
Consolidated Balance Sheet Data:		
Cash, cash equivalents and investment securities	$ 27,214	$
Working capital	20,046	
Total assets	31,693	
Long-term debt, less current portion	1,624	1,624
Convertible preferred stock	74,514	—
Total stockholders' equity (deficit)	(52,671)	

(1) Please see Note 2 of the notes to our 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.

(2) Unaudited pro forma as adjusted consolidated balance sheet data reflects the conversion or reclassification, as applicable, of all of our outstanding shares of preferred stock into shares of common stock and reflects the net proceeds of approximately $ from the sale and issuance of shares of our common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the estimated initial public offering price range, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

RISK FACTORS

Before investing in our common stock, you should consider carefully the following risk factors, as well as the information contained in the rest of this prospectus.

Risks Related to Our Business

We expect our net losses to continue for at least several years and are unable to predict the extent of future losses or when we will become profitable, if ever.

We have experienced significant net losses since our inception. For the year ended December 31, 2003, we had a net loss of $14.1 million. As of December 31, 2003, we had an accumulated deficit of approximately $68.4 million. We expect our annual net losses to increase over the next several years as we expand our research and development activities, incur significant preclinical and clinical development costs, and enhance our infrastructure.

We have not received, and do not expect to receive for at least the next several years, any revenues from the commercialization of our drug candidates. Our primary source of revenues in 2003 was from research and milestone payments under our collaboration agreements with Allergan and Amgen. We anticipate that our collaborations with pharmaceutical companies will continue to be our primary source of revenues for the next several years, which provide us with research funding and potential milestone payments and royalties. We cannot be certain that the milestones required to trigger revenues will be reached or that we will secure additional collaboration agreements. To obtain revenues from our drug candidates, we must succeed, either alone or with others, in developing, obtaining regulatory approval for, and manufacturing and marketing drugs with significant market potential. We may never succeed in these activities, and may never generate revenues that are significant enough to achieve profitability.

Our most advanced clinical products are in clinical trials, which are long, expensive and unpredictable, and there is a high risk of failure.

Preclinical testing and clinical trials are long, expensive and unpredictable processes that can be subject to delays. It may take several years to complete the preclinical testing and clinical development necessary to commercialize a drug, and delays or failure can occur at any stage. Interim results of clinical 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 and biotechnology industries have suffered significant setbacks in advanced clinical trials even after promising results in earlier trials.

All of our drug candidates are at an early stage of development and the historical rate of failures for drug candidates is extremely high. Our most advanced clinical program, ACP-103 for treatment-induced dysfunction in Parkinson’s disease, is in early Phase II clinical trials. Our other two early clinical programs, ACP-104 and ACP-103, each for the treatment of schizophrenia, are expected to start Phase II clinical trials in 2004.

In connection with clinical trials, we face risks that:

- a drug candidate may not prove to be efficacious;
- patients may die or suffer other adverse effects for reasons that may or may not be related to the drug candidate being tested;
- the results may not confirm the positive results of earlier trials; and
- the results may not meet the level of statistical significance required by the Food and Drug Administration, or FDA, or other regulatory agencies.

If we do not successfully complete preclinical and clinical development, we will be unable to market and sell products derived from our drug candidates and to generate product revenues.

Delays, suspensions and terminations in our clinical trials could result in increased costs to us and delay our ability to generate product revenues.

The commencement of clinical trials can be delayed for a variety of reasons, including delays in:

- demonstrating sufficient safety and efficacy to obtain regulatory approval to commence a clinical trial;
- reaching agreement on acceptable terms with prospective contract research organizations and clinical trial sites;
- manufacturing sufficient quantities of a drug candidate;
- obtaining approval of an Investigational New Drug application from the FDA;
- obtaining institutional review board approval to conduct a clinical trial at a prospective site; and
- insufficient patient enrollment, which is a function of many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical sites, the availability of effective treatments for the relevant disease and the eligibility criteria for the clinical trial.

Once a clinical trial has begun, it may be delayed, suspended or terminated due to a number of factors, including:

- ongoing discussions with regulatory authorities regarding the scope or design of our clinical trials or requests by them for supplemental information with respect to our clinical trial results;
- failure to conduct clinical trials in accordance with regulatory requirements;
- lower than anticipated retention rate of patients in clinical trials;
- serious adverse events or side effects experienced by participants; and
- insufficient supply or deficient quality of drug candidates or other materials necessary for the conduct of our clinical trials.

Many of these factors described above may also ultimately lead to denial of regulatory approval of a current or potential drug candidate. If we experience delays in our clinical trials, the commercial prospects for our drug candidates will be harmed, and our ability to generate product revenues will be delayed.

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. Although we believe our existing cash resources plus the proceeds of this offering and anticipated payments from existing collaboration agreements will be sufficient to fund our anticipated cash requirements through 2005, we will require significant additional financing in the future to fund our operations. 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 preclinical studies and clinical trials and other research and development programs;
- the scope, prioritization and number of research and development programs;
- the ability of our collaborators and us to reach the milestones, and other events or developments, under our collaboration agreements;
- the costs involved in filing, prosecuting, enforcing and defending patent claims and other intellectual property rights;
- the costs of securing manufacturing arrangements for clinical or commercial production; and
- the costs of establishing or contracting for sales and marketing capabilities if we obtain regulatory clearances to market our drug candidates.

Until we can generate significant continuing revenues, we expect to satisfy our future cash needs through strategic collaborations, private or public sales of our securities, debt financings or by licensing all or a portion of our drug candidates or technology. We cannot be certain that additional funding will be available to us on acceptable terms, or at all. If funds are not available, we may be required to delay, reduce the scope of, or eliminate one or more of our research or development programs or our commercialization efforts. Further, additional funding may significantly dilute existing stockholders.

We depend on collaborations with third parties to develop and commercialize selected drug candidates.

A key aspect of our strategy is to selectively enter into collaborations with third parties. We currently rely, and will continue to rely, on our collaborators for financial resources and for development, commercialization and regulatory expertise for selected drug candidates. We received approximately 99% of our revenues for the year ended December 31, 2003 from our collaborations with Allergan and Amgen. We expect that a similar percentage of our revenues for the foreseeable future will be generated by collaborations.

Our collaborators may fail to develop or effectively commercialize products using our drug candidates or technologies because they:

- do not have sufficient resources or decide not to devote the necessary resources due to internal constraints such as limited cash or human resources;
- decide to pursue a competitive potential product developed outside of the collaboration; or
- cannot obtain the necessary regulatory approvals.

The continuation of our collaborations is dependent on our collaborators' periodic renewal of the governing agreements. Allergan and Amgen can terminate our existing collaborations before the full term of these collaborations under specific circumstances, including in some cases the right to terminate upon notice. We may not be able to renew these collaborations on acceptable terms, if at all. We also face competition in our search for new collaborators.

If conflicts arise with our collaborators, they may act in their self interests, which may be adverse to our interests.

Conflicts may arise in our collaborations due to one or more of the following:

- disputes with respect to payments that we believe are due under a collaboration agreement;
- disagreements with respect to ownership of intellectual property rights;
- unwillingness on the part of a collaborator to keep us informed regarding the progress of its development and commercialization activities, or to permit public disclosure of these activities;
- delay of a collaborator's development or commercialization efforts with respect to our drug candidates; or
- termination or non-renewal of the collaboration.

Conflicts arising with our collaborators could harm our reputation, result in a loss of revenues, reduce our cash position and cause a decline in our stock price.

In addition, in each of our collaborations, we generally 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.

We have collaborations with Allergan for the development of drug candidates related to neuropathic pain and glaucoma. Allergan currently markets therapeutic products to treat glaucoma and is engaged in other research programs related to glaucoma and other ophthalmic products that are independent from our development program in this therapeutic area. Allergan is also pursuing other research programs related to pain management that are independent from our collaboration in this therapeutic area. Competing products, either developed by our collaborators or to which our collaborators have rights, may result in their withdrawal of support for our drug candidates.

We rely on third parties to conduct our clinical trials and perform data collection and analysis, which may result in costs and delays that prevent us from successfully commercializing drug candidates.

Although we design and manage our current preclinical studies and clinical trials, we currently do not have the ability to conduct clinical trials for our drug candidates. In addition to our collaborators, we rely on contract research organizations, medical institutions, clinical investigators and contract laboratories to perform data collection and analysis and other aspects of our clinical trials. In addition, we also rely on third parties to assist with our preclinical studies, including studies regarding biological activity, safety, absorption, metabolism and excretion of drug candidates.

Our preclinical development activities or clinical trials may be delayed, suspended or terminated if:

- these third parties do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines;
- these third parties need to be replaced; or
- the quality or accuracy of the data obtained by third parties is compromised due to their failure to adhere to our clinical protocols or regulatory requirements or for other reasons.

In addition, we may not be able to enter into replacement arrangements without undue delays or excessive expenditures. Failure to perform by third parties will increase our development costs and may delay our ability to obtain regulatory approval and prevent the commercialization of our drug candidates.

Even if we successfully complete the clinical trials of our drug candidates, they may fail for other reasons.

Even if we successfully complete the clinical trials of our drug candidates, they may fail for other reasons, including the possibility that the drug candidates will:

- 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; or
- fail to compete with drug candidates or other treatments commercialized by our competitors.

Our drug candidates may not gain acceptance among physicians, patients and the medical community, thereby limiting our potential to generate revenues.

Even if our drug candidates are approved for commercial sale by the FDA or other regulatory authorities, the degree of market acceptance of any approved drug candidate by physicians, healthcare professionals and third-party payors and our profitability and growth will depend on a number of factors, including:

- our ability to provide acceptable evidence of safety and efficacy;
- relative convenience and ease of administration;
- the prevalence and severity of any adverse side effects;

- availability of alternative treatments;
- pricing and cost effectiveness, which may be subject to regulatory control;
- effectiveness of our or our collaborators' sales and marketing strategy; and
- our ability to obtain sufficient third-party insurance coverage or reimbursement.

If any drug candidate that we discover and develop does not provide a treatment regimen that is as beneficial as the current standard of care or otherwise does not provide patient benefit, that product likely will not achieve market acceptance and we will not generate sufficient revenues to achieve or maintain profitability.

We do not know whether one of our drug candidates, ACP-104, will have the same adverse effects as clozapine, a currently available therapy.

One of our drug candidates under development is ACP-104 for the treatment of schizophrenia. ACP-104 is the major metabolite of clozapine, a generic drug that is currently approved as a "second-line" therapy for schizophrenia in the United States. This means that clozapine will only be prescribed to a patient after a doctor determines that the patient has failed to progress under a "first-line" therapy consisting of antipsychotic drugs. Clozapine is associated with the occurrence of a rare and potentially fatal blood disorder leading to a complete loss of white blood cells, known as agranulocytosis, in approximately 1% of the patients. As a result, patients being treated with clozapine are subject to weekly or bi-weekly blood monitoring. In addition, one of the other side effects of clozapine is the occurrence of seizures, which is found in approximately 5% of users. ACP-104 may have the same adverse effects of clozapine or other significant adverse effects and, if successfully developed, may also only be approved as a "second-line" therapy. These factors could substantially limit the commercial potential of ACP-104 and may substantially restrict its potential market.

If we are unable to attract, retain and motivate key management and scientific staff, our drug development programs and our research and discovery efforts may be delayed and we may be unable to successfully develop or commercialize our drug candidates.

Our success depends on our ability to attract, retain and motivate highly qualified management and scientific personnel. In particular, our drug discovery and development programs depend on our ability to attract and retain highly skilled chemists, biologists, pharmacologists and development personnel, especially in the fields of central nervous system disorders, including neuropsychiatric and pain disorders. In addition, we will need to hire additional personnel as we continue to expand our clinical development and other research and development activities. We face competition for experienced scientists and other technical personnel from numerous companies and academic and other research institutions. Competition for qualified personnel is particularly intense in the San Diego, California area. If we are unable to attract and retain the necessary personnel, this will significantly impede the achievement of our research and development objectives and our ability to meet the demands of our collaborators in a timely fashion.

Although we have employment agreements with key members of management, all of our employees are "at will" employees, which means that any employee may quit at any time and we may terminate any employee at any time. We do not carry "key person" insurance covering members of senior management. 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 suitable replacements and our business would be harmed as a result.

We do not know whether our drug discovery platform will lead to the discovery or development of commercially viable drug candidates.

Our drug discovery platform uses new and unproven methods to identify and develop drug candidates that will be safe, well tolerated and effective in humans. We have never successfully completed clinical development of any of our drug candidates, and there are no drugs on the market that have been discovered using our drug discovery platform.

Much of our research focuses on small molecule drugs for the treatment of central nervous system disorders. Due to our limited resources, we may have to forego potential opportunities with respect to discovering drug candidates to treat diseases or conditions in other areas. If we are not able to use our technologies to discover and develop drug candidates that can be commercialized, we may not achieve profitability. In the future, we may find it necessary to license the technology of others, or in-license, or acquire additional drug candidates to augment the results of our internal discovery activities. If we are unable to identify new drug candidates using our drug discovery platform, we may be unable to establish or maintain a clinical development pipeline or generate product revenues.

Our collaborations with outside scientific and clinical advisors may be subject to restriction and change.

We work with scientific and clinical advisors at academic and other institutions who are experts in the field of central nervous system disorders. They assist us in our research and development efforts and advise us with respect to our clinical trials. These advisors are not our employees and may have other commitments that would limit their future availability to us. Although our scientific and clinical advisors and collaborators generally agree not to engage in competing work, if a conflict of interest arises between their work for us and their work for another entity, we may lose their services, which may impair our reputation in the industry and delay the clinical development of our drug candidates.

We will need to increase the size of our organization, and 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 advance our drug development programs, achieve milestones under our collaboration agreements, facilitate additional collaborations and pursue other development activities. It is possible that our human resources and infrastructure may be inadequate to support our future growth. To manage our growth, we will be required to continue to improve our operational, financial and management controls, reporting systems and procedures in at least two countries and to attract and retain sufficient numbers of talented employees. In addition, we may have to develop sales, marketing and distribution capabilities if we decide to market any drug that we may successfully develop without partnering with third parties. We may not successfully manage the expansion of our operations and, accordingly, may not achieve our research, development and commercialization goals.

We face financial and administrative challenges in coordinating the operations of our Danish subsidiary with our activities in California.

Our subsidiary in Denmark, ACADIA Pharmaceuticals A/S, employs approximately 37% 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. These exchange-rate fluctuations could have a negative effect on our operations. We do not engage in currency hedging transactions.

We expect that our results of operations will fluctuate, which may make it difficult to predict our future performance from period to period.

Our quarterly operating results have fluctuated in the past and are likely to do so in the future. Some of the factors that could cause our operating results to fluctuate from period to period include:

- the status of development of ACP-103 and ACP-104 and the preclinical and clinical development of our other drug candidates;

- whether we generate revenues by achieving specified research or commercialization milestones under any agreements;
- the incurrence of preclinical or clinical expenses that could fluctuate significantly from period to period;
- the initiation, termination or reduction in the scope of our collaborations during these periods or any disputes regarding these collaborations;
- the timing of our satisfaction of applicable regulatory requirements;
- the rate of expansion of our clinical development and other internal research and development efforts;
- the effect of competing technologies and products and market developments; and
- general and industry specific economic conditions.

We believe that quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

Relying on third-party manufacturers may result in delays in our clinical trials and product introductions.

We have no manufacturing facilities and have no experience in the manufacturing of drugs or in designing drug-manufacturing processes. We have contracted with third-party manufacturers to produce, in collaboration with us, our drug candidates for clinical trials. If any of our drug candidates are approved by the FDA or other regulatory agencies for commercial sale, we may need to contract with a third party to manufacture them in larger quantities.

Our manufacturers are obliged to operate in accordance with FDA-mandated current good manufacturing practices, or cGMPs. A failure of any of our contract manufacturers to establish and follow cGMPs and to document their adherence to such practices may lead to significant delays in clinical trials or obtaining regulatory approval of drug candidates or the ultimate launch of our products into the market. Failure by our third-party manufacturers or us to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, failure of the government to grant premarket approval of drugs, delays, suspension or withdrawal of approvals, seizures or recalls of products, operating restrictions and criminal prosecutions.

If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to sell and market any products we may develop, we may not be able to generate product revenue.

We do not currently have an organization for the sales, marketing and distribution of pharmaceutical products. In order to market any products that may be approved by the FDA, we must build our sales, marketing, managerial and other non-technical capabilities or make arrangements with third parties to perform these services. If we are unable to establish adequate sales, marketing and distribution capabilities, whether independently or with third parties, we may not be able to generate product revenue and may not become profitable.

If we engage in any acquisition, we will incur a variety of costs and may never realize the anticipated benefits of the acquisition.

We may attempt to acquire businesses, technologies, services or products or in-license technologies that we believe are a strategic fit with our business. We have limited experience in identifying acquisition targets, and successfully completing and integrating any acquired businesses, technologies, services or products into our current infrastructure. The process of integrating any acquired business, technology, service or product may result in unforeseen operating difficulties and expenditures and may divert significant management attention from our ongoing business operations. As a result, we will incur a variety of costs in connection with an acquisition and may never realize its anticipated benefits.

Earthquake damage to our facilities could delay our research and development efforts and adversely affect our business.

Our headquarters and research and development facilities in San Diego, California are located in a seismic zone, and there is the possibility of an earthquake, which could be disruptive to our operations and result in delays in our research and development efforts. In the event of an earthquake, if our facilities or the equipment in our facilities is significantly damaged or destroyed for any reason, we may not be able to rebuild or relocate our facilities or replace any damaged equipment in a timely manner and our business, financial condition and results of operations could be materially and adversely affected.

Risks Related to Our Intellectual Property

Our ability to compete may decline if we do not adequately protect our proprietary rights.

Our commercial success depends on obtaining and maintaining proprietary rights to our drug candidates and technologies and their uses, as well as successfully defending these rights against third-party challenges. We will only be able to protect our drug candidates, proprietary technologies and their uses from unauthorized use by third parties to the extent that valid and enforceable patents or effectively protected trade secrets cover them. Although we have filed patent applications, we have not been issued patents with respect to ACP-103 and ACP-104.

Our ability to obtain patent protection for our products and technologies is uncertain due to a number of factors, including:

- we may not have been the first to make the inventions covered by our pending patent applications or issued patents;
- we may not have been the first to file patent applications for our drug candidates or 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;
- any or all 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, may not provide us with any competitive advantages or may be challenged by third parties;
- our proprietary technologies may not be patentable;
- others may design around our patent claims to produce competitive products which fall outside of the scope of our patents; or
- others may identify prior art which could invalidate our patents.

Even if we obtain patents covering our drug candidates or technologies, we may still be barred from making, using and selling our drug candidates or technologies because of the patent rights of others. Others may have filed, and in the future are likely to file, patent applications covering compounds, assays, genes, gene products or therapeutic products that are similar or identical to ours. There are many issued U.S. and foreign patents relating to genes, nucleic acids, polypeptides, chemical compounds or therapeutic products, and some of these may encompass reagents utilized in the identification of candidate drug compounds or compounds that we desire to commercialize. Numerous U.S. and foreign issued patents and pending patent applications owned by

others exist in the area of central nervous system disorders and the other fields in which we are developing products. These could materially affect our ability to develop our drug candidates or sell our products. Because patent applications can take many years to issue, there may be currently pending applications, unknown to us, that may later result in issued patents that our drug candidates or technologies may infringe. These patent applications may have priority over patent applications filed by us. Disputes may arise regarding the ownership or inventorship of our inventions. It is difficult to determine how such disputes would be resolved. Others may challenge the validity of our patents. If our patents are found to be invalid, we will lose the ability to exclude others from making, using or selling the inventions claimed therein.

Some of our academic institutional 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. In addition, 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.

We have limited proprietary rights to one of our drug candidates, ACP-104.

One of our drug candidates, ACP-104, is a publicly available compound, and we will have limited proprietary rights in this candidate. Other companies may obtain patents and/or regulatory approvals to use the same drug for treatments other than to treat the indications for which we have filed for patent protection. We are aware of an issued patent not owned by us that claims the use of N-desmethylclozapine, which is the chemical name for ACP-104, to induce analgesia. ACP-104, which we are developing for treatment of schizophrenia, is the major metabolite of clozapine and its structure was known prior to our filing of patent applications relating to its use to treat certain conditions. Accordingly, we will not be able to obtain composition of matter patents for ACP-104. We have filed a method of use patent application for ACP-104, but a competitor could use ACP-104, and patent its method of use, for a treatment not covered by our patent application.

Confidentiality agreements with employees and others may not adequately prevent disclosure of our trade secrets and other proprietary information and may not adequately protect our intellectual property.

Because we operate in the highly technical field of drug discovery and development of small molecule drugs, we rely in part on trade secret protection in order to protect our proprietary technology and processes. However, trade secrets are difficult to protect. We enter into confidentiality and intellectual property assignment agreements with our corporate partners, employees, consultants, outside scientific collaborators, sponsored researchers and other advisors. These agreements generally require that the other party keep confidential and not disclose to third parties all confidential information developed by the party or made known to the party by us during the course of the party's relationship with us. These agreements also generally provide that inventions conceived by the party in the course of rendering services to us will be our exclusive property. However, these agreements may not be honored and may not effectively assign intellectual property rights to us. Enforcing a claim that a party illegally obtained and is using our trade secrets is difficult, expensive and time consuming and the outcome is unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets. The failure to obtain or maintain trade secret protection could adversely affect our competitive position.

A dispute concerning the infringement or misappropriation of our proprietary rights or the proprietary rights of others could be time consuming and costly, and an unfavorable outcome could harm our business.

There is significant litigation in our industry regarding patent and other intellectual property rights. We may be exposed to future litigation by third parties based on claims that our drug candidates, technologies or activities infringe the intellectual property rights of others. In particular, there are many patents relating to specific genes, nucleic acids, polypeptides or the uses thereof to identify drug candidates. Some of these may encompass genes or polypeptides that we utilize in our drug development activities. If our drug development activities are found to infringe any such patents, we may have to pay significant damages. A patentee could

prevent us from using the patented genes or polypeptides for the identification or development of drug compounds. There are also many patents relating to chemical compounds and the uses thereof. If our compounds are found to infringe any such patents, we may have to pay significant damages. A patentee could prevent us from making, using or selling the patented compounds. We may need to resort to litigation to enforce a patent issued to us, protect our trade secrets or determine the scope and validity of third-party proprietary rights. From time to time, we may hire scientific personnel formerly employed by other companies involved in one or more areas similar to the activities conducted by us. Either we or these individuals may be subject to allegations of trade secret misappropriation or other similar claims as a result of their prior affiliations. If we become involved in litigation, it could consume a substantial portion of our managerial and financial resources, regardless of whether we win or lose. We may not be able to afford the costs of litigation. Any legal action against our company or our collaborators could lead to:

- payment of damages, potentially treble damages, if we are found to have willfully infringed a party's patent rights;
- injunctive or other equitable relief that may effectively block our ability to further develop, commercialize and sell products; or
- we or our collaborators having to enter into license arrangements that may not be available on commercially acceptable terms, if at all.

As a result, we could be prevented from commercializing current or future products.

The patent applications of pharmaceutical and biotechnology companies involve highly complex legal and factual questions, which could negatively impact our patent position.

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 products and the uses of those gene sequences and products. Public disclosures and patent applications related to the Human Genome Project and other genomics efforts may limit the scope of our claims or make unpatentable subsequent patent applications. No consistent policy regarding the breadth of claims allowed in biotechnology patents has emerged to date. The United States Patent and Trademark Office's standards are uncertain and could change in the future. Consequently, the issuance and scope of patents cannot be predicted with certainty. Patents, if issued, may be challenged, invalidated or circumvented. U.S. patents and patent applications may also be subject to interference proceedings, and U.S. patents may be subject to reexamination proceedings in the United States Patent and Trademark Office (and foreign patents may be subject to opposition or comparable proceedings in the corresponding foreign patent office), which proceedings could result in either loss of the patent or denial of the patent application or loss or reduction in the scope of one or more of the claims of the patent or patent application. In addition, such interference, reexamination and opposition proceedings may be costly. Accordingly, rights under any issued patents may not provide us with sufficient protection against competitive products or processes.

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 laws of some countries do not protect intellectual property rights to the same extent as U.S. laws and those countries may lack adequate rules and procedures for defending our intellectual property rights. For example, some countries, including many in Europe, do not grant patent claims directed to methods of treating humans, and in these countries patent protection may not be available at all to protect our drug candidates.

If we fail to obtain and maintain patent protection and trade secret protection of our drug candidates, proprietary technologies and their uses, we could lose our competitive advantage and competition we face would increase, reducing our potential revenues and adversely affecting our ability to attain or maintain profitability.

Risks Related to Our Industry

We will be subject to stringent regulation in connection with the marketing of any products derived from our drug candidates.

The pharmaceutical industry is subject to stringent regulation by the FDA and other regulatory agencies in the United States and by comparable authorities in other countries. Neither we nor our collaborators can market a pharmaceutical product 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, depends upon the type, or complexity and novelty of the product and requires substantial resources. Even if regulatory approval is obtained, it may impose significant restrictions on the indicated uses, conditions for use, labeling, advertising, promotion and/or marketing of such products, and requirements for post-approval studies, including additional research and development and clinical trials. These limitations may limit the size of the market for the product or result in the incurrence of additional costs. Any delay or failure in obtaining required approvals could have a material adverse effect on our ability to generate revenues from the particular drug candidate.

Outside the United States, the ability to market a product is contingent upon receiving approval from the appropriate regulatory authorities. The requirements governing the conduct of clinical trials, marketing authorization, pricing and reimbursement vary widely from country to country. 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. Approval by the FDA does not automatically lead to the approval by regulatory authorities outside the United States, and similarly approval by regulatory authorities outside the United States will not automatically lead to FDA approval.

In addition, U.S. and foreign government regulations control access to and use of some human or other tissue samples in our research and development efforts. U.S. and foreign government agencies may also impose restrictions on the use of data derived from human or other tissue samples. Accordingly, if we fail to comply with these regulations and restrictions, the commercialization of our drug candidates may be delayed or suspended, which may delay or impede our ability to generate product revenues.

If our competitors develop and market products that are more effective than our drug candidates, they may reduce or eliminate our commercial opportunity.

Competition in the pharmaceutical and biotechnology industries is intense and expected to increase. We face competition from pharmaceutical and biotechnology companies, as well as numerous academic and research institutions and governmental agencies, both in the United States and abroad. Some of these competitors have products or are pursuing the development of drugs that target the same diseases and conditions that are the focus of our drug development programs.

For example, our potential product for treatment-induced dysfunction in Parkinson’s disease will compete with off-label use of Seroquel, marketed by Astra-Zeneca, and the generic drug clozapine. Our potential products for the treatment of schizophrenia will compete with Zyprexa, marketed by Eli Lilly, Risperdal, marketed by Johnson & Johnson, and clozapine. In the area of neuropathic pain, our potential products will compete with Neurontin, marketed by Pfizer, and Pregabalin, currently submitted for regulatory approval by Pfizer, as well as a variety of generic or proprietary opioids. Our potential products for the treatment of glaucoma will compete with Xalatan, marketed by Pfizer, and Lumigan and Alphagan, marketed by Allergan.

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 studies and clinical trials of potential pharmaceutical products; and
- obtaining FDA and other regulatory approvals.

In addition, many of our competitors and their collaborators have substantially greater capital and research and development resources, manufacturing, sales and marketing capabilities, and production facilities. Smaller companies also may prove to be significant competitors, particularly through proprietary research discoveries and collaboration arrangements with large pharmaceutical and established biotechnology companies. Many of our competitors have products that have been approved or are in advanced development and may develop superior technologies or methods to identify and validate drug targets and to discover novel small molecule drugs. Our competitors, either alone or with their collaborators, may succeed in developing 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. Our competitors may also develop alternative therapies that could further limit the market for any drugs that we may develop. Our failure to compete effectively could have a material adverse affect on our business.

Any claims relating to improper handling, storage or disposal of biological, hazardous and radioactive 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 volatile solvents, biological materials such as blood from patients that has the potential to transmit disease, chemicals that cause cancer and various radioactive compounds. Our operations also produce hazardous waste products. We face the risk of contamination or injury from the use, storage, handling or disposal of these materials. 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. In the event of contamination or injury, we could be subject to criminal sanctions or fines or held liable for damages, our operating licenses could be revoked, or we could be required to suspend or modify our operations and our research and development efforts.

Consumers may sue us for product liability, which could result in substantial liabilities that exceed our available resources and damage our reputation.

Researching, developing and commercializing drug products entails significant product liability risks. Liability claims may arise from our and our collaborators' use of products in clinical trials and the commercial sale of those products. Consumers may make these claims directly and our collaborators or others selling these products may seek contribution from us if they receive claims from consumers. Although we currently have product liability insurance that covers our clinical trials, we will need to increase and expand this coverage as we commence larger scale trials and if our drug candidates are approved for commercial sale. 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 that we or our collaborators develop. Product liability claims could have a material adverse effect on our business and results of operations. Our liability could exceed our total assets if we do not prevail in a lawsuit from any injury caused by our drug products.

Risks Related to This Offering

Our stock price may be particularly volatile because we are a drug discovery and development company, and you may lose all or a substantial part of your investment.

The market prices for securities of biotechnology companies in general, and early-stage drug discovery and development companies in particular 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:

- the development status of our drug candidates, including results of our clinical trials for ACP-103 and ACP-104;
- market conditions or trends related to biotechnology and pharmaceutical industries, or the market in general;
- announcements of technological innovations, new commercial products or other material events by our competitors or us;
- disputes or other developments concerning our proprietary rights;
- changes in, or failure to meet, securities analysts' or investors' expectations of our financial performance;
- additions or departures of key personnel;
- discussions of our business, products, financial performance, prospects or stock price by the financial and scientific press and online investor communities such as chat rooms;
- public concern as to genetic testing or the safety of drugs and drug delivery techniques;
- regulatory developments in the United States and foreign countries; or
- economic and political factors, including wars, terrorism and political unrest.

In the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. We may become subject to this type of litigation, which is often extremely expensive and diverts management's attention.

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. If you purchase shares of our common stock in this offering, you will not pay a price that was established in a competitive market. Rather, you will pay a price that we negotiated with 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 the earnings prospects of the drug candidates in our development programs;
- an assessment of our management; and
- market valuations of early-stage drug discovery and development companies.

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.

Our management has broad discretion over the use of the proceeds from this offering, and we may not use these proceeds effectively, which could adversely affect our results of operations.

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. Investors will be relying on the judgment of our management regarding the application of the proceeds of this offering. We may use the net proceeds for corporate purposes that do not yield a significant return or any return at all for our stockholders, which may cause our stock price to decline.

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 holders of 5% or more of our outstanding common stock and their affiliates will beneficially own approximately % of our common stock, based on their beneficial ownership at , 2004 (after giving effect to the conversion or reclassification, as applicable, of all outstanding shares of our preferred stock, but assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options or warrants). As a result, these stockholders, acting together, will have the ability to significantly influence all matters requiring approval by our stockholders, including the election of all of our directors, amendments to our certificate of incorporation, going-private transactions and the approval of mergers or other business combination transactions. The interests of this group of stockholders may not always coincide with our interests or the interests of other stockholders, and they may act in a manner that advances their best interests and not necessarily those of other stockholders.

If our stockholders sell substantial amounts of our common stock after the public offering, the market price of our common stock may decline.

A significant number of shares of our common stock are held by a small number of stockholders. Sales of a significant number of shares of our common stock after this offering, or the expectation that such sales may occur, could significantly reduce the market price of our common stock. The holders of most of our outstanding capital stock have agreed with the underwriters of this offering to be bound by a 180-day lock-up agreement that prohibits these holders from selling or transferring their stock, other than in specific circumstances. However, Banc of America Securities LLC, on behalf of the underwriters, at its discretion can waive the restrictions of the lock-up agreement at an earlier time without prior notice or announcement. In addition, after the lock-up expires, at least shares of our common stock will become freely tradable, and holders of shares of our common stock will have rights to cause us to file a registration statement on their behalf or include their shares in registration statements that we may file on our behalf or on behalf of other stockholders.

We also intend to register all common stock that we may issue under our 1997 stock option plan, 2004 equity incentive plan and 2004 employee stock purchase plan. Once we register these shares, they can be freely sold in the public market upon issuance, subject to restrictions under the securities laws and the lock-up agreements described in "Underwriting." As of January 31, 2004, we had issued 630,045 shares of our common stock under these plans, and 1,544,231 shares of our common stock were vested under outstanding options. Sales of these shares could impede our ability to raise future capital or reduce the trading price of our common stock. Please see "Shares Eligible for Future Sale" for a description of sales that may occur in the future.

As a new investor, you will experience immediate and substantial dilution in the net tangible book value of your investment.

Purchasers in this offering will experience immediate and substantial dilution in the net tangible book value per share 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 an assumed initial public offering price of $ per share. 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.

We may incur increased costs as a result of recently enacted and proposed changes in laws and regulations relating to corporate governance matters.

Recently enacted and proposed changes in the laws and regulations affecting public companies, including the provisions of the Sarbanes-Oxley Act of 2002 and rules adopted or proposed by the Securities and Exchange Commission and by the Nasdaq Stock Market, will result in increased costs to us as we evaluate the implications

of any new rules and respond to their requirements. We will be required to comply with these rules and regulations after the completion of this offering. The new rules could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers. We cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs to comply with these rules and regulations.

Anti-takeover provisions in our charter documents and under Delaware law may make an acquisition of us more complicated and the removal and replacement of our directors and management more difficult.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may delay or prevent a change in control, discourage bids at a premium over the market price of our common stock and adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. These provisions may also make it difficult for stockholders to remove and replace our board of directors and management. 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;
- 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;
- prohibit our stockholders from making certain changes to our amended and restated certificate of incorporation or amended and restated bylaws except with 66 2/3% stockholder approval; and
- provide for a board of directors with staggered terms.

We are also subject to provisions of the Delaware corporation law that, in general, prohibit any business combination with a beneficial owner of 15% or more of our common stock for five years unless the holder's acquisition of our stock was approved in advance by our board of directors. Although we believe these provisions collectively provide for an opportunity to receive higher bids by requiring potential acquirors to negotiate with our board of directors, they would apply even if the offer may be considered beneficial by some stockholders.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains 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 relate to future events or to our future financial performance and 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 revenues 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 registration statement of which this prospectus is a part completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in this prospectus by these cautionary statements.

You should rely only on the information contained in this prospectus. We have not, and the underwriters 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

We estimate that the net proceeds from the sale of shares of our common stock in this offering will be approximately $ million, or approximately $ million if the underwriters' over-allotment option is exercised in full, based on an assumed initial public offering price of $ per share and after deducting underwriting discounts and commissions and our estimated offering expenses.

We intend to use the net proceeds from this offering as follows:

- the substantial majority of the net proceeds from this offering to fund research and development activities, including clinical trials within our three internal development programs, research expenses and preclinical development expenses; and
- the remaining balance of the 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 complementary technologies or products. We have no present plans or commitments relating to any of these types of transactions and are not currently engaged in any negotiations with respect to any of these transactions.

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 collaborations and the progress in, and costs of, our clinical and preclinical drug programs. Pending the use of the net proceeds from this offering, 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 December 31, 2003:

- on an actual basis derived from our audited consolidated financial statements;
- on a pro forma basis to give effect to (1) the conversion or reclassification, as applicable, of all of our outstanding shares of preferred stock into an aggregate of 19,801,848 shares of common stock and (2) the filing of an amended and restated certificate of incorporation to provide for authorized capital stock of 75,000,000 shares of common stock and 5,000,000 shares of preferred stock; and
- on a pro forma as adjusted basis to give effect to the pro forma adjustments noted above and the sale of shares of our common stock in this offering at an assumed initial offering price of $ per share, 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.

	At December 31, 2003		
	Actual	Pro Forma (unaudited)	Pro Forma As Adjusted (unaudited)
	($ in thousands, except share amounts)		
Cash, cash equivalents and investments securities	$ 27,214	$	$
Long-term debt, less current portion	$ 1,624	$ 1,624	$ 1,624
Convertible preferred stock, $0.01 par value: 21,169,067 shares authorized, 19,801,848 shares issued and outstanding, actual; preferred stock, $0.0001 par value: 5,000,000 shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	74,514	—	—
Stockholders' equity (deficit):			
Common stock, $0.0001 par value: 30,000,000 shares authorized, 2,924,137 shares outstanding, actual; 75,000,000 shares authorized, 22,725,985 shares issued and outstanding, pro forma; shares issued and outstanding, pro forma as adjusted	—	2	
Additional paid-in capital	18,194	92,706	
Accumulated deficit	(68,366)	(68,366)	(68,366)
Unearned stock-based compensation	(2,923)	(2,923)	(2,923)
Accumulated other comprehensive income	424	424	424
Total stockholders' equity (deficit)	(52,671)	21,843	
Total capitalization	$ 23,467	$ 23,467	$

The number of shares of common stock outstanding at December 31, 2003 does not include:

- 148,147 shares of common stock issuable upon exercise of outstanding warrants at an exercise price of $4.05 per share;
- 3,708,164 shares of common stock issuable upon exercise of options outstanding at December 31, 2003 at a weighted average exercise price of $0.98 per share; and
- 1,827,666 shares available for future grant at December 31, 2003 under our 1997 stock option plan.

From January 1, 2004 to January 31, 2004, we issued an aggregate of 5,875 shares of our common stock upon the exercise of options at a weighted average price of $0.72 per share. In addition, from January 1, 2004 to January 31, 2004, we granted 118,000 options to purchase common stock at a weighted average exercise price of $0.54 per share, and 562 options to purchase common stock at a weighted average exercise price of $4.00 per share were forfeited.

DILUTION

Our pro forma net tangible book value at December 31, 2003 was approximately $21.8 million, or $0.96 per share of common stock. Pro forma net tangible book value per share is determined by dividing the net tangible book value, total tangible assets less total liabilities, by the outstanding shares of common stock at that date after giving effect to the conversion or reclassification, as applicable, of all of our preferred stock into common stock upon consummation of this offering. 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 and, after deducting underwriting discounts and commissions and our estimated offering expenses, the pro forma as adjusted net tangible book value at December 31, 2003 would have been $, 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 December 31, 2003	$0.96	
Increase in pro forma net tangible book value per share attributable to new investors		
Pro forma as adjusted net tangible book value per share, after offering		
Dilution per share to new investors		$

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

The following table summarizes on a pro forma basis at December 31, 2003 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, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us and after giving effect to the conversion or reclassification, as applicable, of all outstanding shares of preferred stock into shares of common stock.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	%	Amount	%	
Existing stockholders	22,725,985	%	$ 83,366,400	%	$ 3.67
New investors					
Total		100%	$	100%	$

If the underwriters exercise their over-allotment 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.

The tables above assume no exercise of stock options or warrants outstanding at December 31, 2003. At December 31, 2003, there were options outstanding to purchase a total of 3,708,164 shares of common stock at a weighted average exercise price of $0.98 per share and 1,827,666 shares were reserved for grant of future options under our 1997 stock option plan. In February 2004, our board of directors adopted our 2004 employee stock purchase plan and our 2004 equity incentive plan, under which an aggregate of 650,000 additional shares have been reserved for issuance. At December 31, 2003, there were warrants outstanding to purchase a total of 148,147 shares of Series F preferred stock at an exercise price of $4.05 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.

After this offering, and assuming the exercise in full of all options and warrants outstanding and exercisable as of December 31, 2003, the pro forma as adjusted net tangible book value would be $ per share, representing an immediate increase in net tangible book value to existing stockholders of $ per share and an immediate dilution in net tangible book value to new investors of $ per share.

SELECTED CONSOLIDATED FINANCIAL DATA

The following data, insofar as it relates to each of the years 1999 through 2003, has been derived from our audited financial statements, including the consolidated balance sheet at December 31, 2002 and 2003 and the related consolidated statements of operations and of cash flows for the three years ended December 31, 2003 and related notes appearing elsewhere in this prospectus. 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,				
	1999	2000	2001	2002	2003
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Revenues:					
Collaborative revenues—related party	$ 2,238	$ 4,193	$ 3,714	$ 3,655	$ 4,953
Other research revenues	—	119	—	2,621	2,425
Total revenues	2,238	4,312	3,714	6,276	7,378
Operating expenses:					
Research and development	7,525	9,728	13,090	14,921	16,935
General and administrative	2,452	2,999	3,756	2,818	2,791
Stock-based compensation	106	2,854	2,147	1,163	1,392
Total operating expenses	10,083	15,581	18,993	18,902	21,118
Loss from operations	(7,845)	(11,269)	(15,279)	(12,626)	(13,740)
Interest income	751	1,516	1,494	420	360
Interest expense	(351)	(441)	(621)	(662)	(712)
Net loss	$ (7,445)	$ (10,194)	$ (14,406)	$ (12,868)	$ (14,092)
Net loss available to common stockholders	$ (2,008)	$ (2,040)	$ (3,613)	$ (3,246)	$ (1,813)
Net loss per common share, basic and diluted	$ (0.96)	$ (0.95)	$ (1.50)	$ (1.12)	$ (0.62)
Weighted average shares used in computing net loss per common share, basic and diluted(1)	2,087	2,139	2,416	2,904	2,918
Unaudited pro forma net loss per share, basic and diluted					$ (0.71)
Weighted average shares used in computing unaudited pro forma net loss per share, basic and diluted(1)					19,741

	At December 31,				At December 31, 2003	
	1999	2000	2001	2002	Actual	Pro Forma As Adjusted(2) (Unaudited)
	($ in thousands)					
Consolidated Balance Sheet Data:						
Cash, cash equivalents and investment securities	$ 12,209	$ 28,896	$ 17,830	$ 12,439	$ 27,214	$
Working capital	10,788	25,330	15,646	7,098	20,046	
Total assets	15,518	34,113	21,959	16,023	31,693	
Long-term debt, less current portion	4,432	5,789	1,323	3,458	1,624	1,624
Convertible preferred stock	24,665	46,502	46,502	46,502	74,514	—
Total stockholders' equity (deficit)	(15,437)	(22,508)	(28,640)	(40,090)	(52,671)	

(1) 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.

(2) Unaudited pro forma as adjusted data reflects the conversion or reclassification, as applicable, of all of our outstanding shares of preferred stock into shares of common stock and reflects the sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share, 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 discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and related notes included in this prospectus. This discussion and analysis contains forward-looking statements that are subject to risks, uncertainties and other factors, including, but not limited to, those discussed under "Risk Factors" and elsewhere in this prospectus that could cause our actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. See "Note Regarding Forward-Looking Statements." Information given in the following discussion for a yearly period means for the year ended December 31 of the indicated year.

Overview

Background

We are a biopharmaceutical company focused on the discovery, development and commercialization of small molecule drugs for the treatment of central nervous system disorders. We currently have five drug programs in clinical and preclinical development. Our three clinical programs are ACP-103 for treatment-induced dysfunction in Parkinson's disease currently in Phase II clinical trials, and ACP-104 and ACP-103, both for the treatment of schizophrenia and expected to enter into Phase II clinical trials in 2004. We have retained worldwide commercialization rights to these drug candidates. We also have two preclinical programs for the development of drug candidates for neuropathic pain and glaucoma in collaboration with Allergan.

We have incurred substantial operating losses since our inception due in large part to expenditures for our research and development activities. At December 31, 2003, we had an accumulated deficit of $68.4 million. We expect our operating losses to increase for at least the next several years as we pursue the clinical development of our lead drug candidates and expand our discovery and development pipeline.

Revenues

We have not generated any revenues from product sales to date, and we do not expect to generate revenues from product sales for at least the next several years, if at all. Our revenues to date have been generated substantially from research and milestone payments under our collaboration agreements. We have entered into three separate collaboration agreements with Allergan and one with Amgen. We have also entered into a technology license agreement with Aventis and smaller scale collaboration agreements with other parties. As of December 31, 2003, we had received $27.5 million in payments under these agreements, including research funding and related fees and upfront and milestone payments.

We expect our revenues for the next several years to consist of payments under our current agreements and any additional collaborations, including upfront payments upon execution of new agreements, research funding and related fees throughout the research term of the agreements and milestone payments contingent upon achievement of agreed upon objectives. Pursuant to the terms of our March 2003 collaboration agreement with Allergan, we expect to receive a minimum of approximately $12.0 million in research funding and other fees through March 2006, of which $4.0 million had been received as of December 31, 2003. Our collaboration agreements with Allergan also allow for potential additional levels of research funding as determined by the parties. In addition, we may receive milestone payments and royalties on product sales, if any, under each of our three collaboration agreements with Allergan. Each of our collaboration agreements is subject to early termination by the collaborator upon specified events, including if we have a change in control or breach the agreement. Upon the conclusion of the research term under each agreement, our collaborator may terminate the agreement by notice. We do not derive any revenues from our Danish subsidiary.

Research and Development Expenses

Our research and development expenses consist primarily of salaries and related personnel expenses, fees paid to external service providers, laboratory supplies and costs for facilities and equipment. In 2003, fees paid to external service providers consisted primarily of costs associated with the clinical development of ACP-103 and, to a lesser degree, patent-related expenses and initial manufacturing expenses for ACP-104 to be used in clinical trials. We are not responsible for, nor have we incurred, development expenses in the drug programs that we are pursuing under our collaboration agreements, including our two preclinical programs that we are developing in collaboration with Allergan.

We expect our research and development expenses to increase as we continue to develop our drug candidates. As a result of the risks and uncertainties that are discussed in the "Risk Factors" section of this prospectus, we are unable to estimate the specific timing and future costs of our research and development programs.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements. We have identified the accounting policies that we believe require application of management's most subjective judgments, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Our actual results may differ substantially from these estimates under different assumptions or conditions. While our significant accounting policies are described in more detail in note 2 of the notes to consolidated financial statements included in this prospectus, we believe that the following accounting policies require the application of significant judgments and estimates.

Revenue Recognition

We recognize revenues in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 104, *Revenue Recognition*. Our collaboration agreements provide for various types of payments to us, including research funding, upfront payments, milestone payments and royalties. Upfront, nonrefundable payments under collaboration agreements are recognized ratably over the term of the agreement. Revenues from licenses of our technology are generally recognized upon delivery. When arrangements contain extended payment terms, revenues are recognized upon the receipt of the payment. Payments for research funding are recognized as the related research activities are performed. Our collaboration agreements do not require scientific achievement as a performance obligation and research funding received under the agreements is nonrefundable. Revenues from nonrefundable milestones are recognized when earned, provided that (1) the milestone event is substantive and its achievability was not reasonably assured at the inception of the agreement and (2) we do not have ongoing performance obligations. Any amounts received under the agreements in advance of performance are recorded as deferred revenue. None of the revenues recognized to date are refundable even if the related research activities are not successful.

Accrued Expenses

We are required to estimate accrued expenses as part of our process of preparing financial statements. This process involves estimating the level of service performed on our behalf and the associated cost incurred in instances where we have not been invoiced or otherwise notified of actual costs. Examples of areas in which subjective judgments may be required include costs associated with services provided by contract organizations for preclinical development, manufacturing of clinical materials, and clinical trials. The date on which services commence, the level of services performed by a given date, and the cost of such services are often subjective determinations. We account for expenses associated with these external services by estimating the total cost and recognizing this cost over the estimated timeframe of the related service or study. In the case of clinical trials, the

estimated cost normally relates to the projected cost to treat a patient in our trials and we recognize this cost over the estimated term of the study beginning with patient enrollment. As actual costs become known to us, we adjust our accruals. Such changes in estimates may be a material change in our accrual, which could also materially affect our results of operations.

Stock-based Compensation

We account for employee stock options using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations, and provide pro forma disclosures of net income (loss) as if a fair value method had been applied in measuring compensation expense. Stock compensation expense, which is a non-cash charge, is measured as the excess, if any, of the fair value of our underlying common stock at the date of grant over the amount an employee must pay to acquire such stock. This compensation cost is amortized over the related vesting periods, generally four years, using an accelerated method.

We determine the fair value of our common stock by evaluating a number of factors, including our financial condition and business prospects, our stage of development and achievement of key technical and business milestones, private and public market conditions, the terms of our private financings and the valuations of similar companies in our industry.

Results of Operations

Fluctuations in Operating Results

Our results of operations have fluctuated significantly from period to period in the past and are likely to do so in the future. We anticipate that our quarterly and annual results of operations will be impacted for the foreseeable future by several factors, including the timing and amount of payments received pursuant to our current and future collaborations, and the progress and timing of expenditures related to our discovery and development efforts. Due to these fluctuations, we believe that the period to period comparisons of our operating results are not a good indication of our future performance.

Comparison of the Years Ended December 31, 2003, 2002 and 2001

Revenues

Revenues increased to $7.4 million in 2003 from $6.3 million in 2002 and $3.7 million in 2001. The increase in revenues in 2003 relative to 2002 was primarily due to $1.3 million in increased revenues from our collaborations with Allergan with the inception of our third collaboration agreement in March 2003, and a $408,000 increase in revenues recognized under our collaboration agreement with Amgen, which were offset in part by lower revenues recognized under our technology license agreement with Aventis.

Revenues increased in 2002 relative to 2001 primarily due to $1.9 million in revenues recognized under our collaboration with Amgen, which began in early 2002, and $500,000 in revenues recognized pursuant to our technology license agreement with Aventis. Revenues from our three collaboration agreements with Allergan, a stockholder, totaled $5.0 million in 2003, and $3.7 million in 2002 and in 2001 and are reflected as “collaborative revenues—related party” in our consolidated financial statements.

Research and Development Expenses

Research and development expenses increased to $16.9 million in 2003 from $14.9 million in 2002 and $13.1 million in 2001. This increase primarily reflected increased fees paid to external service providers, which totaled $4.2 million in 2003, or 25% of our research and development expenses, up from $2.3 million, or 15% of

our research and development expenses, in 2002, and $1.1 million, or 8% of our research and development expenses, in 2001. The increase in external service costs in 2003 and 2002 was primarily attributable to increased clinical and preclinical expenses associated with ACP-103. We expect that fees paid to external service providers will continue to increase as we develop our drug candidates.

The costs associated with our internal research and development activities, consisting primarily of salaries and related personnel expenses, laboratory supplies, and costs for facilities and equipment, totaled $12.7 million in 2003, $12.6 million in 2002, and $12.0 million in 2001. Each component of our internal research and development costs was comparable in 2003 and 2002. The increase in costs associated with our internal research and development activities in 2002 relative to 2001 was primarily due to $456,000 in increased salaries and related personnel expenses and increased facility and equipment costs.

General and Administrative Expenses

General and administrative expenses totaled $2.8 million in 2003 and in 2002, and $3.8 million in 2001. Each component of these expenses, which consisted primarily of salaries and related personnel expenses and facilities costs for employees serving in executive, finance, business development and business operations functions, as well as professional fees associated with legal and accounting services, was comparable in 2003 and 2002. The decrease in general and administrative expenses in 2002 relative to 2001 was largely attributable to a charge recorded in 2001 for costs associated with a planned public offering in 2001. We anticipate increases in general and administrative expenses in future periods as we expand our administrative organization and incur additional costs for insurance and professional fees associated with operating as a public company and to support the future growth of our research and development organization.

Stock-based Compensation Expenses

Stock-based compensation expense totaled $1.4 million in 2003, compared to $1.2 million in 2002 and $2.1 million in 2001. Stock-based compensation expense resulted from the amortization of deferred stock-based compensation associated with employee stock options and compensation expense from the valuation of options granted to consultants. We recorded deferred stock-based compensation, net of forfeitures, totaling $3.0 million in 2003, $(32,000) in 2002, and $2.0 million in 2001, in connection with the grant of stock options to employees. These amounts have been reflected as a component of stockholders' equity (deficit) and will be amortized to operations over the vesting period of the options, which is generally four years. We estimate that the remaining unearned stock-based compensation of $2.9 million at December 31, 2003, will be recognized as expense in future years as follows: $1,655,000 in 2004, $752,000 in 2005, $369,000 in 2006, $130,000 in 2007 and $17,000 thereafter.

Interest Income

Interest income decreased to $360,000 in 2003 from $420,000 in 2002 and $1.5 million in 2001. The decrease in interest income was primarily attributable to declining interest rates during the periods. The decrease in interest income in 2002 relative to 2001 was also due in part to lower average cash balances during the year.

Interest Expense

Interest expense increased to $713,000 in 2003 from $662,000 in 2002 and $621,000 in 2001. This increase in interest expense was primarily due to increased borrowings under our loan agreements.

Liquidity and Capital Resources

Since inception, we have funded our operations primarily through private placements of our equity securities, payments under our collaboration agreements, debt financing and interest income. As of December 31,

2003, we had received $76.1 million in net proceeds from sales of our equity securities, including $6.0 million from Allergan. In addition, as of December 31, 2003, we had retired $5.9 million in debt and related accrued interest through the issuance of our common stock. From inception to December 31, 2003, we received $27.5 million in payments from collaboration agreements, $17.3 million in debt financing, and $5.5 million in interest income.

At December 31, 2003, we had approximately $27.2 million in cash, cash equivalents and investment securities compared to $12.4 million at December 31, 2002. We have invested a substantial portion of our available cash funds in investment securities consisting of high quality, marketable debt instruments of corporations, government agencies and financial institutions. We have established guidelines relating to diversification and maturities of our investments to preserve principal and maintain liquidity.

Net cash used in operating activities totaled $9.8 million in 2003, compared to $9.2 million in 2002 and $11.3 million in 2001. The increase in net cash used in operations in 2003 relative to 2002 was primarily due to increases in our net loss resulting from increased research and development expenses, partially offset by an increase of $1.0 million in deferred revenues from our collaboration agreements. The decrease in net cash used in operations in 2002 was primarily due to a reduction in our net loss resulting from increased revenues, and timing differences associated with the receipt of collaborative funding and our payment of expenses.

Net cash used in investing activities (excluding purchases, sales and maturities of investment securities) reflects our purchases of property and equipment. From inception through December 31, 2003, we purchased $9.5 million in property and equipment, the majority of which we have funded through equipment financing agreements and other debt facilities.

Net cash provided by financing activities totaled $26.4 million in 2003 compared to $4.4 million in 2002 and $1.2 million in 2001. This increase in 2003 relative to 2002 was primarily due to net proceeds of $28.0 million from the issuance of Series F preferred stock, partially offset by $1.6 million in net payments of our long-term debt. The increase in net cash provided by financing activities in 2002 was primarily attributable to increased proceeds from the issuance of debt net of related debt repayments.

We have entered into equipment financing agreements from time to time, which we have utilized to fund the majority of our property and equipment acquisitions. The agreements contain interest rates ranging from 7.93% to 12.58% per annum. At December 31, 2003, we had $2.3 million in outstanding borrowings under these agreements, which are secured by the related equipment. We were in compliance with required financial covenants and conditions at December 31, 2003. In May 2002, we also issued a secured promissory note to a lender for $5.0 million, which we utilized to finance equipment, leasehold improvements and other working capital needs. This note accrues interest at a rate of 10.73% per annum and is collateralized by substantially all personal property of the Company, excluding its intellectual property.

The following table summarizes our long-term contractual obligations at December 31, 2003, all of which are due by 2007 ($ in thousands):

	Total	2004	2005	2006	2007
Operating leases	$2,539	$1,403	$1,103	$ 17	$ 16
Long-term debt	4,927	3,242	1,207	404	74
Total	$7,466	$4,645	$2,310	$ 421	$ 90

We have consumed substantial amounts of capital since our inception. Although we believe our existing cash resources plus the proceeds of this offering and anticipated payments from existing collaboration agreements will be sufficient to fund our anticipated cash requirements through 2005, we will require significant additional financing in the future to fund our operations. 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 preclinical studies and clinical trials and other research and development programs;
- the scope, prioritization and number of research and development programs;

- the ability of our collaborators and us to reach the milestones, and other events or developments, under our collaboration agreements;
- the costs involved in filing, prosecuting, enforcing and defending patent claims and other intellectual property rights;
- the costs of securing manufacturing arrangements for clinical or commercial production; and
- the costs of establishing or contracting for sales and marketing capabilities if we obtain regulatory clearances to market our drug candidates.

Until we can generate significant continuing revenues, we expect to satisfy our future cash needs through strategic collaborations, private or public sales of our securities, debt financings or by licensing all or a portion of our drug candidates or technology. We cannot be certain that additional funding will be available to us on acceptable terms, or at all. If funds are not available, we may be required to delay, reduce the scope of, or eliminate one or more of our research or development programs or our commercialization efforts.

To date, we have not had any relationships with unconsolidated entities or financial partnerships, such as entities referred to as structured finance or special purpose entities, which are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Recently Issued Accounting Standards

In December 2002, the Emerging Issues Task Force issued EITF Issue 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables*, or EITF 00-21. EITF 00-21 provides guidance on determining whether a revenue arrangement contains multiple deliverable items and if so, requires that revenues be allocated amongst the different items based on fair value. EITF 00-21 also requires that revenues on any item in a revenue arrangement with multiple deliverables not delivered completely must be deferred until delivery of the item is completed. The guidance in EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We are currently assessing the impact of the implementation of EITF 00-21 on our results of operations or financial position.

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*, or FIN No. 46, and a revised interpretation of FIN No. 46 was issued in December 2003. FIN No. 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN No. 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. Since January 31, 2003, we have not invested in any entity we believe is a variable interest entity for which we are the primary beneficiary. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN No. 46 must be applied for the first interim or annual period beginning after June 15, 2003. The adoption of FIN No. 46 did not have a material impact on our results of operations or financial position.

In May 2003, the Financial Accounting Standards Board issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*, or SFAS No. 150. SFAS No. 150 requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatorily redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective the beginning of the first interim period after June 15, 2003. The adoption of SFAS No. 150 did not have a material impact on our results of operations or financial position.

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 marketable debt instruments of corporations, government agencies and financial institutions with maturities of less than two years. If a 10% change in interest rates were to have occurred on December 31, 2003, 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, the Danish kroner. Accordingly, all assets and liabilities of our subsidiary are translated to U.S. dollars based on the exchange rate on the balance sheet date. Expense components are translated to U.S. dollars 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.

BUSINESS

Overview

We are a biopharmaceutical company focused on the discovery, development and commercialization of small molecule drugs for the treatment of central nervous system disorders. We currently have five drug programs in clinical and preclinical development. Our three clinical programs are ACP-103 for treatment-induced dysfunction in Parkinson's disease currently in Phase II clinical trials, and ACP-104 and ACP-103, both for the treatment of schizophrenia and expected to enter into Phase II clinical trials in 2004. We have retained worldwide commercialization rights to these drug candidates. We also have two preclinical programs for the development of drug candidates for neuropathic pain and glaucoma in collaboration with Allergan. Using our proprietary drug discovery platform, we have discovered all of the drug candidates in our product pipeline.

The annual worldwide market for drugs used to treat Parkinson's disease exceeds $2 billion, and the annual worldwide market for drugs used to treat schizophrenia and other psychoses exceeds $9 billion. Current therapies in each of these two markets have substantial limitations, and we believe that significant opportunities exist for improved therapies.

In our most advanced clinical program, we are developing ACP-103 to treat the debilitating psychiatric and neurological dysfunction that frequently results from currently prescribed Parkinson's disease therapies. We have completed the treatment phase of a Phase Ib/IIa clinical trial that demonstrated safety and tolerability of ACP-103 in Parkinson's disease patients and are currently conducting a multi-center Phase II clinical trial, which we expect to complete in late-2004.

In our second clinical program, we are developing ACP-104 as a novel approach to the treatment of schizophrenia. Currently prescribed treatments often do not effectively address or may exacerbate cognitive disturbances associated with schizophrenia. We believe that ACP-104 will provide an effective therapy that has the added advantage of improved cognitive function for patients with schizophrenia. We plan to initiate Phase II clinical trials for ACP-104 in the first-half of 2004. In our third clinical program, we are developing ACP-103 as an adjunctive therapy for schizophrenia. We believe that the use of ACP-103 will result in an improved antipsychotic therapy without the severe, dose-limiting side effects of existing drugs. We plan to initiate Phase II clinical trials for ACP-103 in this indication in mid-2004.

In addition to our clinical programs, we have two programs in preclinical development in collaboration with Allergan. In the first program, we have discovered a new class of compounds that we believe represents a significant breakthrough in the treatment of neuropathic pain. Allergan has announced that it intends to initiate Phase I clinical trials for two compounds, which we refer to as AGN-XX and AGN-YY, in 2004 and begin Phase II clinical trials in this program in 2005. In the second program, we have discovered, and in collaboration with Allergan, are developing AC-262271, a novel small molecule drug candidate for the treatment of glaucoma. AC-262271 has been found to have a promising preclinical profile and has been selected for testing for lowering intraocular pressure in humans.

We have built a proprietary drug discovery platform that we use to rapidly discover new compounds that may serve as potential treatments for significant unmet medical needs. Our platform encompasses proprietary target-based and chemistry-based technologies that we integrate with our discovery and development capabilities. We believe that the breadth of our discovery and development programs and the rapid pace at which we have discovered drug candidates provide strong validation of our proprietary platform and a basis for expanding our pipeline.

We leverage our proprietary drug discovery platform and expertise through collaborations with leading pharmaceutical and biotechnology companies. We have three collaborations with Allergan and one with Amgen for the discovery of small molecule drug candidates and a technology license agreement with Aventis. To date we have received research funding, upfront and milestone payments from our collaborators and an equity investment from Allergan. We may receive additional payments, including milestone payments and royalties on product sales.

We have assembled a management team with significant industry experience to lead the discovery, development and commercialization of our drug programs. Members of our management team have contributed to the discovery, development and approval of multiple drug candidates to treat a range of central nervous system disorders and are also experts in the application of gene, target and chemical technologies in drug discovery. We complement our management team with a network of scientific and clinical advisors that includes recognized experts in the fields of Parkinson's disease, schizophrenia and other central nervous system disorders.

Our Strategy

Our goal is to become a leader in the discovery, development and commercialization of novel small molecule drugs for the treatment of central nervous system disorders and other areas of unmet medical need. Key elements of our strategy are to:

- ***Develop and commercialize our lead drug candidates.*** We are focused on advancing the development of our three clinical programs, ACP-103 for treatment-induced dysfunction in Parkinson's disease and ACP-104 and ACP-103 for schizophrenia. We intend to complete the Phase II clinical trials for ACP-103 in treatment-induced dysfunction in Parkinson's disease in 2004 and initiate Phase II clinical trials in both of our schizophrenia programs by mid-2004. In therapeutic indications in which we have a cost-effective development path and believe our drug candidates could be effectively marketed through a specialty sales force, we intend to engage in late-stage clinical development and commercialization.
- ***Expand our pipeline of drug candidates for the treatment of central nervous system disorders.*** We plan to continue using our proprietary drug discovery platform and expertise to expand our pipeline of drug candidates for the treatment of central nervous system disorders. We believe that these disorders represent significant market opportunities because current treatment options are suboptimal and produce adverse effects. We plan to expand our pipeline to include additional clinical programs that address a range of neuropsychiatric and pain disorders. We believe that our diversified pipeline of programs will mitigate the risks inherent in drug discovery and development and increase the likelihood of commercial success.
- ***Selectively establish strategic collaborations to advance and maximize the commercial potential of our pipeline.*** We will continue to pursue selective strategic collaborations to leverage the development, regulatory and commercialization expertise of our partners. However, we plan to retain selected commercialization rights to our products where we can pursue specialty markets that could result in significant financial return on our investment. In therapeutic indications that do not have a cost-effective development path or require a large sales force, we plan to complete late-stage clinical development and commercialization of our drug candidates through collaborators.
- ***Leverage our proprietary drug discovery platform to identify novel drug candidates outside of our core focus.*** In addition to our focus on central nervous system disorders, we are leveraging our proprietary drug discovery platform to identify novel drug candidates in therapeutic areas outside of our core focus that we may develop independently or in partnerships. Our platform has broad applicability in a variety of therapeutic areas, including ophthalmology, endocrinology, metabolic disorders and oncology. To date, we have formed collaborations with Allergan in the area of ophthalmology. We may continue to selectively partner or out-license drug candidates in therapeutic areas outside of our core focus.
- ***Maintain and enhance our technology leadership position.*** We believe we are a leader in small molecule discovery with expertise in molecular biology, ultra-high throughput screening, pharmacology and chemistry. Currently we have two proprietary target-based platforms that incorporate two of the largest gene families that include the most relevant targets for small molecule drug discovery. We plan to develop additional target platforms that will incorporate other gene families of pharmaceutical interest. In addition, we will continue to augment our proprietary combinatorial chemistries and expand our diverse compound library.

- ***Opportunistically in-license or acquire complementary technologies and drug candidates.*** Although we have discovered all of the drug candidates currently in our pipeline, we believe that in-licensing or acquiring technologies and drug candidates that complement our capabilities may enable us to expand our product pipeline more rapidly and enhance our state-of-the-art discovery capabilities. Therefore, in the future, we may elect to in-license or acquire complementary technologies and augment our internal pipeline with clinical products.

Our Drug Development Programs

Our drug development programs address diseases that are not well served by currently available therapies and represent large commercial market opportunities. We believe that our drug candidates offer innovative therapeutic approaches and will provide significant advantages relative to current therapies. The following table summarizes our five drug development programs:

Drug Program	Stage of Development	Commercialization Rights
ACP-103 for treatment-induced dysfunction in Parkinson's disease	Phase II	ACADIA
ACP-104 for schizophrenia	Phase II planned in 2004	ACADIA
ACP-103 for schizophrenia	Phase II planned in 2004	ACADIA
AGN-XX and AGN-YY for neuropathic pain	Phase I for each planned in 2004	Allergan
AC-262271 for glaucoma	Preclinical development	Allergan

Treatment-Induced Dysfunction in Parkinson's Disease

Disease and Market Overview

Parkinson's disease is a chronic, progressive neurological disorder that results from the degeneration of neurons in a region of the brain that controls movement. This degeneration creates a shortage of an important brain signaling chemical, or neurotransmitter, known as dopamine, rendering patients unable to initiate their movements in a normal manner. Parkinson's disease is characterized by a number of symptoms including tremors, limb stiffness, slowness of movements, and difficulties with posture and balance. The severity of Parkinson's disease symptoms tends to worsen over time.

According to the American Parkinson's Disease Association, over 1.5 million people in the United States suffer from this disease. Parkinson's disease is more prevalent in people over 60 years of age, and the incidence and prevalence of this disease is expected to increase as the average age of the population increases. In 2002, approximately $2 billion was spent on drug therapy worldwide to treat Parkinson's disease.

Parkinson's disease patients are currently treated with dopamine replacement therapies such as levodopa, commonly referred to as L-dopa, and dopamine agonists, which are molecules that mimic the action of dopamine. These therapies are relatively effective in controlling the motor skill symptoms of the disease in most patients. However, the use of these agents is normally required throughout the course of the disease and often results in a range of side effects that are not effectively treated with marketed drugs. These side effects may include neuropsychiatric abnormalities such as hallucinosis and psychosis, as well as uncontrollable movements of the limbs, referred to as dyskinesias. Studies have suggested that approximately 30% of Parkinson's disease

patients that are undergoing dopamine replacement therapies will develop hallucinosis, typically consisting of visual hallucinations, with a smaller portion of these patients developing a state of psychosis. These abnormalities are often disabling, and drug-induced psychosis is the most important factor leading to nursing home placements of Parkinson's disease patients. In addition, drug-induced dyskinesias are estimated to occur in up to 80% of Parkinson's disease patients after five years of receiving available therapies. Currently, there is a large unmet medical need for new therapies that will effectively control or eliminate the dose-limiting side effects that result from the use of dopamine replacement therapies in the treatment of Parkinson's disease.

There have been numerous attempts to use existing antipsychotic drugs to treat the neuropsychiatric abnormalities caused by the treatment of Parkinson's disease patients. Because antipsychotic agents exacerbate the preexisting brain dopamine deficit by blocking dopamine receptors, these drugs are generally not well tolerated by Parkinson's disease patients. One antipsychotic drug therapy that has demonstrated efficacy in reducing the treatment-induced dysfunction in Parkinson's disease patients without further impairing motor function is low-dose treatment with the generic drug clozapine. Our studies suggest that this unique clinical utility of clozapine arises from its ability to block a key serotonin receptor, 5-HT2A, without blocking dopamine receptors at very low doses. The FDA has not approved any therapy for treatment-induced psychotic disorders in Parkinson's disease. However, in Europe, the use of low-dose clozapine has been approved for this indication.

ACP-103: Our Solution for Treatment-Induced Dysfunction in Parkinson's Disease

Overview

ACP-103 is a small molecule drug candidate that we discovered and are developing to treat the debilitating psychiatric and neurological dysfunction produced by current Parkinson's disease therapies, thereby significantly improving the quality of life for Parkinson's disease patients. ACP-103 is a potent and selective 5-HT2A inverse agonist, a compound that turns off the spontaneous activity of the 5-HT2A receptor. By selectively turning off the 5-HT2A receptor, we believe that ACP-103 will effectively treat the hallucinosis, psychosis and dyskinesias that frequently result from the use of existing Parkinson's disease medications. Because ACP-103 does not interact with dopamine receptors, it is not expected to impair motor function. ACP-103 was shown to be highly efficacious in several rodent models of psychosis and a primate model of dyskinesia. We believe that ACP-103 may be an effective and well tolerated drug for this indication because of its selectivity at 5-HT2A receptors and its favorable safety profile in humans and animals.

Development Status

In February 2004, we initiated our second Phase II clinical trial with ACP-103 for treatment-induced dysfunction in Parkinson's disease. This trial is a multi-center, double-blind, placebo-controlled trial, designed to evaluate the efficacy and safety of this drug candidate in Parkinson's disease patients suffering from treatment-induced hallucinosis or psychosis without impairing motor skills. We expect to enroll a total of 60 Parkinson's disease patients in this trial at 11 clinical sites in the United States. The study will involve once-daily oral administration of either ACP-103 at selected doses or placebo for four weeks. Efficacy will be assessed by a battery of standard rating scales and by physicians' global impressions of change at multiple times throughout the study period. We modeled the study design of this clinical trial after a study conducted by The Parkinson Study Group, which was a double-blind, placebo-controlled trial that demonstrated efficacy of clozapine at low doses in this indication.

In February 2004, we completed the treatment phase of a Phase Ib/IIa clinical trial with ACP-103 comprised of 12 Parkinson's disease patients on standard dopamine replacement therapy. This clinical trial evaluated the safety and tolerability of ACP-103 in Parkinson's disease following administration of 25 and 100 milligram doses once-daily for 14 days. ACP-103 was well tolerated in these patients. Importantly, the motor skills of these patients did not deteriorate, an effect commonly seen with other antipsychotic drugs.

In 2003, we completed two Phase I clinical trials that assessed the safety, tolerability and pharmacokinetics of ACP-103 following oral administration in a total of 49 healthy volunteers. These randomized, double-blind, placebo-controlled, dose-escalation trials encompassed both single-dose and multiple-dose studies. The single-dose study evaluated five different dose levels ranging from 20 to 300 milligrams, which resulted in mean maximum plasma levels ranging from nine to 152 nanograms per milliliter. The multiple dose-escalation study evaluated three different dose levels, ranging from 50 to 150 milligrams administered once-daily for 14 days, which resulted in mean maximum plasma levels at steady state ranging from 93 to 247 nanograms per milliliter. In both the single-dose and multiple-dose studies, ACP-103 exhibited predictable pharmaceutical characteristics and possessed a long plasma half-life that we believe makes our drug candidate ideal for once-daily dosing. ACP-103 was well tolerated at plasma levels of 229 nanograms per milliliter and below with no changes in cardiovascular or neurological function and no serious adverse events in the healthy volunteers at any plasma level of ACP-103.

In addition to our Phase I clinical trials of ACP-103, we also conducted drug receptor occupancy studies in healthy volunteers in collaboration with the Karolinska Institute, a prominent Swedish research center, using non-invasive, positron emission tomography, or PET, studies with 1.0, 5.0 and 20.0 milligram single doses of ACP-103. This study demonstrated that even low acute oral doses of this drug candidate produce significant occupancy of 5-HT2A receptors in the human brain. We believe that the results from this PET study support that ACP-103 has a wide separation between the plasma drug levels that are predicted for clinical efficacy and the plasma levels shown to be safe and well tolerated in our Phase I clinical trials.

Figure 1: Composite of Two Human Brains Demonstrating High 5-HT2A Receptor Occupancy of ACP-103

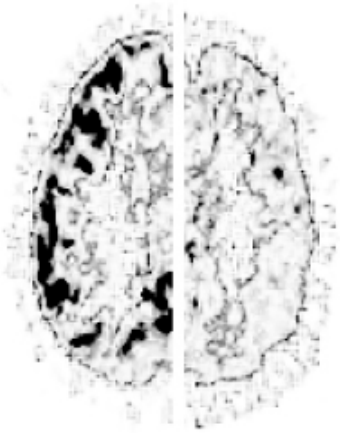


Figure 1 is a composite of PET images of two human brains. The left half of the image in the figure is from a subject given placebo, and the right half of the image is from a subject given a single five milligram dose of ACP-103 that yields an estimated plasma drug level of approximately three nanograms per milliliter. This dose leads to significant occupancy of 5-HT2A receptors in the neocortex of the brain. Darker regions in the neocortex on the left half of the image show the PET-labeled 5-HT2A receptors. These receptors are not visible on the right because they are being blocked, or occupied, by ACP-103 treatment. Based on these PET data and the results of our Phase I and Phase Ib/IIa clinical trials, we believe that low doses of ACP-103 will be sufficient to demonstrate efficacy in our clinical trials.

Schizophrenia

Disease and Market Overview

Schizophrenia is an extremely debilitating mental illness characterized by disturbances in thinking, emotional reaction and behavior. These disturbances may include positive symptoms, such as hallucinations and delusions and a range of negative symptoms, including cognitive disturbances. Schizophrenia is associated with persistent impairment in a patient's social functioning and productivity. It is believed that cognitive disturbances prevent patients with schizophrenia from readjusting to society. As a result, schizophrenia requires patients to be under medical care for their entire lives.

According to the National Institute of Mental Health, approximately one percent of the population develops schizophrenia during their lifetime and more than two million people in the United States suffer from this disease. Worldwide sales of drugs to treat schizophrenia and other psychoses totaled approximately $9.5 billion in 2002. Currently, schizophrenia is treated by administration of first generation, known as typical, or second generation, known as atypical, antipsychotic agents. The typical antipsychotic agents that were introduced in the late-1950s block dopamine receptors. This class of compounds is effective against positive symptoms of schizophrenia but also produces disabling motor disturbances. Typical antipsychotic drugs fail to address or worsen most of the negative symptoms of schizophrenia, and their use has decreased in the United States and Europe.

Atypical antipsychotic drugs produce fewer motor disturbances than typical antipsychotic agents, but fail to address most of the negative symptoms of schizophrenia. It is believed that the efficacy of atypical antipsychotic drugs is due to their interactions with dopamine and 5-HT2A receptors. The side effects produced by the atypical agents include severe obesity, type II diabetes and cardiovascular side effects. We believe that these side effects arise from non-essential receptor interactions that are unrelated to their actions at receptors driving their efficacy.

In spite of the availability of a variety of antipsychotic agents, only a portion of the negative symptoms of schizophrenia are treatable and the cognitive disturbances are poorly addressed by current therapies. Clozapine, more so than other atypical antipsychotics, appears to have the ability to partially address cognitive disturbances while typical antipsychotic drugs frequently worsen the cognitive function of the patients. We believe there is a large unmet medical need for therapies that address both the positive and negative symptoms of schizophrenia and produce fewer side effects.

We have two development programs that we believe offer innovative and complementary therapeutic solutions to major unmet medical needs in schizophrenia.

ACP-104: Our Solution for Schizophrenia Providing Potential Cognitive Benefits

Overview

ACP-104 is a small molecule drug candidate we are developing as a novel therapy for schizophrenia. It is known that large amounts of ACP-104, or N-desmethylclozapine, are formed in the body after administration of clozapine. That is, clozapine is metabolized to ACP-104. We discovered that ACP-104 has a unique ability to stimulate m1 muscarinic receptors, receptors that are activated by molecules that mimic the action of a neurotransmitter called acetylcholine. The m1 muscarinic receptors are widely known to play an important role in cognition. Since clozapine itself blocks the m1 muscarinic receptor, patients need to extensively metabolize clozapine into ACP-104 to stimulate this receptor and thereby overcome the blocking action of clozapine. Administration of ACP-104 will avoid the variability of this metabolic process and the competing action of clozapine. Like clozapine, ACP-104 is a dopamine antagonist and a 5-HT2A inverse agonist. We believe that ACP-104 represents a new approach to schizophrenia therapy that combines an atypical antipsychotic efficacy profile with the added advantage of beneficial cognitive effects.

Development Status

In 2004, we plan to conduct four Phase II clinical trials with ACP-104. Two of these clinical trials will focus on safety and pharmacokinetics but may also provide us with preliminary indications of the efficacy of ACP-104 in patients with schizophrenia. We plan to conduct both single-dose and multiple-dose escalation clinical trials in patients with schizophrenia to determine the doses required to achieve plasma levels of ACP-104 similar to those seen after clozapine administration. We also will conduct a preliminary assessment of antipsychotic and cognitive efficacy in these two trials, which we plan to begin in the first half of 2004. Following completion of these first two clinical trials, we plan to conduct two additional clinical trials to assess the efficacy of ACP-104 in the treatment of patients with schizophrenia with acute exacerbations or with untreated cognitive disturbances. We believe that these Phase II clinical trials, if successfully completed, may position us to pursue Phase III clinical trials of ACP-104 for the treatment of schizophrenia in acutely psychotic patients beginning in 2005.

We have analyzed data on clozapine and ACP-104 plasma levels relative to clinical response from two clinical trials that included 92 patients with schizophrenia treated with clozapine for up to six months. We demonstrated in this study that the plasma drug ratio of ACP-104 to clozapine positively predicts improvement in cognitive functioning and quality of life parameters in these patients. This study indicated that a higher ratio of ACP-104 relative to clozapine resulted in a better response by these patients in a wide range of standard cognitive functioning and quality of life clinical measures. The results of this study and our preclinical tests suggest that due to its robust m1 receptor activation, ACP-104 is responsible for the unique cognitive benefits of clozapine.

As ACP-104 is a metabolite of clozapine, millions of patients worldwide have been exposed to ACP-104 over the last 30 years. Over 70 human clinical studies are available in the scientific literature in which the serum levels of ACP-104 were reported in patients with schizophrenia treated with clozapine. The total patient exposure to ACP-104 presented in these studies alone exceeds 2000 patients. ACP-104 serum levels are highly correlated with clozapine serum concentrations and on average are approximately 70% of clozapine levels. Across the 25 to 1000 milligrams per day dose range of clozapine used in these studies, the steady state serum level of ACP-104 achieved in patients with schizophrenia were as high as 1500 nanograms per milliliter. Importantly, clozapine therapy and the resulting ACP-104 levels of this magnitude were well tolerated by the patients in these studies. These studies provide an extensive clinical database that enables us to select doses that yield a wide range of plasma levels of ACP-104, corresponding to those plasma levels of ACP-104 that are achieved in clozapine-treated patients. Therefore, we believe that we may be able to rely on the significant previous exposure of ACP-104 in humans to demonstrate and support the safety of ACP-104.

ACP-103: Our Solution for Schizophrenia With an Improved Side Effect Profile

Overview

We are developing ACP-103 as an adjunctive therapy to current antipsychotic treatments. ACP-103 is an orally available small molecule drug candidate that acts as a potent and selective inverse agonist at 5-HT2A receptors. Antipsychotic drugs produce a range of side effects that arise either from off-target receptor interactions or excessive dopamine blockage. By examining the molecular properties of marketed antipsychotic drugs, we have identified inverse agonism at 5-HT2A receptors as essential to the improved clinical profile of atypical antipsychotic drugs. By adding ACP-103 to existing treatment regimens, we believe the optimal combination of dopamine receptor blockage and 5-HT2A inverse agonism can be achieved with a range of typical and atypical antipsychotic drugs. This adjunctive therapy may result in better efficacy and lower side effects.

Development Status

We plan to initiate a multi-center, double-blind, placebo-controlled Phase II clinical trial with ACP-103 in mid-2004. This clinical trial is designed to evaluate the ability of ACP-103 in combination with haloperidol, a currently prescribed typical antipsychotic drug, to reduce acute exacerbations of schizophrenia. We have chosen to combine ACP-103 with haloperidol in this clinical trial because of haloperidol's selectivity for dopamine receptors. We believe that this protocol will provide the most direct demonstration of the advantage of our adjunctive approach to the treatment of schizophrenia using ACP-103. Before we initiate our Phase II clinical trials, we will begin a study in healthy volunteers to evaluate the ability of ACP-103 to reduce motor disturbances produced by haloperidol.

In our Phase II clinical trial, we plan to enroll up to 200 patients with schizophrenia that will be treated for six weeks with haloperidol or a combination of ACP-103 and haloperidol. We will assess efficacy on positive and negative symptoms and tolerability using a battery of standard psychiatric and neurological rating scales. We are able to use the extensive preclinical development and clinical trials that were completed with ACP-103 in our treatment-induced Parkinson's disease dysfunction program to support the initiation of our Phase II clinical program in schizophrenia.

Neuropathic Pain

Disease and Market Overview

Neuropathic pain is a common and growing subset of pain that is thought to involve an alteration in nervous system function or a reorganization of nervous system structure. Neuropathic pain can be associated with nerve damage caused by trauma, diseases such as diabetes, shingles, irritable bowel syndrome, late-stage cancer or the toxic effects of chemotherapy. In many patients, damage to sensory nerves is accompanied by varying degrees of pain. The experience can range from mildly increased sensitivity to touch or temperature to excruciating pain. This kind of pain is extremely difficult to manage clinically because it fails to respond to standard analgesic interventions and is usually chronic. According to Pharmaprojects, a healthcare publication, each year approximately 26 million people worldwide suffer from some form of neuropathic pain.

Drugs such as opioid painkillers and nonsteroidal anti-inflammatory agents that are effective in treating inflammatory and acute pain usually are not effective in treating neuropathic pain. Opioid painkillers provide suboptimal pain management and 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, prolonged chronic use of opioid painkillers can lead to the need for increasing dosage, and potentially to addiction. Currently there is only one approved treatment for neuropathic pain, Neurontin, which had worldwide sales of approximately $2.2 billion in 2002. We believe that there is a large unmet medical need for new therapies with improved efficacy and side effect profiles.

AGN-XX and AGN-YY: Our Solution for Neuropathic Pain

In collaboration with Allergan, we have discovered and are developing a new class of small molecule drug candidates that we believe provide the potential for a significant breakthrough in the treatment of neuropathic pain. Using our proprietary drug discovery platform, we have identified and validated an alpha adrenergic receptor subtype that was a previously unappreciated target for neuropathic pain. We have discovered and are developing orally active small molecule drug candidates that selectively activate this target. Our novel and selective alpha adrenergic agonists provide highly effective pain relief in a wide range of preclinical models, without the side effects of current pain therapies, including sedation and cardiovascular and respiratory effects. Allergan has demonstrated that these drug candidates are highly potent and efficacious when administered orally in relevant animal models and are more efficacious than Neurontin in preclinical models at 300-to-1000 fold lower doses. Based on the compelling preclinical profile of our drug candidates, we believe that these drug candidates may represent a new class of highly effective and safe therapeutics for neuropathic pain.

Together with Allergan, we have nominated two orally active, small molecule drug candidates, AGN-XX and AGN-YY, for development and are currently completing studies in preparation for clinical trials. Allergan has announced that it intends to begin Phase I clinical trials for AGN-XX and AGN-YY during 2004 and begin Phase II clinical trials in this program in 2005.

Glaucoma

Disease and Market Overview

Glaucoma is an eye disease that, if left untreated, can lead to degeneration of the optic nerve and blindness. Glaucoma is the second leading cause of blindness in the United States. A prevalent symptom of glaucoma is increased fluid pressure within the eye, or intraocular pressure. According to the Glaucoma Research Foundation, an estimated three million people in the United States and 65 million people worldwide have glaucoma. In 2002, sales for glaucoma therapeutics totaled $1.4 billion in the United States. It is expected that worldwide 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. We believe significant market demand exists for a novel glaucoma therapeutic that offers superior efficacy with minimal side effects.

AC-262271: Our Solution for Glaucoma

We have discovered, and in collaboration with Allergan, are developing AC-262271, a novel small molecule drug candidate for the treatment of glaucoma. Allergan is currently conducting studies with AC-262271 in preparation for clinical trials. AC-262271 uses a new therapeutic mechanism to produce a highly effective and long lasting reduction of intraocular pressure in primate models of glaucoma. Using our proprietary drug discovery platform, we identified a subtype of the muscarinic receptor that controls intraocular pressure and discovered lead compounds that selectively activate this target. In a primate model of glaucoma, AC-262271 demonstrated efficacy and a long duration of action without causing visual disturbances, such as accommodation. Preclinical data for AC-262271 suggests that this drug candidate has the potential to be a promising new therapy for glaucoma.

Our Preclinical Discovery Programs

In addition to our five development programs, we have established preclinical discovery programs in the areas of muscarinic receptors and 5-HT2 receptors. We have extensive expertise and discovery assets in these areas, which provide us with a wide range of therapeutic opportunities. Our efforts in these two areas have already led to our three proprietary development programs as well as additional programs currently in preclinical testing.

Muscarinic Program

Our muscarinic program is designed to deliver new drug candidates to treat psychosis, cognitive disturbances in patients with schizophrenia and dementia, and neuropathic pain. This program led to our discovery of the unique muscarinic agonist action of ACP-104 and the selective muscarinic agonist, AC-262271, for glaucoma. We have also discovered over 300 potent muscarinic agonists that selectively target the m1 muscarinic receptor. These compounds inhibit behaviors associated with psychotic states and enhance cognitive function in preclinical animal models. We have also identified the muscarinic receptor subtype that we believe alleviates neuropathic pain and the receptor subtype that controls intraocular pressure associated with glaucoma.

These target validations were enabled by our discovery of subtype selective muscarinic compounds. We have used genetically-altered mice that lack the relevant muscarinic receptor subtype to support our efforts in this program and we have identified novel sites for muscarinic receptor/drug interactions that yield, for the first time, truly selective muscarinic agonists. Such compounds have not shown the side effects typical of non-selective muscarinic agents, but show robust effects in animal models of psychosis, cognition and neuropathic pain. The promising preclinical profile of our selective muscarinic compounds suggests significant therapeutic potential.

5-HT2 Program

We use our 5-HT2 program to generate new drug candidates to treat neuropsychiatric and related central nervous system disturbances. We discovered ACP-103 in this program. We have synthesized a large number of additional compounds having diverse pharmacological and pharmaceutical properties that interact with the various 5-HT2 and related receptor subtypes. These compounds may be used to treat neuropsychiatric disorders and to modify sleep architecture, particularly deep sleep that is commonly disturbed in the elderly. Another potential application of this program is for the treatment of mood disorders. In conjunction with our collaborators, we have developed a mouse model in which the relevant mouse receptor is replaced with the always active form of the human 5-HT2A receptor. This animal model may be useful in predicting future uses of our compounds that interact with the various 5-HT2 and related receptor subtypes.

Our Drug Discovery Platform and Capabilities

Overview

We have established drug discovery and technical expertise in the areas of molecular biology, ultra-high throughput screening, molecular and behavioral pharmacology, and combinatorial, medicinal and analytical chemistry. In addition, we collaborate with world-renowned scientists, clinicians and academic institutions. We believe that our expertise combined with our proprietary drug discovery platform has allowed us to discover drug candidates more efficiently than traditional approaches.

All of our drug candidates that are currently in clinical trials, preclinical testing and earlier stages of discovery were discovered using our proprietary drug discovery platform. We have integrated our discovery and development capabilities with proprietary target-based and chemistry-based technologies. We have demonstrated that our platform can be used to rapidly identify drug-like, small molecule chemistries for a wide range of drug targets. We believe that the breadth of our discovery and development programs and the rapid pace at which we have discovered drug candidates provides strong validation of our proprietary platform and a basis for expanding our pipeline.

Our Chemical-Genomics Discovery Approach

Our drug discovery approach is designed to introduce chemistry at an early stage in the drug discovery process and enable selection of the most attractive, drug-like chemistries for desired targets that we validate with past clinical experience. A key to our approach, which we refer to as a chemical-genomics discovery approach, is our comprehensive set of proprietary functional assays that we developed for members of two important gene families, G-protein coupled receptors, or GPCRs, and nuclear receptors, or NRs, and that we believe represent the most relevant and feasible targets for small molecule drug discovery. We use this proprietary asset to validate drug targets and to discover novel small molecule drug candidates that are specific for these targets using two complementary approaches.

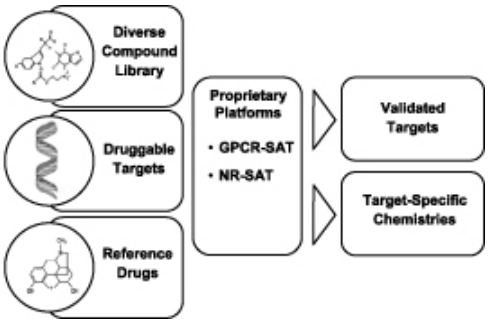
Our first approach is to validate potential drug targets. We profile our collection of reference drugs, primarily consisting of currently and formerly marketed central nervous system drugs, over the range of targets in our functional assays to link clinical and physiological effects of drugs with specific drug targets. Using our reference-drug approach, we are able to identify key drug targets that are validated with past clinical experience

as well as the targets that we believe are responsible for various side effects of these drugs. Our discoveries of ACP-103 and ACP-104 resulted from the successful application of our reference-drug approach. We discovered that the only property that predicted atypical antipsychotic clinical activity was inverse agonism at the 5-HT2A receptor. This important finding led us to the discovery of selective 5-HT2A inverse agonists that we are developing as treatments for a variety of central nervous system disorders. In the case of ACP-104, we found that, of all of the clinical compounds within our reference library, only ACP-104 was a robust m1 muscarinic agonist, thus suggesting the cognitive benefits of ACP-104.

Our second approach is to broadly screen large numbers of targets for the most attractive small molecule chemistries. These chemistries may be prioritized and used as starting points for our drug discovery programs. Using this approach, we discovered that one of our target-specific chemistries demonstrated activity in preclinical models of neuropathic pain, providing the starting point for our collaborative neuropathic pain development program. Similarly, one of our selective muscarinic agonists was active in a glaucoma model without showing classical side effects, providing the starting point for our collaborative glaucoma development program.

Key Components of Our Drug Discovery Platform

Key components of our drug discovery platform are shown in the following diagram and discussed below:



Our Target-Based Discovery Technologies

Overview

The human genome project has provided information about the genetic structure of essentially all of the potential drug targets in the human genome. This knowledge combined with our proprietary technologies allow for the efficient testing of the effects of chemical compounds on a wide range of potential drug targets. Within the human genome there are families of genes that include the most frequent targets of drugs. We focus our drug discovery efforts on those families of targets that are most likely to be affected by small molecule drugs.

R-SAT Functional Assay Technology

Our proprietary receptor selection and amplification technology, which we refer to as R-SAT, is a valuable component of our drug discovery platform. R-SAT is a cell-based assay system where genes are transferred to cultured cells. The functional activity of the gene products, or potential drug targets, are then evaluated through signal transduction pathways that lead to cellular growth. The growth signals are reported using marker gene technologies. Thus, effects of drugs on potential drug targets can be efficiently detected as changes in color or fluorescence. R-SAT enables the efficient screening of large compound libraries for identification of new chemistries at given targets, as well as detailed pharmacological testing of compounds at a wide range of targets.

Proprietary Receptor Assay Platforms

Our scientists have cloned the genes for the majority of the targets in the G-protein coupled receptor and nuclear receptor gene families. These represent the largest families of genes targeted by known drugs. Our R-SAT assay system has enabled the building of functional assays for most of these genes yielding robust assay platforms, which we refer to as GPCR-SAT and NR-SAT. We believe that we have developed the most comprehensive set of functional assays for these two families of targets.

Our Chemistry-Based Discovery Technologies

Our drug discovery approach aims to identify small molecules that can serve as chemical starting points, or leads, for optimization efforts providing novel, potent and selective drug candidates for targets that are most likely to be affected by small molecule drugs. To enable our screening operation to identify high quality leads, we have assembled a large proprietary chemical library of diverse compounds. Our reference drug library provides us with the opportunity to validate targets and is another key component of our drug discovery platform. Our reference drug library includes a wide range of the known central nervous system active drugs, and our diverse compound library consists of roughly 300,000 small organic molecules. We have also developed proprietary synthetic methods for library construction and lead optimization.

Drug Discovery Opportunities

Our proprietary drug discovery platform has generated a wide range of novel chemistries that we believe will continue to provide us with starting points for additional drug programs. We have identified novel chemistries for more than 100 distinct targets. Using these target-specific chemistries, we have established a portfolio of proprietary drug discovery assets and projects in four key therapeutic areas. In each of these areas, we have identified novel chemistries for several different drug targets that we believe play an important role in these major diseases. The following table illustrates examples of targets where we have discovered novel chemistries.

Therapeutic Area	Targets with Novel Chemistry
Neuropsychiatry	mGluR5, serotonin, neuropeptides
Neuropathic pain, inflammation	NPFF2, Mrg, PAR2, lipoxin
Endocrinology	AR, ERß, ERR, Ghrelin, RAR
Metabolic syndrome	LXR, SSR5, HNF4a

Our discovery projects aim to answer specific scientific questions using relatively-limited synthetic chemistry and biological efforts. When all key criteria have been fulfilled, these earlier-stage discovery projects may be advanced into preclinical programs.

Collaboration Agreements

We have established three separate collaboration agreements with Allergan, one with Amgen, and a technology license agreement with Aventis, to leverage our drug discovery platform and related assets and to commercialize selected drug candidates. Our collaborations have included upfront payments at initiation of the collaboration, research support during the term, milestone payments upon successful completion of specified development objectives, and royalties based upon sales, if any, of drugs developed under the collaboration. Our current agreements are as follows:

Allergan

In March 2003, we entered into a collaboration agreement with Allergan to discover, develop and commercialize new therapeutics predominantly for ophthalmic indications. The research term is for three years

and may be extended by written agreement of the parties. During the research term, the parties will use our target-specific chemistries to explore a range of discovery opportunities. Allergan will have the right to exclusively license chemistry and related assets for up to three drug targets for development and commercialization. Following Allergan's license of a given target area, we are restricted from conducting competing research in those target areas. Under the agreement, we received an upfront payment and we are entitled to receive research funding and related fees over the three year research term. The agreement also provides Allergan the option to fund additional research in selected areas. We are also eligible to receive license fees and milestone payments upon the successful achievement of agreed upon clinical and regulatory objectives. Allergan retains the commercialization rights to the drug candidates in the three target areas they exclusively license from us, and we are eligible to receive royalties on future product sales, if any, worldwide. Assuming the successful development of products for each of the three target areas, we could receive up to approximately $60.0 million in aggregate payments under the agreement, excluding product royalties. Through December 31, 2003, we had received a total of $4.0 million pursuant to this collaboration.

In July 1999, we entered into a collaboration agreement with Allergan to discover, develop and commercialize selective muscarinic drugs for the treatment of glaucoma based on our compounds. Under this agreement, we have provided our chemistry and discovery expertise to enable Allergan to select and license up to two compounds for development and commercialization. Allergan selected the first of these compounds in November 2003. We granted Allergan exclusive worldwide rights to commercialize products based on the compounds it selects for the treatment of ocular disease. We retain all rights to our muscarinic compounds and related assets for all other therapeutic areas. As of December 31, 2003, we had received an aggregate of $8.7 million in payments under the agreement, consisting of upfront fees, research funding and milestone payments. We are also eligible to receive up to approximately $15.2 million in additional milestone payments for the first collaboration compound selected, as well as royalties on future product sales worldwide, if any. Allergan is entitled to select a second compound, and if it does so, we will be eligible to receive additional milestone payments and royalties. Allergan may terminate this agreement upon 90 days' notice. However, if terminated, Allergan's rights to the selected compounds would revert to us.

In September 1997, we entered into a collaboration agreement with Allergan focused primarily on the discovery and development of new therapeutics for ophthalmic indications and neuropathic pain. This agreement was subsequently amended in conjunction with the execution of the March 2003 collaboration agreement and provides for the continued development of drug candidates for one target area. Pursuant to the agreement, we granted Allergan exclusive worldwide rights to commercialize products resulting from the collaboration. In exchange, we had received an aggregate of $9.0 million in research funding and milestone payments through December 31, 2003. We are also eligible to receive additional milestone payments of up to $11.5 million as well as royalties on future worldwide sales of products, if any, resulting from this collaboration. In connection with the execution of the collaboration agreement in 1997, Allergan made a $6.0 million equity investment in us.

The general terms of our collaboration agreements with Allergan continue until the later of the expiration of the last to expire patent covering a drug candidate licensed under the collaboration and at least 10 years from the date of first commercial sale of a drug candidate. In addition, each of our Allergan collaboration agreements includes a research term that is shorter but may be renewed by the parties.

Amgen

In December 2001, we entered into a collaboration agreement with Amgen to discover novel small molecule drugs using our proprietary drug discovery platform. Under the agreement, we and Amgen collaborated to identify drug candidates directed at a number of drug targets selected by the parties. As of December 31, 2003, we have received aggregate payments of $4.3 million under the agreement, consisting of an upfront payment, research funding, and a milestone payment related to our research in one target area. The research term of this agreement has been completed, although Amgen and we may jointly elect to conduct further research.

Aventis

In July 2002, we entered into an agreement with Aventis under which we have licensed a portion of our technology for their use in a specified area that we are not presently pursuing.

Intellectual Property

We currently hold six issued U.S. patents and 24 issued foreign patents. In addition, we have 28 provisional and utility U.S. patent applications and 54 foreign patent applications.

Patents or other proprietary rights are an essential element of our business. Our strategy is to file patent applications in the United States and any other country that represents an important potential commercial market to us. In addition, we seek to protect our technology, inventions and improvements to inventions that are important to the development of our business. Our patent applications claim proprietary technology, including methods of screening and chemical synthetic methods, novel genomic targets and novel compounds identified using our technology.

We also 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 protect our trade secrets in part through confidentiality and proprietary information agreements. We are a party to various other license agreements that give us rights to use certain technologies in our research and development.

ACP-103

The claims of two patent applications that provide generic coverage for ACP-103 have been allowed by the United States Patent and Trademark Office. These patent applications will likely issue within the next few months. Similar claims for ACP-103 have also been allowed in South Africa. We continue to prosecute patent applications directed to ACP-103 and to methods of treating various diseases using ACP-103, either alone or in combination with other agents, worldwide.

ACP-104

The chemical structure of ACP-104 is unpatentable, as it has been known and disclosed to the public for many years. We have filed patent applications with claims that will be directed to the use of ACP-104 as a treatment for neuropsychiatric disease, either alone or in combination with various other agents, including ACP-103. We have also filed a provisional patent application directed to the analogs of ACP-104 and their uses for the treatment of disease. We are aware of an issued patent, not owned by us, that claims the use of ACP-104 for treatment of analgesia.

Our Drug Discovery Platform

Our core R-SAT technology is protected by three issued U.S. patents and 20 foreign patents.

Other Drug Candidates

We have two issued U.S. patents with claims for compounds that affect muscarinic receptor activity and we continue to pursue patent applications in this area in other countries.

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 these competitors are pursuing the development of pharmaceuticals that target the same diseases and conditions that our research programs target. Even if we and our collaborators are successful in developing our drug candidates, the resulting products will compete with a variety of established drugs in the areas of Parkinson's disease, schizophrenia, neuropathic pain and glaucoma. For example, our potential product for treatment-induced dysfunction in Parkinson's disease will compete with off-label use of Seroquel, marketed by Astra-Zeneca, and clozapine, a generic drug. Our potential products for the treatment of schizophrenia will compete with Zyprexa, marketed by Eli Lilly, Risperdal, marketed by Johnson & Johnson, and clozapine. In the area of neuropathic pain, our potential products will compete with Neurontin, marketed by Pfizer, and Pregabalin, currently submitted for regulatory approval by Pfizer, as well as a variety of generic or proprietary opioids. Our potential products for the treatment of glaucoma will compete with Xalatan, marketed by Pfizer, and Lumigan and Alphagan, marketed by Allergan.

In addition, the companies described above and other competitors may have a variety of drugs in development or awaiting FDA approval that could reach the market and become established before we have a product to sell. Our competitors may also develop alternative therapies that could further limit the market for any drugs that we may develop. 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. 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 capabilities; and
- sales and marketing.

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, and 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 drug candidates or our technologies obsolete. Our failure to compete effectively could have a material adverse affect 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, as amended. 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 drug 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 drug candidate, is lengthy, expensive and uncertain.

In the United States, drug candidates are tested in animals until adequate proof of safety is established. Clinical trials for new drug candidates are typically conducted in three sequential phases that may overlap. In Phase I, the initial introduction of the drug candidate into healthy human volunteers, the emphasis is on testing for safety or adverse effects, dosage, tolerance, metabolism, distribution, excretion and clinical pharmacology. Phase II involves studies in a limited patient population to determine the initial efficacy of the pharmaceutical for specific targeted indications, to determine dosage tolerance and optimal dosage and to identify possible adverse side effects and safety risks. Once a compound shows evidence of effectiveness and is found to have an acceptable safety profile in Phase II evaluations, Phase III trials are undertaken to more fully evaluate clinical outcomes. Before commencing clinical investigations in humans, we or our collaborators must submit to the FDA an Investigational New Drug Application, or IND, which must also be approved by the FDA. Regulatory authorities may require additional data before allowing the clinical studies to commence or proceed from one Phase to another, and could demand that the studies be discontinued or suspended at any time if there are significant safety issues. We have in the past and may in the future rely on some of our collaborators to file INDs and generally direct the regulatory approval process for many of our potential products. Clinical testing must also meet requirements for institutional review board oversight, informed consent and good clinical practices.

Securing FDA approval requires the submission of extensive preclinical and clinical data and supporting information to the FDA for each indication to establish a drug candidate’s safety and efficacy. These data are submitted to the FDA in the form of a New Drug Application, or NDA. The approval process takes many years and requires the expenditure of substantial resources. Information generated in this process is susceptible to varying interpretations that could delay, limit or prevent regulatory approval at any stage of the process. The failure to demonstrate adequately the quality, safety and efficacy of a drug candidate under development would delay or prevent regulatory approval of the drug candidate. We cannot assure you that, even if clinical trials are completed, either our collaborators or we will submit applications for required authorizations to manufacture and/or market potential products or that any such application will be reviewed and approved by the appropriate regulatory authorities in a timely manner, if at all. Under applicable laws and FDA regulations, each NDA submitted for FDA approval is usually given an internal administrative review within 45 to 60 days following submission of the NDA. If deemed complete, the FDA will “file” the NDA, thereby triggering substantive review of the application. The FDA can refuse to file any NDA that it deems incomplete or not properly reviewable. The FDA has established internal goals of six months for priority NDAs and 10 months for regular NDAs. However, the FDA is not legally required to complete its review within these periods and these performance goals may change over time. Moreover, the outcome of the review, even if generally favorable, typically is not an actual approval but an “action letter” that describes additional work that must be done before the NDA can be approved. The FDA’s review of an NDA may involve review and recommendations by an independent FDA advisory committee.

Before receiving FDA clearance to market a potential product, we or our collaborators must demonstrate through adequate and well controlled clinical studies that the potential product is safe and effective on the patient population that will be treated. If regulatory clearance of a potential 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 post-marketing studies. Even if this regulatory clearance is obtained, a marketed product, its manufacturer and its manufacturing facilities are subject to continuing 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 labeling changes, 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 drug 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 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 potential 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.

Outside of 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.

Drugs for Serious or Life-Threatening Illnesses

The Federal Food, Drug and Cosmetic Act, as amended, and FDA regulations provide certain mechanisms for the accelerated "Fast Track" approval of potential products intended to treat serious or life-threatening illnesses which have been studied for safety and effectiveness and which demonstrate the potential to address unmet medical needs. The procedures permit early consultation and commitment from the FDA regarding the preclinical and clinical studies necessary to gain marketing approval. Provisions of this regulatory framework also permit, in certain cases, NDAs to be approved on the basis of valid surrogate markers of product effectiveness, thus accelerating the normal approval process. Certain potential products employing our technology might qualify for this accelerated regulatory procedure. Even if the FDA agrees that these potential products qualify for accelerated approval procedures, the FDA may deny approval of our drugs or may require that additional studies be required before approval. The FDA may also require us to perform post-approval, or Phase IV, studies as a condition of such early approval. In addition, the FDA may impose restrictions on distribution and/or promotion in connection with any accelerated approval, and may withdraw approval if post-approval studies do not confirm the intended clinical benefit or safety of the potential product.

Other U.S. Regulatory Requirements

In the United States, the research, manufacturing, distribution, sale, and promotion of drug products are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including the Centers for Medicare and Medicaid Services (formerly the Health Care Financing Administration), other

divisions of the United States Department of Health and Human Services, including, for example, the Office of Inspector General, and state and local governments. For example, sales, marketing and scientific/educational grant programs must comply with the Medicare-Medicaid Anti-Fraud and Abuse Act, as amended, the False Claims Act, also as amended, the privacy provisions of the Health Insurance Portability and Accountability Act, or HIPAA, and similar state laws. Pricing and rebate programs must comply with the Medicaid rebate requirements of the Omnibus Budget Reconciliation Act of 1990, as amended and the Medicare legislation passed in December 2003. If drug products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. All of these activities are also potentially subject to federal and state consumer protection and unfair competition laws.

Marketing, Sales and Distribution

We currently have no marketing, sales or distribution capabilities. In order to commercialize any of our drug candidates, we must develop these capabilities internally or through collaboration with third parties. In selected therapeutic areas where we feel that our products can be commercialized by a specialty sales force that calls on a limited and focused group of physicians, we plan to commercialize our products. In therapeutic areas that require a large sales force selling to a large and diverse prescribing population, we plan to partner our drug candidates for commercialization.

Manufacturing

We outsource and plan to continue to outsource manufacturing responsibilities for our existing and future drug candidates for development and commercial purposes. The production of ACP-103 and ACP-104 employs small molecule synthetic organic chemistry procedures that are standard in the pharmaceutical industry. We have already produced sufficient quantities of ACP-103 and ACP-104 for our planned clinical trials in 2004. Our collaboration agreements provide for our partners to arrange for the production of our drug candidates for use in clinical trials and potential commercialization.

Employees

At January 31, 2004, we had 99 full time employees, of whom 35 hold Ph.D. and/or other advanced degrees. Of our total workforce, 87 are engaged in research and development activities and 12 are engaged in business development, finance and administration. Sixty-two of our employees are located in the United States and 37 are located in Denmark. 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 36,000 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 the leases for our facilities for one additional period of five years. We also have approximately 21,000 square feet of research and office space located near Copenhagen, Denmark that is leased to us until 2005. 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. We are currently in negotiations to lease a new facility upon the termination of the lease for our operations near Copenhagen.

Legal Proceedings

We are not currently a party to any legal proceedings.

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.	53	Chief Executive Officer and Director
Mark R. Brann, Ph.D.	45	President, Chief Scientific Officer and Director
Thomas H. Aasen, CPA	43	Vice President, Chief Financial Officer, Secretary and Treasurer
Robert E. Davis, Ph.D.	53	Executive Vice President of Drug Discovery and Development
Douglas E. Richards	41	Vice President of Business Development
Bo-Ragnar Tolf, Ph.D.	54	Vice President, Chemistry and Managing Director of ACADIA Pharmaceuticals A/S
Leslie L. Iversen, Ph.D.	66	Director and Chairman of the Board
Gordon Binder	68	Director
Carl L. Gordon, Ph.D., CFA(1)(2)	39	Director
Lester J. Kaplan, Ph.D.(2)	53	Director
Torsten Rasmussen(2)	59	Director
Martien van Osch(1)	33	Director
Alan G. Walton, Ph.D., D.Sc.(2)	67	Director

(1) Member of the audit committee.
(2) Member of the compensation committee.

Uli Hacksell, Ph.D. has served as our Chief Executive Officer since September 2000 and as a member of our board of directors since October 2000. From February 1999 to September 2000, he served as our Executive Vice President of Drug Discovery. 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 Department 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 from 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. 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. Since 2000 he has been an Adjunct Associate Professor at the University of California, San Diego. Dr. Brann received a Ph.D. in Pharmacology from the University of Vermont.

Thomas H. Aasen, CPA has served as our Vice President, Chief Financial Officer, Secretary and Treasurer since April 1998. Prior to joining our company, Mr. Aasen held the position of Senior Director of Finance and Administration at Axys Pharmaceuticals, a publicly traded life sciences company formerly called Sequana Therapeutics, where he was employed from June 1996 to April 1998. From October 1991 to June 1996, he served as Director of Finance at Genta, Inc., a publicly traded life sciences company. Earlier in his career, Mr. Aasen held various financial management positions including Director of Accounting at Gen-Probe, Inc., a publicly traded life sciences company, and Audit Manager at KPMG Peat Marwick. He has twenty years of professional

finance and accounting experience focused primarily on the life sciences industry. Mr. Aasen received a B.S. degree with honors from San Diego State University and is a Certified Public Accountant.

Robert E. Davis, Ph.D. has served as our Executive Vice President of Drug Discovery and Development since February 2001. He was a founding member of our Scientific Advisory Board and served as a consultant to us from November 2000 until becoming an employee. From January 1994 until October 2000, Dr. Davis held various positions at MitoKor, a development stage biotechnology company, serving at various times as its President, Chief Executive Officer and Chief Scientific Officer. Earlier in his career, Dr. Davis held various positions at Parke-Davis Pharmaceutical Research, Warner-Lambert Company including Director of Neurodegenerative Diseases. Dr. Davis has chaired or participated in research and development teams that advanced 12 new chemical entities into clinical trials, including Cognex, the first drug approved by the FDA and other countries for Alzheimer's disease. Dr. Davis serves on the editorial boards of a number of journals including *Current Opinions in Investigational Drugs and Emerging Therapeutics.* He received a Ph.D. in Psychobiology at the University of Illinois, Chicago.

Douglas E. Richards has served as our Vice President of Business Development since January 2001. From May 1998 until joining us, Mr. Richards held the position of Vice President, Corporate Development at Signal Pharmaceuticals and was responsible for closing several partnerships under which Signal retained significant commercial rights. From May 1995 to May 1998, Mr. Richards served at Bristol-Myers Squibb, most recently as Director of Biotechnology Licensing, where he was responsible for forging a number of major collaborations with biotechnology companies. Earlier in his career, Mr. Richards served in the corporate development department at Gensia, a biotechnology company, and previously held various positions at Eli Lilly. Mr. Richards received a M.B.A. from the University of Chicago and a M.S. in Molecular Biology from the University of Wisconsin.

Bo-Ragnar Tolf, Ph.D. has served as our Vice President, Chemistry and Managing Director of ACADIA Pharmaceuticals A/S since January 2001. From 1991 until joining us, Dr. Tolf held various positions at Astra, including deputy head of preclinical research in the areas of central nervous system and pain disorders at Astra Zeneca, Vice President of Preclinical Research and Development at Astra Arcus, head of Central Nervous System Preclinical R&D at Astra Arcus, and Director of the Department of Medicinal Chemistry at Astra Arcus. From 1989 to 1991, Dr. Tolf was head of the Department of Medicinal Chemistry at Kabi. From 1985 to 1989, Dr. Tolf served as Manager of Pharmaceutical R&D at Pharmacia Ophthalmics AB. Dr. Tolf completed his postdoctoral work at Stanford Research Institute and at Stanford University. Dr. Tolf received a Master of Pharmacy degree and a Ph.D. in Organic Pharmaceutical Chemistry from the University of Uppsala in Sweden.

Leslie L. Iversen, Ph.D. has been the Chairman of our board of directors since December 2000. He has served as a director since 1998. He is also a founding member of our Scientific Advisory Board. Dr. Iversen is a Professor of Pharmacology at King's College, London where he is 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. Dr. Iversen served as Vice President of Neuroscience Research, Merck Research Laboratories and Director of the Neuroscience Research Center of Merck Research Laboratories in the UK. He was formerly Director of the Medical Research Council Neurochemical Pharmacology Unit in Cambridge. More recently, Dr. Iversen founded and serves as a director of Panos Therapeutics Ltd. Dr. Iversen is the recipient of numerous awards, including Fellow of the Royal Society of London and Foreign Associate Member of the National Academy of Sciences in the United States. Dr. Iversen received a Ph.D. and B.A. from the University of Cambridge.

Gordon Binder has served as a director of our company since June 2003. Mr. Binder is founder and Managing Director of Coastview Capital. Mr. Binder was the Chief Executive Officer of Amgen, the world's largest biotech company, from 1988 through 2000. During his tenure as CEO, Amgen grew from 400 employees to rank within the top 20 pharmaceutical companies in worldwide revenues, the top 15 in United States sales and

the top ten in market capitalization. Mr. Binder serves on the boards of the Massachusetts Institute of Technology and the California Institute of Technology. He has been Chairman of BIO, the biotechnology industry trade association, and PhRMA, the pharmaceutical industry trade association. He has a bachelor's degree in Electrical Engineering from Purdue University and an M.B.A. from Harvard Business School.

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. has served as a director of our company since November 1997. Dr. Kaplan is Executive Vice President and President, Research and Development, 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 and Global BOTOX from June 1998 to November 2003. 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 the Keck Graduate Institute and the National Neurovision Research Institute. Dr. Kaplan received a M.S. and Ph.D. in organic chemistry from the University of California, Los Angeles.

Torsten Rasmussen has served as a director of our company since April 1998. Mr. Rasmussen has been President and 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 and A/S Det Oestasiatiske Kompagni. Mr. Rasmussen holds an M.B.A. from IMD in Lausanne, Switzerland.

Martien van Osch has served as a director of our company since July 2003. Mr. van Osch is a Vice President and Senior Investment Manager of Life Sciences at ABN AMRO Capital based in Amsterdam. Mr. van Osch has served ABN AMRO in a number of senior positions since 1996 and joined the ABN AMRO Capital group in 1999. Previous to this, he worked in the Finance Department of the Cable & Telecom Unit of EDON NV, based in the Netherlands. He serves on the board of directors of several private life science companies. Mr. van Osch received a Masters in Econometrics from the University of Groningen, Netherlands.

Alan G. Walton, Ph.D., D.Sc. has served as a director of our company since March 2003. Dr. Walton joined Oxford Partners as a General Partner in 1987. In 1991, he founded Oxford Bioscience Partners and he is currently Senior Partner and Chairman of Oxford Bioscience Corporation. Previously, he was President and CEO of University Genetics Co., a public biotechnology company involved in technology transfer and seed investments in university-related projects. Prior to University Genetics, he taught at several institutions including Harvard Medical School, Indiana University and Case Western Reserve where he was Professor of Macromolecular Science and Director of the Laboratory for Biological Macromolecules. Dr. Walton serves on the Boards of Targacept and Alexandria Real Estate Equities and is Chairman, as well as a Board member, of Avalon Pharmaceuticals, Psychiatric Genomics and Asterand. He is also on the Board of Research!America, a philanthropic organization. Dr. Walton was a founder of Human Genome Sciences and GeneLogic and is the Founding Chairman of the Biotechnology Venture Investors Group. Dr. Walton received a Ph.D. in chemistry and a D.Sc. in biological chemistry from Nottingham University in England.

Scientific Advisory Board

Scientists and physicians advise us on scientific and medical matters and some are members 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 advisors has received an option to purchase shares of our common stock.

Paul S. Anderson, Ph.D. has nearly 40 years of experience in drug research and development. Most recently, he held the position of Vice President, Drug Discovery at Bristol-Myers Squibb. Earlier in his career, he held the positions of Vice President of Chemistry at Merck Sharp and Dohme's West Point facility, and Senior Vice President of Chemical and Physical Sciences at DuPont Pharmaceuticals. Dr. Anderson has directed numerous highly successful drug discovery and development efforts. He has served the American Chemical Society, the National Institutes of Health, and the National Research Council in a variety of senior positions, including President of the American Chemical Society in 1997. He is also the recipient of numerous awards including the E.B. Hershberg Award, the American Chemical Society Award in Industrial Chemistry, and the 2002 Perkin Medal. Dr. Anderson has received honorary doctorates from the University of Vermont and the University of New Hampshire.

Henry Bourne, M.D. has made significant contributions to the understanding of the signaling pathways used by G-protein coupled receptors. Dr. Bourne's research has focused on transmembrane signaling mediated by G-proteins. 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 Professor Emeritus of Pharmacology at the University of Göteborg, Sweden, and is a member of the Swedish Academy of Sciences and a foreign affiliate of the United States National Academy of Sciences. He was awarded the 2000 Nobel Prize for medicine for studies on how brain cells transmit signals to each other, laying the groundwork for developing improved treatments for neurological and psychiatric disorders. Dr. Carlsson is the recipient of numerous awards, including The Japan Prize in Psychology and Psychiatry, The Research Prize of the Lundbeck Foundation (Denmark) and the Lieber Prize for research in schizophrenia (United States).

Marc G. Caron, Ph.D. is Professor of Cell Biology and Medicine at Duke University Medical Center and Investigator at Howard Hughes Medical Institute. His research is focused on the molecular study of receptors for neurotransmitters and hormones. Dr. Caron has held numerous posts at Duke University Medical Center and has been Assistant Professor in the Department of Physiology at Laval University. 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 Biochemistry* and *Molecular Pharmacology*. He is currently Associate Editor in Chief of *Endocrine Reviews*.

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 Professor of Medicinal Chemistry at the Royal Danish School of Pharmacy and has been 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. Dr. Krogsgaard-Larsen has received honorary doctorates from Louis Pasteur University and Uppsala University. He serves as Chairman of the Board of the Carlsberg Foundation and as a trustee of the Alfred Benzon Foundation. He is the recipient of numerous awards such as the Astra Award, the Paul Erlich Prize and the W.Th. Naúta Award. Dr. Krogsgaard-Larsen is a member of the Royal Danish Academy of Sciences and Letters and the Danish Academy of Natural Sciences.

Clinical Advisory Board

In addition to our SAB, we use 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.

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."

Allan I. Levey, M.D., Ph.D. is Professor of Neurology, Psychiatry and Behavioral Sciences and Pharmacology at Emory University. He is Director of the Neurobehavioral Program, the Emory Center for Neurodegenerative Diseases and the Emory Alzheimer's Disease Center Clinical Core. Dr. Levey has done extensive research in the molecular neurobiology of Alzheimer's and Parkinson's diseases including human clinical trials. He has received numerous awards, including the Derek Denny-Brown Neurological Scholar Award from the American Neurological Association, Faculty Scholar Awards from the Alzheimer Association and the Heikkila Research Scholar Award from the National Parkinson Foundation.

Herbert Y. Meltzer, M.D. is currently 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 psychopharmacology of schizophrenia. His awards include the Daniel Efron Research Award of the American College of Neuropsychopharmacology (ACNP), the Lieber Prize from NARSAD, the Stanley Dean Award of the American College of Psychiatry and the Gold Medal Award of the Society of Biological Psychiatry. He currently serves as the President of the International 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. 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.

Carol Tamminga, M.D. is currently Professor at the Department of Psychiatry and Director of Translational Psychiatry at the University of Texas, Southwestern Medical Center. Until recently, she was Professor of Psychiatry at the department of Psychiatry at the University of Maryland. She has also taught at the University of Chicago. Dr. Tamminga's research is focused on the neurochemical and neuropsychiatric aspects of schizophrenia. She co-founded the International Congress on Schizophrenia in 1989 and has organized the event since then. In 1998, Dr. Tamminga was elected a member of the Institute of Medicine, National Academy of Sciences. She currently serves as the President of the American College of Neuropsychopharmacology.

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 Carl L. Gordon, Lester J. Kaplan and Martien van Osch, our Class II directors will be Uli Hacksell, Torsten Rasmussen and Alan G. Walton and our Class III directors will be Gordon Binder, Mark R. Brann and Leslie L. Iverson. 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. Our directors will hold office until their successors have been elected and qualified or until their earlier death, resignation, disqualification or removal for cause by the holders of a majority of the outstanding stock entitled to vote on election of directors.

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 audit committee currently consists of Carl L. Gordon and Martien van Osch. Prior to the completion of this offering, our board of directors will approve a new audit committee charter meeting the applicable standards of the SEC and Nasdaq.

Our compensation committee reviews and makes recommendations to the board of directors 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. Our compensation committee consists of Carl L. Gordon, Lester J. Kaplan, Torsten Rasmussen and Alan G. Walton. Prior to the completion of this offering, our board of directors will approve a new compensation committee charter meeting the applicable standards of the SEC and Nasdaq.

Director Compensation

Our directors currently receive a cash retainer of $7,500 per year, $15,000 per year for the Chairman of the Board, and a $1,000 fee per meeting 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 for annual stock option grants under our 2004 equity incentive plan.

Our board of directors has approved resolutions providing 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 9,000 shares of our common stock.

The board resolutions also provide that eligible nonemployee directors will, on the day following each annual meeting, automatically receive an annual grant to purchase 9,000 shares of our common stock commencing with the annual meeting in 2005. 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 must be exercised prior to the earlier of three years from the termination of service on the board by the nonemployee director for any reason and 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 quarter 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 paid to our Chief Executive Officer and each of our four other most highly compensated executive officers for 2003.

Summary Compensation Table

			Long-Term Compensation
	Annual Compensation		
Name and Principal Position	**Salary**	**Bonus(1)**	**Securities Underlying Options**
Uli Hacksell *Chief Executive Officer*	$ 304,848	—	480,000
Mark R. Brann *President and Chief Scientific Officer*	262,400	—	460,000
Thomas H. Aasen *Vice President and Chief Financial Officer*	221,986	—	210,000
Robert E. Davis *Executive Vice President, Drug Discovery and Development*	228,228	—	180,000
Bo-Ragnar Tolf *Vice President, Chemistry and Managing Director, ACADIA Pharmaceuticals A/S*	225,520	—	70,000

(1) We have not yet determined the named executive officers' discretionary bonus compensation for 2003.

Employment Arrangements

We have entered into employment letters or agreements with each of our executive officers. Each of these employment arrangements provide for annual salaries and bonuses that are subject to annual review by our board of directors. For details on current salaries please see the compensation table above. Our executive officers also received initial stock grants in connection with joining us. For more details on the stock option and stock ownership positions of our executive officers please see the option grant tables below and the disclosure under "Principal Stockholders" in this prospectus.

Other than Dr. Tolf, none of our executive officers has a fixed employment term. Dr. Tolf has an employment contract that is renewable for one-year periods but which cannot be extended beyond November 30, 2007. In the event that Dr. Tolf's employment is terminated by us during its term, we are obligated, except in limited circumstances, to provide Dr. Tolf with six months' notice. If we terminate the employment of Dr. Hacksell, Mr. Aasen or Dr. Davis for reasons other than cause, we are obligated to pay that executive officer one year's salary and to continue other benefits the officer may be receiving at the time of termination for the one-year period following termination of employment. If we terminate Dr. Brann's employment for reasons other than cause, we are obligated to pay Dr. Brann two years' salary and to continue other benefits he may be

receiving at the time of termination for the two-year period following termination of employment. During the period of employment and for a period of up to two years thereafter, depending on the reason for leaving our employment, Dr. Brann is contractually prohibited from competing with us or soliciting our employees or clients.

Option Grants in 2003

The following table sets forth, for 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, 2003. Except as otherwise noted below, 25% of the option vests on the one year anniversary of the date of grant and the remainder vest in a series of equal monthly installments beginning on the month following the one-year anniversary of the date of grant and continuing over the next three years of service. The percentage of total options is based upon options to purchase an aggregate of approximately 1.7 million shares of common stock granted to employees under our 1997 stock option plan in 2003.

Options were granted by our board of directors at an exercise price determined by them in good faith to be the fair value of our common stock as of the date of grant. In determining the fair value of our common stock our board of directors evaluated a number of factors, including our financial condition and business prospects, our stage of development and achievement of key technical and business milestones, private and public market conditions, the terms of our private financings and the valuations of similar companies in our industry.

Amounts represent the hypothetical gains that could be achieved from the respective options if exercised at the end of the option term, based on an assumed initial public offering price of $ per share, and are not predictive of future gains, if any. There is a substantial disparity between the exercise price of the options and the assumed public offering price. 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 $ per share 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 2003**	**Exercise Price Per Share**	**Expiration Date**	**5%**	**10%**
Uli Hacksell	60,000	3.6%	$ 0.54	03/16/2013		
	420,000	25.3	0.54	09/07/2013		
Mark R. Brann	40,000	2.4	0.54	03/16/2013		
	420,000	25.3	0.54	09/07/2013		
Thomas H. Aasen	25,000	1.5	0.54	03/16/2013		
	185,000	11.1	0.54	09/07/2013		
Robert E. Davis	25,000	1.5	0.54	03/16/2013		
	155,000	9.3	0.54	09/07/2013		
Bo-Ragnar Tolf	20,000	1.2	0.54	03/16/2013		
	50,000	3.0	0.54	09/07/2013		

January 31, 2004 Option Values

The following table sets forth information concerning stock options to purchase common stock held at January 31, 2004 by each of the named executive officers.

	Number of Securities Underlying Unexercised Options at January 31, 2004		Value of Unexercised In the Money Options at January 31, 2004(1)	
Name	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Uli Hacksell	715,417(2)	18,750		
Mark R. Brann	700,000(3)	—		
Thomas H. Aasen	331,354(4)	3,646		
Robert E. Davis	299,593(5)	32,907		
Bo-Ragnar Tolf	141,561(6)	23,439		

(1) There was no public trading market for our common stock at January 31, 2004. 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) If Dr. Hacksell's employment with us terminated, 513,334 of the shares issuable upon the exercise of Dr. Hacksell's options would currently be subject to repurchase by us at the original purchase price.
(3) If Dr. Brann's employment with us terminated, 486,667 of the shares issuable upon the exercise of Dr. Brann's options would currently be subject to repurchase by us at the original purchase price.
(4) If Mr. Aasen's employment with us terminated, 246,563 of the shares issuable upon the exercise of Mr. Aasen's options would currently be subject to repurchase by us at the original purchase price.
(5) If Dr. Davis's employment with us terminated, 196,667 of the shares issuable upon the exercise of Dr. Davis's options would currently be subject to repurchase by us at the original purchase price.
(6) If Dr. Tolf's employment with us terminated, 83,334 of the shares issuable upon the exercise of Dr. Tolf's options would currently be subject to repurchase by us at the original purchase price.

Employee Benefit Plans

1997 Stock Option Plan

In January 1997, we adopted our 1997 stock option plan. A total of 6,160,600 shares of common stock are authorized for issuance under the 1997 stock option plan, as amended in April 1999, November 2000, March 2002 and June 2003. 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 our 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. 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 and 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

of directors 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 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 December 31, 2003, we had issued and outstanding under the 1997 stock option plan options to purchase approximately 3.7 million shares of common stock and approximately 624,000 shares had been purchased upon the exercise of previously held options. The exercise prices for of these outstanding options ranges from $0.01 per share to $4.00 per share. No options will be granted under the 1997 stock option plan following the closing of this offering.

2004 Equity Incentive Plan

In February 2004, our board of directors adopted our 2004 equity incentive plan that will become effective upon the closing of this offering. The number of shares of common stock authorized for issuance under the 2004 equity incentive plan will equal the sum of 400,000 shares of common stock, the number of shares of common stock remaining available for issuance under the 1997 stock option plan as of the effective date of this offering and any shares that may thereafter revert to the 1997 stock option plan share reserve. Shares subject to stock awards that have expired or otherwise terminated without having been exercised in full again become available for grant.

The 2004 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 2004 equity incentive plan permits the grant of stock bonuses, rights to purchase restricted stock, stock appreciation rights, phantom stock awards and other stock awards. Except in specified circumstances, no employee may be granted options or stock appreciation rights covering more than 1,000,000 shares of common stock in any calendar year.

The 2004 equity incentive plan is administered by our board of directors. Authority to administer the plan may be delegated to a committee or to one or more executive officers. Subject to the limitations set forth in the 2004 equity incentive plan, the plan administrator has the authority to select the eligible persons to whom award grants are to be made, to determine the type of award, to designate the number of shares or other rights 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 for each award, to specify the exercise price, purchase price or other payment terms of awards and the type of consideration to be paid upon exercise of the awards and, subject to specified restrictions, to specify other terms of awards.

The maximum term of any option granted under the 2004 equity incentive plan is ten years. Incentive stock options granted under the 2004 equity incentive 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 2004 equity incentive plan will be determined by the board of directors or plan administrator in accordance with the guidelines set forth in the 2004 equity incentive plan. The exercise price of a stock option cannot be less than 100% of the fair market value of the common stock on the date of grant. The following methods of payment may be used to apply to the exercise price of the options: cash or, at the discretion of the board of directors, by delivery to us of shares of our common stock, according to a deferred payment arrangement, by "net exercise" or "cashless exercise" or in any other form of legal consideration approved by our board of directors.

Options or other awards granted under the 2004 equity incentive plan vest at the rate determined by the board of directors or committee as specified in the option agreement or other applicable award agreement. The terms of any stock bonuses, restricted stock awards, stock appreciation rights, phantom stock awards or other awards granted under the 2004 equity incentive plan will be determined by the board of directors or plan administrator. The purchase price of restricted stock under any restricted stock purchase agreement will be determined by the board of directors or plan administrator. Stock bonuses and restricted stock purchase agreements awarded under the 2004 equity incentive plan will generally be nontransferable, although the applicable award agreement may permit some transfers.

Stock appreciation rights under the 2004 equity incentive plan are granted through a stock appreciation right agreement. Each stock appreciation right is denominated in share equivalents. The strike price of each stock appreciation right is determined by our board of directors or the plan administrator. Phantom stock awards under the 2004 equity incentive plan are purchased through phantom stock award agreements. The consideration for a phantom stock award may be payable in any form permitted under applicable laws. Stock appreciation rights may be paid, and phantom stock awards may be settled, in our common stock or in cash or any combination of the two, or any other form of legal consideration approved by our board of directors.

In addition, other forms of stock awards, based on our common stock may be granted either alone or in addition to other stock awards under the 2004 equity incentive plan. Our board of directors or the plan administrator has sole and complete authority to determine the persons to whom and the time or times at which such other stock awards will be granted, the number of shares of our common stock to be granted and other conditions of such stock awards.

In the event of a corporate transaction amounting to a change of control in our ownership as defined in the 2004 equity incentive plan, all outstanding stock awards under the 2004 equity incentive 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.

Our board of directors may amend or terminate the 2004 equity incentive plan at any time. Amendments will be submitted for stockholder approval to the extent required by applicable law.

2004 Employee Stock Purchase Plan

In February 2004, we adopted our 2004 employee stock purchase plan to become effective upon the closing of this offering. A total of 250,000 shares of common stock have been reserved for issuance under the purchase plan. The purchase 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 purchase plan at our annual meeting of stockholders beginning in 2005. The number of shares added each year will be the least of:

- one percent of our outstanding common stock;
- 300,000; or
- 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 corporate transaction amounting to change of control of ownership as defined in the 2004 employee stock purchase plan, 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.

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 60% 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, 2001 to which we have been a party and in which any director, executive officer or holder of more than five percent 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.

In March and May 2003, we sold in a private placement 10,425,928 shares of Series F preferred stock at $2.70 per share for an aggregate purchase price of $28,150,006 in cash. The shares of Series F preferred stock were sold and issued under a Series F preferred stock purchase agreement dated March 27, 2003. We also issued 750,000 shares of Series E preferred stock to existing holders of preferred stock that participated in the Series F preferred stock financing. Upon the closing of this offering, each share of Series E preferred stock and Series F preferred stock will be reclassified into one share of our common stock. The following table sets forth the names of the principal stockholders that participated in our Series F preferred stock financing and the number of shares they each purchased:

Principal Stockholder	Series F Preferred Stock
Oxford Bioscience Partners IV affiliates	4,629,630
Lonmodtagernes Dyrtidsfond	814,815
OrbiMed Advisors LLC affiliates	925,926
Dansk Kapitalanlaeg Aktieselskab	259,260
Federated Kaufmann Fund	925,926
ABN AMRO Ventures BV	481,482
Hambrecht & Quist Capital Management Inc. and affiliates	462,963

Under our amended and restated stockholders agreement entered into in connection with our Series F preferred stock financing, some of our preferred stockholders have registration rights. See “Description of Capital Stock—Registration Rights” for a description of these registration rights. These registration rights have been waived with respect to this offering. 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 these restrictions and rights are not applicable to, and will terminate upon the closing of, this offering.

Allergan is the sole holder of our Series C preferred stock, and we have entered into three collaboration agreements with Allergan and its affiliates. For a more detailed discussion of our agreements with Allergan, refer to “Business—Collaborations.” One of our directors, Dr. Kaplan, is an executive officer and board member of Allergan.

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

Director	Principal Stockholder
Carl L. Gordon	OrbiMed Advisors LLC affiliates
Martien van Osch	ABN AMRO Ventures BV
Alan G. Walton	Oxford Bioscience Partners affiliates

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 January 31, 2004 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 2,930,012 shares of our common stock outstanding at January 31, 2004 and the conversion or reclassification, as applicable, of all outstanding shares of our preferred stock into 19,801,848 shares of common stock.

Name of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percentage of Shares Beneficially Owned	
		Before Offering	After Offering
5% Stockholders			
Oxford Bioscience Partners IV affiliates(2)	4,629,630	20.4%	
Lonmodtagernes Dyrtidsfond(3)	2,247,907	9.9	
OrbiMed Advisors LLC affiliates(4)	1,778,019	7.8	
Dansk Kapitalanlaeg Aktieselskab(5)	1,718,029	7.6	
Kommunernes Pensionsforsikring A/S(6)	1,408,530	6.2	
Federated Kaufmann Fund(7)	1,372,019	6.0	
ABN AMRO Ventures BV(8)	1,324,783	5.8	
Hambrecht & Quist Capital Management, LLC(9)	1,219,343	5.4	
Directors and Executive Officers			
Uli Hacksell, Ph.D.(10)	815,416	3.5	
Mark R. Brann, Ph.D.(11)	1,535,513	6.6	
Thomas H. Aasen(12)	382,812	1.7	
Robert E. Davis, Ph.D.(13)	304,656	1.3	
Bo-Ragnar Tolf, Ph.D.(14)	144,687	*	
Leslie L. Iversen, Ph.D.(15)	34,000	*	
Alan G. Walton, Ph.D.(2)	4,629,630	20.4	
Carl L. Gordon, Ph.D.(4)	1,778,019	7.8	
Martien van Osch(8)	1,324,783	5.8	
Gordon Binder(16)	1,111,112	4.9	
Lester J. Kaplan, Ph.D.(17)	1,023,000	4.5	
Torsten Rasmussen(18)	21,000	*	
All current directors and executive officers as a group (13 persons)(19)	13,303,794	52.8%	

* 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 January 31, 2004 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) Includes 4,583,334 shares owned by Oxford Bioscience Partners IV and 46,296 shares owned by mRNA Fund II L.P. Dr. Walton is a General Partner of Oxford Bioscience Partners IV and mRNA Fund II L.P., and holds voting and investment power over the shares held by both of these funds. Dr. Walton disclaims beneficial ownership of shares in which he does not have a pecuniary interest. The address for Oxford Bioscience Partners IV and mRNA Fund II L.P. is 222 Berkeley Street, Suite 1650, Boston, MA 02116.

(3) Includes 2,247,907 shares owned by Lonmodtagernes Dyrtidsfond. Hans Jorgen Madsen, Manager, Head of Department, holds the voting and investment power over these shares. The address for Lonmodtagernes Dyrtidsfond is Vendersgade 28, DK-1363, Copenhagen K Denmark.

(4) Includes 1,063,212 shares owned by and 3,600 shares issuable upon exercise of stock options to Eaton Vance Worldwide Health Sciences Fund and 708,807 shares owned by and 2,400 shares issuable upon exercise of stock options to 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, and holds voting and investment power over the shares held by both those funds. 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, 30th Floor, New York, New York 10017-2023.

(5) Includes 1,718,029 shares owned by Dansk Kapitalanlaeg Aktieselskab, a publicly held Danish corporation, Aktieselskab. The address for Dansk Kapitalanlaeg Aktieselskab is 103 Gothersgade, P.O. Box 1080, Copenhagen K Denmark.

(6) Includes 1,408,530 shares owned by Kommunernes Pensionsforsikring A/S. Any two of the following three individuals may make voting or investment decisions regarding the shares: Neils Hougaard, Head of Investments, Anne Charlotte Mark, Head of Equities, and Benny Burchardt, Head of Fixed Income. The address for Kommunernes Pensionsforsikring A/S is Tuborg Havnevej 14 P.O. Box 824 DK-2900 Hellerup Denmark.

(7) Includes 1,372,019 shares owned by Federated Kaufmann Fund. The address for Federated Kaufmann Fund is 140 East 45th Street, 43rd Floor, New York, New York 10017.

(8) Includes 1,324,783 shares owned by ABN AMRO Ventures BV, which is majority owned by ABN AMRO NV, a publicly held company incorporated in the Netherlands. Mr. van Osch is Vice President and Senior Investment Manager of ABN AMRO Capital, a company majority owned by ABN AMRO NV, and he disclaims beneficial ownership of shares in which he does not have a pecuniary interest. The address for ABN AMRO Ventures BV is Gustav Mahlerlaan 10, P.O. Box 283 (HQ4039), 1000 EA Amsterdam, The Netherlands.

(9) Includes 731,606 shares owned by H&Q Healthcare Investors and 487,737 shares owned by H&Q Life Sciences Investors, each of which is a publicly traded closed-end mutual fund. 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, LLC is 30 Rowes Wharf, Suite 430, Boston, Massachusetts 02110-3328.

(10) Includes 95,833 shares owned by Dr. Hacksell and 719,583 shares issuable upon the exercise of stock options.

(11) Includes 835,513 shares held by Dr. Brann and Anna Maria Frost-Jensen, as trustees of The Brann 2004 Trust Dated January 27, 2004, 700,000 shares issuable upon the exercise of stock options, but does not include 687,575 shares held by S.V. Penelope Jones, Ph.D., over which Dr. Brann has voting powers under the terms of a voting agreement. Dr. Brann disclaims beneficial ownership of shares subject to the voting agreement.

(12) Includes 50,000 shares owned by Mr. Aasen and 332,812 shares issuable upon the exercise of stock options.

(13) Includes 304,656 shares issuable upon the exercise of stock options.

(14) Includes 144,687 shares issuable upon the exercise of stock options.

(15) Includes 34,000 shares issuable upon the exercise of stock options.

(16) Includes 1,045,897 shares owned by Coastview Bioscience Partners I, L.P., 36,487 shares owned by Coastview Strategic Fund I, L.P. and 28,728 shares owned by Coastview Advisors Fund I, L.P. Mr. Binder is the Founder and Managing Director of Coastview Bioscience Partners I, L.P., Coastview Strategic Fund I, L.P. and Coastview Advisors Fund I, L.P., and holds voting and investment power over the shares held by these three funds. Mr. Binder disclaims beneficial ownership of shares in which he does not have a pecuniary interest. The address for Coastview Bioscience Partners I, L.P., Coastview Strategic Fund I, L.P. and Coastview Advisors Fund I, L.P. is 11111 Santa Monica Boulevard, Suite 1850, Los Angeles, California 90025.

(17) Includes 1,000,000 shares owned by Allergan Sales, LLC and 23,000 shares issuable to Dr. Kaplan upon the exercise of stock options. Dr. Kaplan is President, Research and Development and Global BOTOX at Allergan, Inc., a public company which is the parent company of Allergan Sales, LLC, and he disclaims beneficial ownership of shares in which he does not have a pecuniary interest. The address for Allergan Sales, LLC is 2525 Dupont Drive, P.O. Box 19534, Irvine, California 92623.

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

(19) Includes 2,484,904 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 75,000,000 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 December 31, 2003, and assuming the conversion or reclassification, as applicable, of all outstanding preferred stock into common stock immediately prior to the closing of this offering there were outstanding 22,725,985 shares of common stock held of record by 79 stockholders, warrants to purchase 148,147 shares of common stock and options to purchase 3,708,164 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. In the event of our liquidation, dissolution or winding up, the common stock is entitled to share in all assets remaining after payment of liabilities and liquidation preferences of outstanding shares of preferred stock. 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 or reclassification, as applicable, 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 148,147 shares of common stock at an exercise price of $4.05 per share. These warrants expire in May 2012 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. In addition, upon the closing of this offering, the terms of office of our board of directors will be divided into three classes as described in "Management —Board Composition."

Registration Rights

Following 180 days after the completion of this offering, under the terms of our amended and restated stockholders agreement, the holders of 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 and the holders of warrants to purchase an aggregate of 148,147 shares of our common stock will have the right to demand that we register their shares, subject to limitations, on Form S-3 or similar form. In addition, all of these holders are entitled, 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 public market for our common stock. Sales of substantial amounts of common stock in the public market after the lapse of contractual and legal restrictions prohibiting their resale described below 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 an aggregate of shares of our common stock assuming no exercise of outstanding options or warrants and no exercise of the underwriters' over-allotment option. Of these shares, the shares sold in this offering will be freely tradable without restrictions or further registration under the Securities Act, unless those shares are purchased by "affiliates" as that term is defined in Rule 144 under the Securities Act. The remaining shares of common stock held by existing stockholders are "restricted securities" as that term is defined in Rule 144 under the Securities Act or are subject to the contractual restrictions described below. Of these remaining securities:

- shares that are not subject to the 180-day lock-up period described below may be sold immediately after completion of this offering;
- additional shares that are not subject to the 180-day lock up period described below may be sold beginning 90 days after the effective date of this offering; and
- additional shares may be sold upon expiration of the 180-day lock-up period described below.

Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 or 701 under the Securities Act, which rules are summarized below.

Rule 144

In general, under Rule 144, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of our common stock for at least one year 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 on The Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 144(k)

Common stock eligible for sale under Rule 144(k) may be sold immediately upon the completion of this offering. In general, under Rule 144(k), a person may sell shares of common stock acquired from us immediately upon completion of this offering, without regard to manner of sale, the availability of public information or volume, if:

- the person is not our affiliate and has not been our affiliate at any time during the three months preceding the sale; and
- the person has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner other than an affiliate.

Rule 701

In general, under Rule 701 of the Securities Act, any of our employees, consultants or advisors who purchase shares from us in connection with a qualified compensatory stock plan or other written agreement is eligible to resell those shares 90 days after the effective date of this offering in reliance on Rule 144, but without compliance with various restrictions, including the holding period, contained in Rule 144.

Lock-up Agreements

Our officers and directors and stockholders beneficially owning approximately % of the shares of common stock, after giving effect to the conversion or reclassification, as applicable, of all outstanding shares of preferred stock into shares of common stock, have signed lock-up agreements under which they agreed not to sell, offer, contract or grant any option to sell, pledge, transfer, establish a put equivalent position or otherwise dispose of, any shares of our common stock or any securities convertible into or exercisable or exchangeable for shares of our common stock beneficially owned by them, for a period ending 180 days after the date of this prospectus. The foregoing does not prohibit open market purchases and sales of our common stock by such holders after the completion of this offering, and limited other transfers as long as the transferee agrees to be bound by the lock-up agreement.

Registration Rights

Upon completion of this offering, the holders of shares of our common stock, or their transferees, have rights to require or participate in the registration of those shares under the Securities Act. For a detailed description of these registration rights see “Description of Capital Stock—Registration Rights.”

Stock Options

We intend to file a registration statement under the Securities Act covering shares of common stock reserved for issuance under our 1997 stock option plan, 2004 equity incentive plan and 2004 employee stock purchase plan. That registration statement is expected to become effective upon filing with the SEC. Accordingly, common stock registered under that registration statement will, subject to vesting provisions and limitations as to the volume of shares that may be sold by our affiliates under Rule 144 described above, be available for sale in the open market unless the holder is subject to the 180-day lock-up period.

As of January 31, 2004, options to purchase 3,819,727 shares of common stock were issued and outstanding at a weighted average exercise price of $0.96 per share. Upon the expiration of the lock-up period described above, at least shares of common stock will be subject to vested options.

Warrants

Upon completion of this offering, there will be warrants outstanding to purchase 148,147 shares of common stock at an exercise price of $4.05 per share. Any shares purchased pursuant to the “cashless exercise” feature of outstanding warrants may be sold approximately 90 days after completion of this offering, subject to the requirements of Rule 144 and subject to the terms of the lock-up agreements to which the holder may be a party.

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 has a valid election in effect to be treated as a domestic trust despite not meeting the requirements described above.

If a partnership holds our common stock, the United States federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder that is a partner in a partnership should consult its tax advisor regarding the United States federal income tax consequences of the acquisition, ownership and disposition of our common stock.

This discussion does not consider:

- state, local or foreign tax consequences;
- the tax consequences for the stockholders or beneficiaries of a Non-U.S. Holder; or
- special tax rules that may apply to selected Non-U.S. Holders, including without limitation, partnerships, dealers in securities, traders in securities and United States expatriates.

This discussion is limited to those Non-U.S. Holders who hold our common stock as a capital asset within the meaning of Section 1221 of the United States Internal Revenue Code of 1986, as amended, or the "Code."

The following discussion is based on provisions of 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. We have not requested a ruling from the Unites States Internal Revenue Service or an opinion of counsel with respect to the United States federal income tax consequences of the purchase or ownership of our common stock to a Non-U.S. Holder under the Code. 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 on the gross amount of the dividend, 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, are considered to be "United States trade or business income," and are generally not subject to the 30% withholding tax if the Non-U.S. Holder files the appropriate United States Internal Revenue Service form with

the payor. However, such United States trade or business income, net of specified deductions and credits, is taxed at the same graduated rates applicable to United States persons. Any United States trade or business income received by a Non-U.S. Holder that is a corporation may also be subject to an additional "branch profits tax" at a 30% rate or such lower rate as specified by an applicable income tax treaty.

A Non-U.S. Holder of our common stock who claims the benefit of an applicable income tax treaty 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 effectively connected with a United States trade or business, or if any income tax treaty applies, attributable to a permanent establishment in the United States, and thus is United States trade or business income, in which case the branch profits tax described above may also 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 183 days or more 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 United 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 interests" 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

The amount of dividends paid to a Non-U.S. Holder and the tax withheld with respect to those dividends may be reported to the United States Internal Revenue Service and to the Non-U.S. Holder. 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. 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 28% 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 28% 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 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;
- 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 United States branches of foreign banks or insurance companies.

Backup withholding may apply to the payment of disposition proceeds by or through a foreign office of 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.

Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder that result in an overpayment of taxes 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

We are offering the shares of common stock described in this prospectus through a number of underwriters. Banc of America Securities LLC, Piper Jaffray & Co., Wachovia Capital Markets, LLC and JMP Securities LLC are the representatives of the underwriters. We have entered into a firm commitment underwriting agreement with the representatives. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has agreed to purchase, the number of shares of common stock listed next to its name in the following table:

Underwriter	Number of Shares
Banc of America Securities LLC	
Piper Jaffray & Co.	
Wachovia Capital Markets, LLC	
JMP Securities LLC	
Total	

The underwriting agreement is subject to a number of terms and conditions and provides that the underwriters must buy all of the shares if they buy any of them. The underwriters will sell the shares to the public when and if the underwriters buy the shares from us.

The underwriters initially will offer the shares to the public at the price specified on the cover page of this prospectus. The underwriters may allow a concession of not more than $ per share to selected dealers. The underwriters may also allow, and those dealers may re-allow, a concession of not more than $ per share to some other dealers. If all the shares are not sold at the public offering price, the underwriters may change the public offering price and the other selling terms. The common stock is offered subject to a number of conditions, including:

- receipt and acceptance of the common stock by the underwriters; and
- the underwriters' right to reject orders in whole or in part.

Over-Allotment Option. We have granted the underwriters an over-allotment option to buy up to additional shares of our common stock, at the same price per share as they are paying for the shares shown in the table above. These additional shares would cover sales of shares by the underwriters which exceed the total number of shares shown in the table above. The underwriters may exercise this option at any time within 30 days after the date of this prospectus. To the extent that the underwriters exercise this option, each underwriter will purchase additional shares from us in approximately the same proportion as it purchased the shares shown in the table above. If purchased, the additional shares will be sold by the underwriters on the same terms as those on which the other shares are sold. We will pay the expenses associated with the exercise of this option.

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

We estimate that the expenses of the offering to be paid by us, not including underwriting discounts and commissions, will be approximately $.

	Paid by Us	
	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

Listing. We expect our common stock to be approved for quotation on The Nasdaq National Market under the symbol "ACAD".

Stabilization. In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common stock, including:

- stabilizing transactions;
- short sales;
- syndicate covering transactions;
- imposition of penalty bids; and
- purchases to cover positions created by short sales.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common stock while this offering is in progress. Stabilizing transactions may include making short sales of our common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering, and purchasing shares of common stock from us or on the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be "naked" shorts, which are short positions in excess of that amount. Syndicate covering transactions involve purchases of our common stock in the open market after the distribution has been completed in order to cover syndicate short positions.

The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the over-allotment option.

A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchased in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The representatives also may impose a penalty bid on underwriters and dealers participating in the offering. This means that the representatives may reclaim from any syndicate members or other dealers participating in the offering the selling concession on shares sold by them and purchased by the representatives in stabilizing or short covering transactions.

These activities may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result of these activities, the price of our common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence the activities, they may discontinue them at any time. The underwriters may carry out these transactions on The Nasdaq National Market, in the over-the-counter market or otherwise.

Market Making. In connection with this offering, some underwriters and any selling group members who are qualified market makers on The Nasdaq National Market may engage in passive market making transactions in our common stock on The Nasdaq National Market. Passive market making is allowed during the period when the SEC's rules would otherwise prohibit market activity by the underwriters and dealers who are participating in this offering. Passive market making may occur during the business day before the pricing of this offering, before the commencement of offers or sales of the common stock. A passive market maker must comply with applicable volume and price limitations and must be identified as a passive market maker. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for our common stock; but if all independent bids are lowered below the passive market maker's bid, the passive market maker must also lower its bid once it exceeds specified purchase limits. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker's average daily trading volume in our common stock during the specified period and must be discontinued when that limit is reached. Passive market making may cause the price of our common stock to be higher than the price that otherwise would exist in the open

market in the absence of those transactions. The underwriters and dealers are not required to engage in a passive market making and may end passive market making activities at any time.

Discretionary Accounts. The underwriters have informed us that they do not expect to make sales to accounts over which they exercise discretionary authority in excess of five percent of the shares being offered.

IPO Pricing. Prior to this offering, there has been no public market for our common stock. The initial public offering price will be negotiated between us and the representatives of the underwriters. Among the factors to be considered in these negotiations are:

- the history of, and prospects for, our company and the industry in which we compete;
- our past and present financial performance;
- an assessment of our management;
- the present state of our development;
- the prospects for our future earnings;
- the prevailing conditions of the applicable United States securities market at the time of this offering;
- market valuations of publicly traded companies that we and the representatives of the underwriters believe to be comparable to us; and
- other factors deemed relevant.

The estimated initial public offering price range set forth on the cover of this preliminary prospectus is subject to change as a result of market conditions and other factors.

Lock-up Agreements. We, our directors and executive officers and most of our existing stockholders and option holders have entered into lock-up agreements with the underwriters. Under these agreements, subject to exceptions, we may not issue any new shares of common stock, and those holders of stock and options may not, directly or indirectly, offer, sell, contract to sell, pledge or otherwise dispose of or hedge any common stock or securities convertible into or exchangeable for shares of common stock, or publicly announce the intention to do any of the foregoing, without the prior written consent of Banc of America Securities LLC for a period of 180 days from the date of this prospectus. This consent may be given at any time without public notice. In addition, during this 180 day period, we have also agreed not to file any registration statement for, and each of our officers and stockholders has agreed not to make any demand for, or exercise any right of, the registration of, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock without the prior written consent of Banc of America Securities LLC.

Directed Share Program. At our request, the underwriters have reserved for sale to our employees, directors, families of employees and directors, business associates and other third parties at the initial public offering price up to five percent of the shares being offered by this prospectus. The sale of the reserved shares to these purchasers will be made by Banc of America Securities LLC. The purchasers of these shares will not be subject to a lock-up except to the extent the purchasers are subject to a lock-up agreement with the underwriters as described above. We do not know if our employees, directors, families of employees and directors, business associates and other third parties will choose to purchase all or any portion of the reserved shares, but any purchases they do make will reduce the number of shares available to the general public. If all of these reserved shares are not purchased, the underwriters will offer the remainder to the general public on the same terms as the other shares offered by this prospectus.

Indemnification. We will indemnify the underwriters against some liabilities, including liabilities under the Securities Act. If we are unable to provide this indemnification, we will contribute to payments the underwriters may be required to make in respect of those liabilities.

Online Offering. We will not offer any shares in this offering online.

Conflicts/Affiliates. The underwriters and their affiliates may in the future provide various investment banking, commercial banking and other financial services for us and our affiliates for which they may receive customary fees.

LEGAL MATTERS

Cooley Godward LLP, San Diego, California, will pass upon the validity of the common stock offered by this prospectus for us. Shearman & Sterling LLP, Menlo Park, California, will pass upon legal matters for the underwriters.

EXPERTS

The financial statements as of December 31, 2002 and 2003 and for each of the three years in the period ended December 31, 2003 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. We also intend to furnish our stockholders with annual reports containing our financial statements audited by an independent public accounting firm and quarterly reports containing our unaudited financial information. We maintain a website at www.acadia-pharm.com. Upon completion of this offering, you may access our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act with the SEC free of charge at our website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The reference to our web address does not constitute incorporation by reference of the information contained at this site.

ACADIA PHARMACEUTICALS INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of convertible preferred stock and stockholders' 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, 2002 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, 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.

/s/ PricewaterhouseCoopers LLP

San Diego, California
February 25, 2004

ACADIA PHARMACEUTICALS INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2002 and 2003

	2002	2003	Pro Forma Stockholders' Equity at December 31, 2003 (Note 2) (unaudited)
Assets			
Cash and cash equivalents	$ 4,453,600	$ 6,308,100	
Investment securities, available-for-sale	7,985,600	20,905,900	
Prepaid expenses and other current assets	811,500	1,058,200	
Total current assets	13,250,700	28,272,200	
Property and equipment, net	2,419,300	3,117,000	
Other assets	353,200	303,800	
	$ 16,023,200	$ 31,693,000	
Liabilities, Convertible Preferred Stock and Stockholders' Deficit			
Accounts payable	$ 1,120,800	$ 1,532,700	
Accrued expenses	1,735,600	2,130,900	
Deferred revenue	321,000	1,320,000	
Current portion of long-term debt	2,975,700	3,242,300	
Total current liabilities	6,153,100	8,225,900	
Long-term debt, less current portion	3,458,300	1,624,100	
Commitments (Note 10)			
Convertible preferred stock, $0.01 par value; 21,169,067 shares authorized; 8,625,920 and 19,801,848 shares issued and outstanding at December 31, 2002 and 2003, respectively; liquidation preference $88,385,000 at December 31, 2003; preferred stock, $0.0001 par value; 5,000,000 shares authorized, no shares issued and outstanding pro forma (unaudited)	46,501,800	74,514,000	—
Stockholders' equity (deficit)			
Common stock, $0.0001 par value; 30,000,000 shares authorized; 2,909,852 and 2,924,137 shares issued and outstanding at December 31, 2002 and 2003, respectively; 75,000,000 shares authorized; 22,725,985 shares issued and outstanding pro forma (unaudited)	300	300	$ 2,300
Additional paid-in capital	15,045,700	18,193,600	92,705,300
Accumulated deficit	(54,273,300)	(68,365,900)	(68,365,900)
Unearned stock-based compensation	(1,179,900)	(2,923,100)	(2,923,100)
Accumulated other comprehensive income	317,200	424,100	424,100
Total stockholders' equity (deficit)	(40,090,000)	(52,671,000)	$ 21,843,000
	$ 16,023,200	$ 31,693,000	

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

ACADIA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2001, 2002 and 2003

	2001	2002	2003
Revenues			
Collaborative revenues—related party	$ 3,713,800	$ 3,654,500	$ 4,952,700
Other collaborative research revenues	—	2,621,100	2,425,700
Total revenues	3,713,800	6,275,600	7,378,400
Operating expenses			
Research and development(1)	13,090,500	14,920,700	16,935,000
General and administrative(1)	3,755,700	2,818,200	2,790,900
Stock-based compensation	2,147,000	1,162,600	1,392,500
Total operating expenses	18,993,200	18,901,500	21,118,400
Loss from operations	(15,279,400)	(12,625,900)	(13,740,000)
Interest income	1,494,600	419,600	360,000
Interest expense	(620,900)	(661,900)	(712,600)
Net loss	$ (14,405,700)	$ (12,868,200)	$ (14,092,600)
Participation of preferred stock	(10,792,300)	(9,622,200)	(12,279,300)
Net loss available to common stockholders	(3,613,400)	(3,246,000)	(1,813,300)
Net loss per common share, basic and diluted	$ (1.50)	$ (1.12)	$ (0.62)
Weighted average common shares outstanding, basic and diluted	2,416,305	2,904,025	2,918,441
Pro forma net loss per share, basic and diluted (unaudited)			$ (0.71)
Pro forma weighted average shares outstanding, basic and diluted (unaudited)			19,741,122

(1) Excludes stock-based compensation as follows:

Research and development	$ 1,103,700	$ 611,900	$ 778,100
General and administrative	1,043,300	550,700	614,400
	$ 2,147,000	$ 1,162,600	$ 1,392,500

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

ACADIA PHARMACEUTICALS INC.

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

Years Ended December 31, 2001, 2002 and 2003

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Unearned Stock-Based Compensation	Accumulated Other Comprehensive (Loss)/Income	Total Stockholders' Deficit	Comprehensive Loss
	Shares	Amount	Shares	Amount						
Balances at December 31, 2000	8,625,920	$ 46,501,800	2,157,462	$ 200	$ 6,801,300	$ (26,999,400)	$ (2,616,300)	$ 306,500	$ (22,507,700)	$ (9,944,800)
Issuance of common stock from exercise of stock options	—	—	190,993	—	135,400	—	—	—	135,400	
Issuance of common stock from retirement of debt	—	—	539,622	100	5,916,800	—	—	—	5,916,900	
Net loss	—	—	—	—	—	(14,405,700)	—	—	(14,405,700)	$ (14,405,700)
Noncash compensation related to stock options granted	—	—	—	—	1,955,900	—	151,100	—	2,147,000	
Unrealized gain on investment securities	—	—	—	—	—	—	—	8,300	8,300	8,300
Cumulative translation adjustment	—	—	—	—	—	—	—	66,200	66,200	66,200
Balances at December 31, 2001	8,625,920	46,501,800	2,888,077	300	14,849,400	(41,405,100)	(2,465,200)	381,000	(28,639,600)	$ (14,331,200)
Issuance of common stock from exercise of stock options	—	—	21,775	—	15,000	—	—	—	15,000	
Issuance of preferred stock warrants in connection with debt financing	—	—	—	—	304,000	—	—	—	304,000	
Net loss	—	—	—	—	—	(12,868,200)	—	—	(12,868,200)	$ (12,868,200)
Noncash compensation related to stock options granted	—	—	—	—	(122,700)	—	1,285,300	—	1,162,600	
Unrealized gain (loss) on investment securities	—	—	—	—	—	—	—	(104,700)	(104,700)	(104,700)
Cumulative translation adjustment	—	—	—	—	—	—	—	40,900	40,900	40,900
Balances at December 31, 2002	8,625,920	46,501,800	2,909,852	300	15,045,700	(54,273,300)	(1,179,900)	317,200	(40,090,000)	$ (12,932,000)
Issuance of Series F preferred stock at $2.70 per share, net of issuance costs	10,425,928	28,004,700	—	—	—	—	—	—	—	
Issuance of Series E preferred stock in connection with Series F offering	750,000	7,500	—	—	(7,500)	—	—	—	(7,500)	
Issuance of common stock from exercise of stock options	—	—	14,285	—	19,700	—	—	—	19,700	
Net loss	—	—	—	—	—	(14,092,600)	—	—	(14,092,600)	$ (14,092,600)
Noncash compensation related to stock options granted	—	—	—	—	3,135,700	—	(1,743,200)	—	1,392,500	
Unrealized gain (loss) on investment securities	—	—	—	—	—	—	—	6,600	6,600	6,600
Cumulative translation adjustment	—	—	—	—	—	—	—	100,300	100,300	100,300
Balances at December 31, 2003	19,801,848	$ 74,514,000	2,924,137	$ 300	$ 18,193,600	$ (68,365,900)	$ (2,923,100)	$ 424,100	$ (52,671,000)	$ (13,985,700)

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

ACADIA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2001, 2002 and 2003

	2001	2002	2003
Cash flows from operating activities			
Net loss	$ (14,405,700)	$ (12,868,200)	$ (14,092,600)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation and amortization	1,360,700	1,402,800	1,343,600
Stock-based compensation	2,147,000	1,162,600	1,392,500
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	164,800	(191,200)	(177,700)
Other assets	416,700	10,400	81,600
Accounts payable	(378,400)	538,300	319,800
Accrued expenses	182,800	381,100	317,400
Deferred revenue	(794,400)	321,000	999,000
Net cash used in operating activities	(11,306,500)	(9,243,200)	(9,816,400)
Cash flows from investing activities			
Purchases of investment securities	(4,227,800)	(11,992,000)	(37,063,600)
Sale of investment securities	1,003,900	—	—
Realized gain on sale of investment securities	13,200	—	—
Maturities of investment securities	12,881,800	16,221,000	24,150,000
Purchases of property and equipment	(928,500)	(380,600)	(1,777,300)
Net cash provided by (used in) investing activities	8,742,600	3,848,400	(14,690,900)
Cash flows from financing activities			
Proceeds from issuance of long-term debt	1,856,200	5,889,000	1,451,500
Repayments of long-term debt	(764,000)	(1,518,400)	(3,071,800)
Proceeds from issuance of preferred stock, net of issuance costs	—	—	28,004,700
Proceeds from issuance of common stock	135,400	15,000	19,700
Net cash provided by financing activities	1,227,600	4,385,600	26,404,100
Effect of exchange rate changes on cash	(66,800)	(48,000)	(42,300)
Net (decrease) increase in cash and cash equivalents	(1,403,100)	(1,057,200)	1,854,500
Cash and cash equivalents			
Beginning of year	6,913,900	5,510,800	4,453,600
End of year	$ 5,510,800	$ 4,453,600	$ 6,308,100
Supplemental disclosure of cash flow information			
Interest paid	$ 404,100	$ 474,600	$ 570,600
Supplemental schedule of noncash investing and financing activities			
Unrealized gain (loss) on investment securities	8,300	(104,700)	6,600
Issuance of common stock to retire debt	5,916,900	—	—
Issuance of stock warrants related to note payable	—	304,000	—

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

ACADIA PHARMACEUTICALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001, 2002 and 2003

1. Organization and Nature of Operations

ACADIA Pharmaceuticals Inc. (the "Company"), a Delaware corporation, was incorporated on July 16, 1993. ACADIA is focused on the discovery and development of small molecule drugs for the treatment of central nervous system disorders. 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. The Company's operations are subject to certain risks and uncertainties, including those associated with the history of operating losses and risk of continued losses, early stage of development, dependence on the outcome of clinical trials and dependence on regulatory approval to sell products. At December 31, 2003, the Company's accumulated losses were approximately $68,365,900. The Company expects to increase operating expenses over the next several years as it expands its research and development activities. Accordingly, the Company will require additional financing in the future to fund operations. The Company does not know whether additional financing will be available when needed, or if it will be available 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 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 as presently anticipated, all of the outstanding shares of preferred stock will convert or reclassify into 19,801,848 shares of common stock. Unaudited pro forma stockholders' equity at December 31, 2003 reflects the conversion or reclassification of all outstanding convertible preferred stock into common stock as if such conversion had occurred at December 31, 2003.

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.

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 as 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.

Fair Value of Financial Instruments

For financial instruments consisting of cash and cash equivalents, accounts payable and accrued expenses included in the Company's financial statements, the carrying amounts are reasonable estimates of fair value due to their short maturities. Estimated fair values for investment securities, which are separately disclosed elsewhere, are based on quoted market prices for the same or similar instruments. Based on borrowing rates currently available to the Company, the carrying value of the equipment financing lines approximate fair value.

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

The Company recognizes revenues in accordance with Securities and Exchange Commission Staff Accounting Bulletin, or SAB, No. 104, *Revenue Recognition.* SAB No. 104 requires that four basic criteria must be met before revenue can be recognized; persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the fee is fixed and determinable; and collectibility is reasonably assured. The Company's revenues are primarily related to its collaboration agreements, and such agreements provide for various types of payments to the Company, including research funding, upfront payments, future milestone payments, and royalties.

Upfront, nonrefundable payments under collaboration agreements are recognized ratably over the term of the agreement. Revenues from licenses of our technology are generally recognized upon delivery. When arrangements contain extended payment terms, revenues are recognized upon the receipt of the payment. Payments for research funding are recognized as revenues as the related research activities are performed. The Company's collaborations do not require scientific achievement as a performance obligation and amounts received under the agreements are nonrefundable. Revenues from nonrefundable milestones are recognized when earned, provided that (i) the milestone event is substantive and its achievability was not reasonably assured at the inception of the agreement and (ii) the Company does not have ongoing performance obligations. Any amounts received under the agreements in advance of performance are recorded as deferred revenue. None of the revenues recognized to date are refundable even if the related research activities are not successful.

Research and Development Costs

Research and development costs are expensed as incurred.

ACADIA PHARMACEUTICALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 2001, 2002 and 2003

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 government agencies, 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 year ended December 31, 2001, revenues from a related party, Allergan, Inc., accounted for all of the Company's revenues. During the years ended December 31, 2002 and 2003, revenue from two customers compromised 88 percent and 99 percent of revenues, respectively, of which 58 percent and 67 percent, respectively, were from Allergan, a related party. At December 31, 2002 and 2003, deferred revenue from Allergan was $154,400 and $1,320,000, respectively.

Foreign Currency Translation

The functional currency of ACADIA Pharmaceuticals A/S is the local currency. Accordingly, assets and liabilities of this entity are translated at the current exchange rate at the balance sheet date and historical rates for equity. 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). At December 31, 2002 and 2003, the accumulated equity adjustment from foreign currency translation was $316,100 and $416,400, respectively.

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 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. 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. The fair value of each award is estimated using the Black-Scholes option pricing model.

Pro forma information regarding net income (loss) has been determined as if the Company had accounted for its employee stock options under the fair value methodology.

ACADIA PHARMACEUTICALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 2001, 2002 and 2003

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:

	2001	2002	2003
Dividend yield	0.0%	0.0%	0.0%
Volatility	0.0%	0.0%	0.0%
Risk-free interest rate	6.0%	6.0%	3.0%
Expected life (in years)	5	5	5

Pro forma information follows for the years ending December 31:

	2001	2002	2003
Net loss, as reported	$ (14,405,700)	$ (12,868,200)	$ (14,092,600)
Add: Total stock-based employee compensation costs included in the determination of net loss	2,176,000	1,252,800	1,306,400
Deduct: Total stock-based employee compensation costs that would have been included in net loss if the fair value method had been applied	(2,360,300)	(1,454,600)	(1,460,300)
Pro forma net loss	$ (14,590,000)	$ (13,070,000)	$ (14,246,500)
Participation of preferred stock	(10,930,800)	(9,773,700)	(12,413,000)
Pro forma net loss available to common stockholders	(3,659,200)	(3,296,300)	(1,833,500)
Actual net loss per common share, basic and diluted	$ (1.50)	$ (1.12)	$ (0.62)
Pro forma net loss per common share, basic and diluted	$ (1.51)	$ (1.14)	$ (0.63)

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 recoverable. An impairment

loss is recognized when the estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. 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 Common Share

Basic earnings (loss) per common 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 common 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 common share by application of the treasury stock method.

The Company has excluded all 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 common share, prior to application of the treasury stock method for options and warrants, was 1,924,620, 2,006,120 and 3,092,296 for the years ended December 31, 2001, 2002 and 2003, respectively. The Company computes its net income (loss) per common share using the two class method; therefore, the right of preferred stockholders to participate in the Company’s income (loss) is excluded from income (loss) available to common stockholders.

ACADIA PHARMACEUTICALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 2001, 2002 and 2003

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, 2003 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, 2003 excludes 2,944,149 options to purchase common stock and 148,147 warrants to purchase preferred stock as their inclusion would be antidilutive. The following table presents the calculation of net loss per share:

	2001	2002	2003
Net loss	$ (14,405,700)	$ (12,868,200)	$ (14,092,600)
Participation of preferred stock	(10,792,300)	(9,622,200)	(12,279,300)
Net loss available to common stockholders	(3,613,400)	(3,246,000)	(1,813,300)
Basic and diluted net loss per common share	$ (1.50)	$ (1.12)	$ (0.62)
Weighted-average shares used in computing net loss per common share, basic and diluted	2,416,305	2,904,025	2,918,441
Unaudited pro forma net loss per share, basic and diluted (unaudited)			$ (0.71)
Shares used to compute unaudited pro forma net loss per share:			
Weighted-average shares used in computing net loss per common share, basic and diluted			2,918,441
Unaudited pro forma adjustment to reflect weighted-average effect of assumed conversion of preferred stock			16,822,681
Shares used in computing unaudited pro forma net loss per share, basic and diluted			19,741,122

Shares used in calculating basic and diluted net loss per common share above exclude these potential common shares as their effect would be antidilutive:

	2001	2002	2003
Options to purchase common stock	1,687,363	1,919,701	2,944,149
Warrants to purchase preferred stock	237,257	86,419	148,147
	1,924,620	2,006,120	3,092,296

ACADIA PHARMACEUTICALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 2001, 2002 and 2003

Segment Reporting

Management has determined that the Company operates in one business segment. All revenues for the years ended December 31, 2002 and 2003 were generated in the United States. Information regarding long-lived assets by geographic area is as follows:

	2002	2003
United States	$ 1,859,200	$ 1,660,300
Denmark	913,300	1,760,500
Total	$ 2,772,500	$ 3,420,800

Recently Issued Accounting Standards

In December 2002, the Emerging Issues Task Force ("EITF") issued EITF Issue 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables* ("EITF 00-21"). EITF 00-21 provides guidance on determining whether a revenue arrangement contains multiple deliverable items and if so, requires that revenue be allocated amongst the different items based on fair value. EITF 00-21 also requires that revenue on any item in a revenue arrangement with multiple deliverables not delivered completely must be deferred until delivery of the item is completed. The guidance in EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company is currently assessing the impact of the implementation of EITF 00-21 on its results of operations or financial position.

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51* ("FIN No. 46"), and a revised interpretation of FIN No. 46 was issued in December 2003. FIN No. 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN No. 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. Since January 31, 2003, the Company has not invested in any entities it believes are variable interest entities for which the Company is the primary beneficiary. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN No. 46 must be applied for the first interim or annual period beginning after June 15, 2003. The adoption of FIN No. 46 did not have a material impact on the Company's financial statements.

In May 2003, the Financial Accounting Standards Board issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity* ("SFAS" No. 150"). SFAS No. 150 requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatorily redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003 and otherwise is effective the beginning of the first interim period after June 15, 2003. The adoption of SFAS No. 150 did not have a material impact on the Company's financial statements.

ACADIA PHARMACEUTICALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 2001, 2002 and 2003

3. Investment Securities

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

	2002	2003
Corporate securities due within one year	$ 7,985,600	$ 15,522,300
Corporate securities due after one year	—	5,383,600
	$ 7,985,600	$ 20,905,900

The fair value of investment securities at December 31, 2002 and 2003 was higher than historical cost; therefore, unrealized gains of $ 1,100 and $7,700, respectively, have been included in accumulated other comprehensive income in stockholders' deficit. The Company had realized gains of $13,200, $0 and $0 during the years ended December 31, 2001, 2002 and 2003.

4. Balance Sheet Components

Property and equipment, net consist of:

	Estimated Useful Lives (Years)	2002	2003
Machinery and equipment	5	$ 3,356,500	$ 5,146,500
Computers and software	3	2,066,700	2,258,700
Furniture and fixtures	3–7	121,500	130,500
Leasehold improvements	life of lease	2,195,300	2,445,300
		7,740,000	9,981,000
Accumulated depreciation and amortization		(5,320,700)	(6,864,000)
		$ 2,419,300	$ 3,117,000

Depreciation and amortization of property and equipment was $1,360,700, $1,294,200 and $1,209,200 for the years ended December 31, 2001, 2002 and 2003, respectively.

Accrued expenses consist of:

	2002	2003
Accrued compensation and benefits	$ 1,078,700	$ 1,181,700
Accrued clinical and research services	238,400	536,800
Accrued professional fees	125,300	155,500
Accrued laboratory supplies	121,500	100,700
Other	171,700	156,200
	$ 1,735,600	$ 2,130,900

ACADIA PHARMACEUTICALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 2001, 2002 and 2003

5. Long-Term Debt

The Company has entered into equipment financing agreements that were used by the Company to finance $6 million of capital expenditures. The agreements provide for equal monthly installments to be paid over a three to four year period, with interest at rates ranging from 7.93 percent to 12.58 percent per annum. Outstanding borrowings under these agreements are collateralized by the related equipment. At December 31, 2002 and 2003, the Company had $2,071,500 and $2,260,200 in outstanding borrowings under these agreements, respectively. The Company was in compliance with certain required financial covenants and conditions at December 31, 2002 and 2003.

In May 2002, the Company issued a secured promissory note for $5,000,000. The note payable accrues interest at a rate of 10.73 percent with monthly interest only payments through August 2002, followed by monthly principal and interest payments through March 2005. The note payable is collateralized by substantially all personal property of the Company, excluding its intellectual property. In connection with the note payable, the Company issued to the lender warrants to purchase shares of its preferred stock. The fair value of the warrant was deducted from the total proceeds resulting in a debt discount of $304,000 (Note 7), which is being amortized to interest expense over the term of the note payable.

In February 1997, the Company's Danish subsidiary was granted a loan from The VaekstFonden (The Danish Fund for Industrial Growth), which provided funding over the term of a research project conducted by the subsidiary. In October 2001, the Company issued 539,622 shares of its common stock in retirement of the aggregate outstanding loan and accrued interest balance of $5,916,900. The fair value of the shares was equal to the carrying value of the loan and accrued interest.

At December 31, 2003, future payments under the Company's long-term debt are as follows:

Years Ending	
2004	$ 3,242,300
2005	1,206,700
2006	404,000
2007	73,900
	4,926,900
Less: Unamortized discount	(60,500)
Less: Current portion	(3,242,300)
Long-term portion	$ 1,624,100

6. Collaborative Research and Licensing Agreements

In March 2003, the Company entered into a three year collaboration agreement with Allergan, Inc. to discover, develop and commercialize new therapeutics predominantly for ophthalmic indications. Under the agreement, the parties will use the Company's target-specific chemistries to explore a range of discovery opportunities. Allergan will have the exclusive right to license chemistry and related assets for up to three drug targets. The Company received an upfront payment and is entitled to receive research funding and additional fees over the three year term. The Company is also eligible to receive license fees and milestone payments as well as royalties on future product sales worldwide, if any. Revenue recognized under this agreement totaled $2.7 million during the year ended December 31, 2003.

ACADIA PHARMACEUTICALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 2001, 2002 and 2003

In July 1999, the Company entered into a licensing and development collaboration agreement with Allergan, Inc. to develop and commercialize drugs for glaucoma based on the Company's compounds. Under the agreement, the Company has provided its drug discovery expertise to enable the selection by Allergan of up to two drug candidates for clinical development and commercialization. Allergan selected the first of these collaboration compounds in November 2003. Allergan was granted worldwide rights to products based on these compounds for the treatment of ocular disease. The Company retains the rights to its muscarinic compounds and related assets for all other therapeutic areas. In addition, the Company is eligible to receive additional milestone payments as well as royalties on future product sales worldwide, if any. Allergan also has the right to select a second development candidate, subject to the payment of additional milestones to the Company. Revenue recognized under this agreement totaled $1.9 million, $1.9 million and $1.8 million during the years ended December 31, 2001, 2002 and 2003, respectively.

In September 1997, the Company entered into a collaboration agreement with Allergan focused primarily on the discovery and development of new therapeutics for ophthalmic indications and neuropathic pain. This agreement was subsequently amended in conjunction with the execution of the March 2003 collaboration agreement and provides for the continued development of drug candidates for one target area. Pursuant to the agreement, the Company granted Allergan exclusive worldwide rights to commercialize products resulting from the collaboration. In exchange, the Company received research funding and milestone payments. The Company is also eligible to receive additional milestone payments as well as royalties on future worldwide sales of products, if any. Revenue recognized under this agreement totaled $1.8 million, $1.7 million and $463,100 during the years ended December 31, 2001, 2002 and 2003, respectively. In connection with the execution of the collaboration agreement in 1997, Allergan made a $6.0 million equity investment in the Company, acquiring 1,000,000 shares of Series C preferred stock.

In December 2001, the Company entered into a collaboration agreement with Amgen to discover novel small molecule drugs using the Company's proprietary drug discovery platform. Under the agreement, the Company and Amgen collaborated to identify drug candidates directed at a number of drug targets selected by the parties. The Company received an upfront payment, research funding, and a milestone payment related to research in one target area. Revenue recognized under this agreement totaled $1.9 million and $2.3 million during the years ended December 31, 2002 and 2003, respectively.

In July 2002, the Company entered into an agreement with Aventis under which the Company granted Aventis a license to utilize certain of the Company's technology for a specified use. The agreement provided for an initial payment and annual payments thereafter. The agreement terminates upon expiration of the Company's patent underlying the licensed technology. Revenue recognized under this agreement totaled $500,000 and $50,000 during the years ended December 31, 2002 and 2003, respectively.

ACADIA PHARMACEUTICALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 2001, 2002 and 2003

7. Convertible Preferred Stock and Stockholders' Deficit

Convertible Preferred Stock

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

	Shares Authorized December 31,		Shares Issued and Outstanding December 31,		Preference in Liquidation at December 31, 2003
	2002	2003	2002	2003	
Series A	2,372,548	2,372,548	2,372,548	2,372,548	$ 5,738,600
Series B	738,384	738,384	738,384	738,384	2,706,700
Series C	1,000,000	1,000,000	1,000,000	1,000,000	5,461,000
Series D	1,908,135	1,908,135	1,581,653	1,581,653	9,130,500
Series E	4,000,000	4,000,000	2,933,335	3,683,335	19,956,300
Series F	—	11,150,000	—	10,425,928	45,391,900
	10,019,067	21,169,067	8,635,920	19,801,848	$ 88,385,000

Additional Series E Preferred Shares

In connection with the private placement of Series F preferred stock in March 2003, the Company issued 750,000 shares of Series E Preferred stock to existing holders of preferred stock that participated in the Series F offering. The fair value of the shares issued was $1,822,500.

Conversion

Each share of the Company's Series A, B, D, E and F preferred stock shall be reclassified in certain circumstances into one share of common stock upon the closing of a qualifying initial public offering ("Qualified Offering"). 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 Qualified Offering. A Qualified Offering 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 $25 million at a price per share of at least $6.75. In addition, each share of the Company's Series A, B, D, E and F preferred stock may be reclassified into one share of common stock upon the vote or written consent of the holders of a majority of the issued and outstanding shares of the Series A, B, D, E and F preferred stock voting together as a single class. The 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, currently one vote for each share of outstanding preferred stock.

ACADIA PHARMACEUTICALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Dividends

The holders of preferred stock are entitled to receive noncumulative 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 Qualified Offering the holders of Series A, B, D, E and F preferred stock are entitled to antidilution protection, if applicable, in the form of a dividend payable in shares, as calculated based upon a formula ("Special Dividend"). At December 31, 2003, no shares were payable under the terms of the Special Dividend.

Liquidation

In the event of any liquidation, dissolution or winding up of the Company, the holders of Series F preferred stock are entitled to a preference in relation to holders of Series A, B, C, D and E and common stock with regard to any distribution as follows: the greater of (i) $4.05 per share, plus a rate of return of 10 percent per annum from the original issue date until the date of payment, or (ii) the amount payable under the Special Dividend, if applicable. The Series A, B, C, D and E stock are then entitled to a preference in relation to the Company's common stock with regard to any distribution as follows: the greater of $2.25, $3.41, $5.08, $5.37 and $5.04 per share, respectively, plus a rate of return of 10 percent per annum from March 27, 2003 until the date of payment, or (ii) the amount payable under the Special Dividend, if applicable.

In the event of a sale of all or substantially all of the assets of the Company or a merger or consolidation of the Company into or with another corporation in which the holders of capital stock of the Company immediately prior to such merger or consolidation do not continue to hold at least 80 percent of the voting power of the capital stock of the surviving corporation, the transaction may be deemed to be a liquidation of the Company with respect to Series A, B, C, D, E and F preferred stock if a majority of the Series A, B, C, D, E and F stockholders, taken together, and a majority of the Series F stockholders vote in favor of deeming such asset sale, merger or consolidation a liquidation. Upon the occurrence of such a deemed liquidation event, the holders of the Series A, B, C, D, E and F preferred shares would receive a distribution of the consideration received by the Company as specified above in return for their preferred shares. Therefore, the preferred stock is considered mezzanine equity as presented in the consolidated balance sheets.

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. The rights of refusal to participate in future equity offerings does not apply to and would expire upon a Qualified Offering.

Warrants

At December 31, 2003, the Company had outstanding warrants to purchase 148,147 shares of Series F preferred stock. The warrants had an exercise price of $4.05 per share and expire on the later of May 31, 2012 or five years after the initial public offering of the Company's common stock. The warrants were issued in connection with a secured promissory note in 2002 (Note 5). The fair value of the warrants at the time of grant, which was determined by management to be $304,000 based upon the application of the Black-Scholes option pricing model using the following assumptions: contractual life of ten years, risk free interest rate of 4.9%, volatility of 80% and expected dividend yield of zero, was recorded as a debt discount.

ACADIA PHARMACEUTICALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 2001, 2002 and 2003

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 to purchase shares of common stock. In September 2003, the stockholders approved an increase in the number of shares of common stock reserved for issuance under the Plan to 6,160,000 shares. 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, 2003, options to purchase 1,827,666 shares of common stock remain available for grant under the Plan.

Stock option transactions under the Plan during the years ending December 31, 2001, 2002 and 2003 are presented below:

	Number of Shares	Weighted-Average Exercise Prices
Balance at December 31, 2000	1,540,154	$ 0.81
Granted	521,500	$ 2.93
Exercised	(190,993)	$ 0.71
Canceled/forfeited	(71,251)	$ 1.25
Balance at December 31, 2001	1,799,410	$ 1.42
Granted	386,000	$ 1.41
Exercised	(21,775)	$ 0.69
Canceled/forfeited	(125,436)	$ 0.98
Balance at December 31, 2002	2,038,199	$ 1.39
Granted	1,753,250	$ 0.54
Exercised	(14,285)	$ 1.38
Canceled/forfeited	(69,000)	$ 1.90
Balance at December 31, 2003	3,708,164	$ 0.98

At December 31, 2001, 2002 and 2003, there were 807,932, 1,403,508 and 3,147,745 options exercisable, respectively. Were these options to be exercised, 220,000 and 1,644,481 shares would be subject to repurchase by the Company at December 31, 2002 and 2003, respectively.

ACADIA PHARMACEUTICALS INC.
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December 31, 2001, 2002 and 2003

The following table summarizes information about stock options outstanding at December 31, 2003:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number of Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
$0.01–$0.25	124,333	3.2	$ 0.15	130,833	$ 0.16
$0.40–$0.60	2,050,500	8.8	$ 0.55	1,808,500	$ 0.55
$0.75–$1.00	940,895	6.8	$ 0.86	830,811	$ 0.86
$1.50–$2.00	333,583	7.2	$ 1.91	242,811	$ 1.91
$4.00	258,853	7.9	$ 4.00	134,790	$ 4.00
	3,708,164			3,147,745	

The weighted average fair value of options granted during the years ended December 31, 2001, 2002 and 2003 was approximately $4.76, $1.22 and $1.90, respectively.

During the years ended December 31, 2002 and 2003, in connection with the grant of various stock options to employees, the Company recorded unearned stock-based compensation, net of forfeitures, of $(32,400) and $3,049,600, respectively, representing the difference between the exercise price and the estimated market value of the Company's common stock on the date such stock options were granted. Unearned stock-based compensation is included as a component of stockholders' deficit and is being amortized to expense over the vesting period of the options in accordance with FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans*. During the years ended December 31, 2001, 2002 and 2003, the Company recorded amortization of unearned stock-based compensation expense of $2,176,000, $1,252,800 and $1,306,400, respectively.

During the years ended December 31, 2001, 2002 and 2003, in connection with the grant of stock options to consultants, the Company recorded credits of $29,000, $90,200 and expense of $86,100, 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 years ended December 31, 2001, 2002 and 2003: dividend yield of 0.0 percent; volatility of 100 percent; and contractual life of ten years for all periods. Risk free interest rates of 6 percent, 6 percent and 4 percent were assumed for the years ended December 31, 2001, 2002 and 2003, respectively.

Common Stock Reserved For Future Issuance

At December 31, 2003, a total of 19,801,848 shares of common stock have been reserved for conversion or reclassification of preferred stock into common stock. In addition, 3,708,164 and 148,147 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 are eligible to contribute up to 60 percent of their pretax earnings, not to exceed amounts allowed under the code. The Company makes contributions to the 401(k) Plan equal to 100 percent of the employees' pretax contributions up

to 5 percent of their eligible compensation. The Company's total contributions to the 401(k) Plan were $202,000, $214,100 and $204,700 for the years ended December 31, 2001, 2002 and 2003, respectively.

9. Income Taxes

At December 31, 2003, the Company has both federal and state net operating loss carryforwards of approximately $46,900,000 and $13,600,000, respectively, which begin to expire in 2013 and 2005, respectively. The Company has $1,188,000 of federal research and development credit carryforwards that begin to expire in 2004. The Company also has foreign net operating loss carryforwards of approximately $5,100,000 that begin to expire in 2004. In certain circumstances, as specified in the Internal Revenue Code, an ownership change of fifty percent or more by certain combinations of the Company's stockholders during any three year period could result in an annual limitation on the Company's ability to utilize portions of the domestic net operating loss and research and development credit carryforwards.

The components of the deferred tax asset are as follows:

	2002	2003
Net operating loss carryforwards	$ 13,412,300	$ 18,280,700
Research and development credit carryforwards	2,361,700	2,609,100
Purchased intellectual property	1,229,700	1,141,900
Property and equipment	567,400	1,109,200
Capitalized research and development	881,200	1,631,100
Other	211,000	537,100
	18,663,300	25,309,100
Valuation allowance	(18,663,300)	(25,309,100)
	$ —	$ —

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance.

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:

	2001	2002	2003
Amounts computed at statutory federal rate	$(4,897,600)	$(4,375,300)	$(4,791,200)
Permanent Differences	729,900	456,600	473,400
Federal research and development credits	(235,600)	(261,900)	(254,100)
Change in valuation allowance of deferred tax assets	5,209,900	4,833,700	5,650,300
State taxes	(624,200)	(762,700)	(1,011,600)
Foreign tax rate difference	45,100	(4,600)	(14,800)
Other	(227,500)	114,200	(52,000)
	$ —	$ —	$ —

ACADIA PHARMACEUTICALS INC.
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10. Commitments

The Company and its subsidiary lease office/laboratory facilities and certain equipment under noncancelable operating leases that expire at various dates through November 2007. 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, 2003:

Years Ending	
2004	$ 1,403,500
2005	1,102,700
2006	16,700
2007	15,700
	$ 2,538,600

Rent expense was $1,009,000, $1,128,800 and $1,189,100 for the years ended December 31, 2001, 2002 and 2003, respectively. Facility operating leases contain escalation clauses. The Company recognized rent expense on a straight-line basis over the lease term.

11. Subsequent Events

Initial Public Offering

In February 2004, 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 December 31, 2003 will convert or reclassify into shares of common stock.

2004 Equity Incentive Plan

In February 2004, the Board of Directors approved the 2004 equity incentive plan. Adoption of the 2004 equity incentive plan is subject to stockholder approval and will be effective upon the closing of the initial public offering.

2004 Employee Stock Purchase Plan

In February 2004, the Board of Directors approved the 2004 employee stock purchase plan. Adoption of the 2004 employee stock purchase plan is subject to stockholder approval and will be effective upon the closing of the initial public offering.

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Shares

Common Stock

Prospectus
, 2004

Banc of America Securities LLC

Piper Jaffray

Wachovia Securities

JMP Securities

Until , 2004, all dealers that buy, sell or trade the common stock may be required to deliver a prospectus, regardless of whether they are participating in this offering. This is in addition to the dealer's obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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 and the NASD filing fee.

	Amount To Be Paid
Registration fee	$ 10,928
NASD fee	9,125
Nasdaq National Market listing fee	*
Printing and engraving	*
Legal fees and expenses	*
Accounting fees and expenses	*
Blue sky fees and expenses	*
Transfer agent fees	*
Miscellaneous	*
Total	$

* to be provided by amendment

Item 14. Indemnification of Directors and Officers

Section 102 of the Delaware General Corporation Law allows a corporation to eliminate the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director, except where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit.

Section 145 of the Delaware General Corporation Law provides that a corporation has the power to indemnify a director, officer, employee or agent of the corporation and certain other persons serving at the request of the corporation in related capacities against amounts paid and expenses incurred in connection with an action or proceeding to which he is or is threatened to be made a party by reason of such position, if such person shall have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the corporation, and, in any criminal proceeding, if such person had no reasonable cause to believe his conduct was unlawful; provided that, in the case of actions brought by or in the right of the corporation, no indemnification shall be made with respect to any matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the adjudicating court determines that such indemnification is proper under the circumstances.

The Registrant's amended and restated certificate of incorporation and bylaws includes provisions that indemnify directors and officers of the corporation for actions taken in such capacity, if the actions were taken in good faith and in a manner reasonably believed to be in the best interests of the corporation and, in a criminal proceeding, the director of officer had no reasonable cause to believe that his conduct was unlawful. A director or officer who is successful in defending a claim will be indemnified for all expenses incurred in connection with his defense. In connection with this offering, the Registrant is entering into indemnification agreements with its officers and directors that require the Registrant to indemnify such persons against any and all expenses (including attorneys' fees), witness fees, damages, judgments, fines, settlements and other amounts incurred in connection with any action, suit or proceeding, whether actual or threatened, to which any such person may be made a party by reason of the fact that such person is or was or at any time becomes a director, an officer or an

employee of the Registrant or any of its affiliated enterprises, provided that such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to our best interest and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful.

The form of underwriting agreement to be filed as Exhibit 1.1 to this registration statement will provide for indemnification for the underwriters and their controlling persons, on the one hand and of the Registrant and its controlling persons on the other hand, for certain liabilities arising under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or otherwise.

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

Item 15. Recent Sales of Unregistered Securities

Since January 1, 2001, the Registrant has sold and issued the following unregistered securities:

1. On October 26, 2001, the Registrant issued an aggregate of 539,622 shares of its common stock to the VækstFonden (The Danish Fund for Industrial Growth, "Growth Fund") in retirement of the aggregate outstanding loan and accrued interest balance of $5,916,900 due the Growth Fund.

2. On March 27, 2003 and May 30, 2003, the Registrant issued an aggregate of 10,425,928 shares of its Series F preferred stock to 15 accredited investors for an aggregate purchase price of $28,150,000. The shares of Series F preferred stock were sold were issued under a Series F preferred stock purchase agreement dated March 27, 2003. The Registrant also issued 750,000 shares of Series E preferred stock in connection with its Series F preferred stock financing. Upon the closing of this offering, each share of Series E preferred stock and Series F preferred stock will be converted into one share of the Registrant's common stock.

3. As of January 31, 2004, the Registrant has granted options to purchase an aggregate of 3,819,727 shares of our common stock, including options subsequently cancelled that then became available for new option grants, to directors, employees and consultants under the Registrant's 1997 stock option plan. The exercise prices for such options range from $0.01 to $4.00 per share. As of January 31, 2004, the Registrant has issued an aggregate of 630,045 shares of common stock upon the exercise of stock options under the Registrant's 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 issued in such transactions. All recipients had adequate access, through employment or other relationships, to information about the Registrant.

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 Bylaws, as amended, as currently in effect
3.4	Form of Registrant's Amended and Restated Bylaws, to be effective upon the effectiveness of this offering
4.1	Form of common stock certificate of Registrant (incorporated by reference to Exhibit 4.1 to Registration Statement No. 333-52492, dated December 21, 2000)
4.2	Amended and Restated Stockholders Agreement, dated March 27, 2003, by and among the Registrant and the stockholders named therein
4.3	Form of Warrants to Purchase Preferred Stock issued to GATX Ventures on May 31, 2002
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(1)	2004 Equity Incentive Plan and forms of agreement thereunder
10.4(1)	2004 Employee Stock Purchase Plan and initial offering thereunder
10.5	401(k) Plan
10.6	Employment Letter Agreement, dated December 21, 1998, between the Registrant and Uli Hacksell, Ph.D. (incorporated by reference to Exhibit 10.7 to Registration Statement No. 333-52492, dated December 21, 2000)
10.7	Employment Agreement, dated January 31, 1997, between the Registrant and Mark R. Brann, Ph.D. (incorporated by reference to Exhibit 10.8 to Registration Statement No. 333-52492, dated December 21, 2000)
10.8	Employment Letter Agreement, dated March 4, 1998, between the Registrant and Thomas H. Aasen (incorporated by reference to Exhibit 10.9 to Registration Statement No. 333-52492, dated December 21, 2000)
10.9	Employment Letter Agreement, dated February 1, 2001, between the Registrant and Robert E. Davis, Ph.D.
10.10	Employment Letter Agreement, dated January 3, 2001, between the Registrant and Douglas E. Richards
10.11	Employment Contract, dated November 21, 2000, between the Registrant and Bo-Ragner Tolf, Ph.D.
10.12(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.) (incorporated by reference to Exhibit 10.14 to Registration Statement No. 333-52492, dated December 21, 2000)

Exhibit Number	Description of Document
10.13(3)	Amendment to Collaboration Research, Development and License Agreement, dated March 27, 2003, by and among the Registrant, Allergan Sales LLC (as successor in interest of Vision Pharmaceuticals L.P.) and Allergan, Inc.
10.14(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. (incorporated by reference to Exhibit 10.15 to Registration Statement No. 333-52492, dated December 21, 2000)
10.15(3)	Collaborative Research, Development and License Agreement, dated March 27, 2003, by and among the Registrant, Allergan, Inc. and Allergan Sales, Inc.
10.16	Standard Industrial/Commercial Single-Tenant Lease-Net, dated August 15, 1997, between the Registrant and R.G. Harris Co. (incorporated by reference to Exhibit 10.18 to Registration Statement No. 333-52492, dated December 21, 2000)
10.17	Assignment of Brann Intellectual Property Rights, dated January 29, 1997, by Mark R. Brann in favor of the Registrant. (incorporated by reference to Exhibit 10.17 to Registration Statement No. 333-52492, dated December 21, 2000)
21.1	List of subsidiaries of the Registrant
23.1	Consent of Independent Accountants
23.2	Consent of Counsel (included in Exhibit 5.1)
24.1	Power of Attorney (see page II-6)

(1) To be filed by amendment.
(2) As proposed to be filed with the Secretary of State of the State of Delaware.
(3) We have applied for confidential treatment of certain provisions of this exhibit with the SEC. 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 the Registrant pursuant to provisions described in Item 14 or otherwise, the Registrant has 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 the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) 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.

(2) 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 February 27, 2004.

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)*	February 27, 2004
/s/ THOMAS H. AASEN **Thomas H. Aasen**	Vice President, Chief Financial Officer, Treasurer and Secretary *(Principal financial and accounting officer)*	February 27, 2004
/s/ MARK R. BRANN **Mark R. Brann**	President, Chief Scientific Officer and Director	February 27, 2004
/s/ LESLIE L. IVERSEN **Leslie L. Iversen**	Chairman of the Board	February 27, 2004
/s/ GORDON BINDER **Gordon Binder**	Director	February 27, 2004
/s/ CARL L. GORDON **Carl L. Gordon**	Director	February 27, 2004

Signature	Title	Date
/s/ LESTER J. KAPLAN **Lester J. Kaplan**	Director	February 27, 2004
/s/ TORSTEN RASMUSSEN **Torsten Rasmussen**	Director	February 27, 2004
/s/ MARTIEN VAN OSCH **Martien van Osch**	Director	February 27, 2004
/s/ ALAN WALTON **Alan Walton**	Director	February 27, 2004

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21.1	List of subsidiaries of the Registrant
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)

(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) We have applied for confidential treatment of certain provisions of this exhibit with the SEC. 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. A majority of the outstanding shares of Series A, Series B, Series D, and Series E Preferred Stock of the Company, each voting as a separate class, at least two-thirds of the outstanding shares of Series C Preferred Stock, voting as a separate class, at least two-thirds of the outstanding shares of Series A, Series B, Series C, Series D and Series E Preferred Stock, voting collectively as a single class, at least two-thirds of the outstanding shares of Series A, Series B, Series D and Series E Preferred Stock, voting collectively as a single class, a majority of the outstanding shares of Common Stock, voting as a separate class, and a majority of the outstanding shares of Common Stock and Series A, Series B, Series C, Series D and Series E Preferred Stock of the Company, voting collectively without distinction as to class, approved this Amended and 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 20th day of March, 2003.

ACADIA PHARMACEUTICALS INC.

By: /s/ ULI HACKSELL

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, 2711 Centerville Road, Suite 400 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) 30,000,000 shares of Common Stock, $0.0001 par value per share ("Common Stock") and (ii) 21,169,067 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”; and an aggregate of 11,150,000 shares of Preferred Stock are hereby designated as “Series F Preferred Stock”. The Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series D Preferred Stock, the Series E Preferred Stock and the Series F 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, Series E Preferred Stock and Series F 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 Qualified Offering (as defined in Section C.5.a. below), declare and pay on the Series Preferred Stock a "Special Dividend," payable as follows:

(a) with respect to each holder of 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 held by such holder immediately prior to the declaration of the Special Dividend;

(2) B equals $2.25 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 to such holder in the dividend.

(b) with respect to each holder of 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 held by such holder immediately prior to the declaration of the Special Dividend;

(2) B equals $3.41 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 to such holder in the dividend.

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

(1) A equals the aggregate number of shares of Series D Preferred Stock held by such holder immediately prior to the declaration of the Special Dividend;

(2) B equals $5.37 divided by the then current Series D Adjustment Factor (as defined below); and

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

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

(1) A equals the aggregate number of shares of Series E Preferred Stock held by such holder immediately prior to the declaration of the Special Dividend;

(2) B equals $5.04 divided by the then current Series E Adjustment Factor (as defined below); and

(3) X equals the number of shares of Series E Preferred Stock to be issued to such holder in the dividend; and

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

(1) A equals the aggregate number of shares of Series F Preferred Stock held by such holder immediately prior to the declaration of the Special Dividend;

(2) B equals $2.70 divided by the then current Series F Adjustment Factor (as defined below); and

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

The aggregate Special Dividends payable with respect to the Series A Preferred Stock is referred to herein as the Special Series A Dividend, the aggregate Special Dividends payable with respect to the Series B Preferred Stock is referred to herein as the Special Series B Dividend, the aggregate Special Dividends payable with respect to the Series D Preferred Stock is referred to herein as the Special Series D Dividend, the aggregate Special Dividends payable with respect to the Series E Preferred Stock is referred to herein as the Special Series E Dividend and the aggregate Special Dividends payable with respect to the Series F Preferred Stock is referred to herein as the Special Series F 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.

Notwithstanding any provision herein to the contrary, if on or after June 1, 2003, the Corporation engages in a subsequent round of financing (other than any debt financings from a bank or similar financial institution) in which the board of directors has allocated for purchase part of such round to a particular series of the Series Preferred Stock, and a holder of any shares of such series fails to purchase 100% of such holder's pro rata share of such allocation (such pro rata share being based upon the shares of such series of Series Preferred Stock such holder holds in relation to the issued and outstanding shares of such series), then the Special Dividend with respect to such holder's shares of such series shall be calculated based on the Adjustment Factor for such series without taking into effect any adjustments pursuant to Section C.4.a. for such series at any time after the Original Issue Date (as defined below) through the date of payment of the Special Dividend and the holder shall be deemed to have forfeited the right to receive any and all adjustments to the such Adjustment Factor pursuant to Section C.4.a.

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,

(i) the holders of shares of Series F 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 Series A, Series B, Series C, Series D, Series E Preferred Stock and Common Stock or any other class or series of stock ranking on liquidation junior to the Series F Preferred Stock by reason of their ownership thereof, an amount equal to the greater of (A) $4.05 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares) plus a rate of return on such amount equal to 10% per annum from the Original Issue Date (as defined below) until the date of payment thereof to the holders of the Series F Preferred Stock or (B) such amount per share as would have been payable had the Special Series F Dividend been declared and paid and had each such share of Series F Preferred Stock been reclassified 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 F Preferred Stock the full amount to which they shall be entitled, then the holders of shares of Series F 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 were paid in full.

(ii) the holders of shares of Series A, Series B, Series C, Series D and Series E 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, an amount equal to the greater of : (x)(A) with respect

to the Series A Preferred Stock, $2.25 per share, with respect to the Series B Preferred Stock, $3.41 per share, with respect to the Series C Preferred Stock, $5.08 per share, with respect to the Series D Preferred Stock, $5.37 per share, and with respect to the Series E Preferred Stock, $5.04 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) until the date of payment thereof to the holders of such series or (y) such amount per share as would have been payable had the Special Series A Dividend, Special Series B Dividend, Special Series D Dividend and Special Series E 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 such series of Series Preferred Stock the full amount to which they shall be entitled, then the holders of shares of such series 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 were 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 the outstanding shares of the Series Preferred Stock, voting collectively as a single class, and a majority of the outstanding shares of the Series F Preferred Stock, voting as a separate class, 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 a majority of the Series Preferred Stock and a majority of the Series F 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. and 3.c. below, holders of Series A, Series B, Series C, Series D, Series E and Series F Preferred Stock shall vote together with the holders of Common Stock as a single class.

b. Subject to Section C.5. herein, in addition to any votes otherwise required by law, the Corporation shall not amend, alter or repeal the preferences, special rights or other powers of the Series Preferred Stock taken as a whole so as to affect adversely each of the series of Series Preferred Stock in the same manner, without the written consent or affirmative vote of holders of at least two-thirds (2/3) of the then outstanding shares of Series Preferred Stock, taken collectively as a single class, given in writing or by vote at a meeting, consenting or voting (as the case may be) collectively as a single class, including but not limited to any of the following:

(i) authorizing any shares of capital stock with preference, priority over and/or on parity with every series of the Series Preferred Stock (except with respect to shares authorized for and issued to Corporate Partners) 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;

(iii) increasing the aggregate authorized number of shares of Series Preferred Stock; or

(iv) except with respect to 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.

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.

c. The holders of the Series F Preferred Stock, voting as a separate class, shall be entitled to elect two (2) directors of the Corporation. The holders of the Series A, Series B and Series D Preferred Stock, voting collectively as a separate class, shall be entitled to elect two (2) directors of the Corporation. The holders of the Series C Preferred Stock, voting as a separate class, shall be entitled to elect one (1) director of the Corporation. The holders of the Series E Preferred Stock, voting as a separate class, shall be entitled to elect one (1) director of the Corporation. The holders of the Series Preferred Stock and the holders of Common Stock, voting collectively as a single class, shall be entitled to elect the remaining 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 one or more series entitled to elect such director or directors shall constitute a quorum for the election of the director or directors to be elected solely by the holders of such series. A vacancy in any directorship elected by the holders of one or more series shall be filled only by vote or written consent of the holders of a majority of the shares of the series that elected such director and a director may only be removed, with or without cause, by the holders of a majority of the shares of the series that elected such director.

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 $2.25 (the "Series A Adjustment Factor"); the Adjustment Factor with respect to the Series B Preferred Stock shall initially be $3.41 (the "Series B Adjustment Factor"); the Adjustment Factor with respect to the Series C Preferred Stock shall initially be $5.08 (the "Series C Adjustment Factor"); the Adjustment Factor with respect to the Series D Preferred Stock shall initially be $5.37 (the "Series D Adjustment Factor"), the Adjustment Factor with respect to the Series E Preferred Stock shall initially be $5.04 (the "Series E Adjustment Factor") and the Adjustment Factor with respect to the Series F Preferred Stock shall initially be $2.70 (the "Series F 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 the first share of Series F Preferred Stock was issued.

(c) "Convertible Securities" shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible or reclassifiable 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 all warrants outstanding as of the Original Issue Date;

(7) upon issuance of any shares of Series F Preferred Stock; or

(8) up to 750,000 shares of Series E Preferred Stock issued to the holders of Series A, Series B, Series C, Series D and Series E Preferred Stock in connection with their purchase of Series F Preferred Stock.

(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, Series E and Series F 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, E and F Preferred Stock; Conversion of Series C Preferred Stock.

a. Expiry of Preferences of Series A, Series B, Series D, Series E and Series F Preferred Stock. Upon (i) the closing of the sale of shares of Common Stock, at a price of at least $6.75 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 $25,000,000 of gross proceeds to the Corporation ("Qualified Offering") or (ii) the vote or written consent of the holders of a majority of the issued and outstanding shares of the Series A, Series B, Series D, Series E and Series F Preferred Stock, voting together as a single class, (A) each and every preference or senior right of the Series A, Series B, Series D, Series E and Series F 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 (B) the Corporation may in reference to (i) above, and shall in reference to (ii) above, reclassify all shares of Series A, Series B, Series D, Series E and Series F 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, Series B, Series D, Series E, and Series F 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, Series B, Series D, Series E and Series F Preferred Stock.

(i) All holders of record of shares of Series A, Series B, Series D, Series E and Series F Preferred Stock shall be given written notice of the effective date or the expiry of the preferences of such series, 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, Series B, Series D, Series E and Series F Preferred Stock at such holder's address last shown on the records of the transfer agent for the Series 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, Series B, Series D, Series E and Series F 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 the shares of the aforesaid series a certificate for the number of shares of Series A, Series B, Series D, Series E, and Series F Preferred Stock to which such holder is entitled pursuant to the Special Dividend. Upon receipt of such shares, each holder of shares of the aforesaid series of Series 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 such series of Series 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 such series so expired surrender to the Corporation their certificate or certificates for Series A, Series B, Series D, Series E and Series F 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, Series B, Series D, Series E and Series F Preferred Stock, from and after the expiry of the preferences of such series, 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 shares of such series 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 $5.08 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 a Qualified Offering.

(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.

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.

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.

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 _____, 2004.

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 purpose of this Corporation is 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 80,000,000 shares, of which (i) 75,000,000 shares shall be Common Stock, each having a par value of $0.0001 and (ii) 5,000,000 shares shall be Preferred Stock, each having a par value of $0.0001.

B. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby expressly authorized to: (i) provide for the issue of all or any of the remaining shares of the Preferred Stock in one or more series; (ii) 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; (iii) establish from time to time the number of shares constituting any such series or any of them; and (iv) 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. Classification. 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 pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock to the public (the ***"IPO"***), the directors shall be divided into three classes designated as ***"Class I"***, ***"Class II"*** and ***"Class III"***, respectively. Directors shall initially 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 IPO, 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 IPO, 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 IPO, 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 IPO, 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. 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. BYLAW AMENDMENTS. The Board is expressly empowered to adopt, amend or repeal the Bylaws of the Corporation. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Corporation; provided, however, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Certificate of Incorporation, 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 the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the Bylaws of the Corporation. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

C. STOCKHOLDER ACTION. 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. No action shall be taken by the stockholders by written consent or electronic transmission.

D. ADVANCE NOTICE. 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. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be eliminated to the fullest extent permitted by the DGCL, as so amended

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 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 or VII.

BY-LAWS

OF

ACADIA PHARMACEUTICALS INC.

(FORMERLY RECEPTOR TECHNOLOGIES, INC.)

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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 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 March 27, 2003, (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.

AMENDED AND RESTATED

BYLAWS

OF

ACADIA PHARMACEUTICALS INC.
(A DELAWARE CORPORATION)

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AMENDED AND RESTATED

BYLAWS

OF

ACADIA PHARMACEUTICALS INC.
(A DELAWARE CORPORATION)

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of ACADIA Pharmaceuticals Inc. (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 may be held at such place, either within or without the State of Delaware, as may be determined from time to time by the Board of Directors. The Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as provided under the Delaware General Corporation Law (the ***"DGCL"***).

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 the stockholder's 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 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 clause (iii) of the last sentence of 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 90th day nor earlier than the close of business on the 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 30 days prior to or delayed by more than 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 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 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-4(d) 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 third 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 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 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's 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). At any time or times that the Corporation is subject to Section 2115(b) of the California Corporations Code (***"CCC"***), stockholders holding 5% or more of the outstanding shares shall have the right to call a special meeting of stockholders only as set forth in Section 18(b) herein.

(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 certified or registered mail, return receipt requested, 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 35 nor more than 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. 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 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such meeting or the 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, notice, given in writing or by electronic transmission, of each meeting of stockholders 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, such notice to specify the place, if any, date and hour, in the case of special meetings, the purpose or purposes of the meeting, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at any such meeting. If mailed, notice is deemed given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. If sent via electronic transmission, notice is deemed given as of the sending time recorded at the time of transmission. Notice of the time, place, if any, and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof, or by electronic transmission by such person, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person, by remote communication, if applicable, 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, by remote communication, if applicable, 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 or by applicable stock exchange or NASDAQ Stock Market rules, or by 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, by remote communication, if applicable, or represented by proxy at the meeting and entitled to vote generally 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, by remote communication, if applicable, or represented by proxy at the meeting and entitled to vote generally 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, by remote communication, if applicable, or represented by proxy duly authorized, shall constitute a quorum entitled to take action with respect to that vote on that matter. Except where otherwise provided by 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 shares of such class or classes or series present in person, by remote communication, if applicable, or represented by proxy at the meeting 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 present in person, by remote communication, if applicable, or represented by proxy duly authorized at the meeting. When a meeting is adjourned to another time or place, if any, notice need not be given of the adjourned meeting if the time and place, if any, 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 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 or execute consents shall have the right to do so either in person, by remote communication, if applicable, 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 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 2 or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if 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 votes, his act binds all; (b) if more than one votes, the act of the majority so voting binds all; (c) if more than one 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 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, 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, either (a) on a reasonably accessible electronic network, provided that the information

required to gain access to such list is provided with the notice of the meeting, or (b) during ordinary business hours, at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. The list shall be open to examination of any stockholder during the time of the meeting as provided by law.

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, or by electronic transmission, 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 or electronic transmission shall bear the date of signature of each stockholder who signs the consent, and no written consent or electronic transmission shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent delivered to the Corporation in the manner herein required, written consents or electronic transmissions 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 the 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 or by electronic transmission 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) A telegram, cablegram or other electronic transmission consent to an action to be taken and transmitted by a stockholder or proxyholder, or by a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed and dated for the purposes of this section, provided that any such telegram, cablegram or other electronic transmission sets forth or is delivered with information from which the Corporation can determine (i) that the telegram, cablegram or other electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder or proxyholder and (ii) the date on which such stockholder or proxyholder or authorized person or persons transmitted such telegram, cablegram or electronic transmission. The date on which such telegram, cablegram or electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by telegram, cablegram or other electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be 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 made by hand or by certified or registered mail, return receipt requested. Notwithstanding the foregoing limitations on delivery, consents given by telegram, cablegram or other electronic transmission may be otherwise delivered to the principal place of business of the Corporation or to an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded if, to the extent and in the manner provided by resolution of the board of directors of the Corporation. Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original in writing.

(e) Notwithstanding the foregoing, no such action by written consent or by electronic transmission 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 to the public (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 duly authorized, 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. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting. 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.

(a) 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. Initially, 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 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 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.

(b) During such time or times that the Corporation is subject to Section 2115(b) of the CCC, Section 17(a) of these Bylaws shall not apply and all directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting.

(c) No stockholder entitled to vote at an election for directors may cumulate votes to which such stockholder is entitled, unless, at the time of the election, the Corporation is subject to §2115(b) of the CCC. During such time or times that the Corporation is subject to Section 2115(b) of the CCC, every stockholder entitled to vote at an election for directors may cumulate such stockholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which such stockholder's shares are otherwise entitled, or distribute the stockholder's votes on the same principle among as many candidates as such stockholder thinks fit. No stockholder, however, shall be entitled to so cumulate such stockholder's votes unless (i) the names of such candidate or candidates have been placed in nomination prior to the voting and (ii) the stockholder has given notice at the meeting, prior to the voting, of such stockholder's intention to cumulate such stockholder's votes. If any stockholder has given proper notice to cumulate votes, all stockholders may cumulate their votes for any candidates who have been properly placed in nomination. Under cumulative voting, the candidates receiving the highest number of votes, up to the number of directors to be elected, are elected.

Notwithstanding the foregoing provisions of this section, each director shall serve until his successor is duly elected and qualified or until his earlier 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 and 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 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) At any time or times that the Corporation is subject to Section 2115(b) of the CCC, if, after the filling of any vacancy, the directors then in office who have been elected by stockholders shall constitute less than a majority of the directors then in office, then

(1) Any holder or holders of an aggregate of 5% or more of the total number of shares at the time outstanding having the right to vote for those directors may call a special meeting of stockholders; or

(2) The Superior Court of the proper county shall, upon application of such stockholder or stockholders, summarily order a special meeting of stockholders, to be held to elect the entire board, all in accordance with Section 305(c) of the CCC. The term of office of any director shall terminate upon that election of a successor.

Section 19. Resignation. Any director may resign at any time by delivering his or her notice in writing or by electronic transmission 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. Removal.

(a) During such time or times that the Corporation is subject to Section 2115(b) of the CCC, the Board of Directors or any individual director may be removed from office at any time without cause by the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote on such removal; provided, however, that unless the entire Board is removed, no individual director may be removed when the votes cast against such director's removal, or not consenting in writing to such removal, would be sufficient to elect that director if voted cumulatively at an election which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of such director's most recent election were then being elected.

(b) At any time or times that the Corporation is not subject to Section 2115(b) of the CCC, and subject to any limitations imposed by law, Section 20(a) above shall no longer apply and removal shall be as provided in Section 141(k) of the DGCL.

Section 21. Meetings.

(a) 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, either orally or in writing, by telephone, including a voice-messaging system or other system designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means. No further notice shall be required for regular meetings of the Board of Directors.

(b) 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 a majority of the authorized number of directors.

(c) Meetings by Electronic Communications Equipment. Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or other 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.

(d) Notice of Special Meetings. Notice of the time and place of all special 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 24 hours before the date and time of the meeting. If notice is sent by U.S. mail, it shall be sent by first class mail, charges prepaid, at least 3 days before the date of the meeting. Notice of any meeting may be waived in writing, or by electronic transmission, 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.

(e) 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 who did not receive notice shall sign a written waiver of notice or shall waive notice by electronic transmission. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 22. Quorum And Voting.

(a) Unless the Certificate of Incorporation requires a greater number, 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 23. 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 or by electronic transmission, and such writing or writings or transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 24. 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 25. Committees.

(a) Executive Committee. The Board of Directors may appoint an Executive Committee to consist of one 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 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. 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 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 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. Unless otherwise provided by the Board of Directors in the resolutions authorizing the creation of the committee, 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 26. 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 27. 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 28. 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 the 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, unless otherwise determined by the Board of Directors, 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 the 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 provided for in these Bylaws and other duties commonly incident to the 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 the 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 the 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 the 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 29. 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 30. Resignations. Any officer may resign at any time by giving notice in writing or by electronic transmission 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 31. 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 32. 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 33. 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 34. 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, the Chief Executive Officer or the President or any Vice President and by the Chief Financial Officer, 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.

Section 35. 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 the owner's 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 36. 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 37. 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 60 nor less than 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 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 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 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 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 38. 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 39. 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 Chief Executive Officer, 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 40. 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 41. 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 42. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

ARTICLE XI

INDEMNIFICATION

Section 43. 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) Other Officers, 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 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 provided, however, that if the DGCL requires, an advancement of expenses incurred by a director or executive officer in his or her capacity as a director or executive officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an ***"undertaking"***), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a ***"final adjudication"***) that such indemnitee is not entitled to be indemnified for such expenses under this Section 43 or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this Section 43, 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 a majority vote of directors who were not parties to the proceeding, even if not a quorum, or (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or such directors so direct, 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 or executive officer. Any right to indemnification or advances granted by this Section 43 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 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 the 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 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 the officer or director 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 such person's 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 DGCL, 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 or executive officer 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 43.

(h) Amendments. Any repeal or modification of this Section 43 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 43 that shall not have been invalidated, or by any other applicable law. If this Section 43 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 43 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 such person 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 43.

ARTICLE XII

NOTICES

Section 44. Notices.

(a) Notice To Stockholders. Written notice to stockholders of stockholder meetings shall be given as provided in Section 7 herein. Without limiting the manner by which notice may otherwise be given effectively to stockholders under any agreement or contract with such stockholder, and except as otherwise required by law, written notice to stockholders for purposes other than stockholder meetings may be sent by U.S. mail or nationally recognized overnight courier, or by facsimile, telegraph or telex or by electronic mail or other electronic means.

(b) Notice To Directors. Any notice required to be given to any director may be given by the method stated in subsection (a), as otherwise provided in these Bylaws, 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, or other agent, 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) Methods of Notice. It shall not be necessary that the same method of giving notice be employed in respect of all recipients of notice, 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.

(e) 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.

(f) Notice to Stockholders Sharing an Address. Except as otherwise prohibited under the DGCL, any notice given under the provisions of the DGCL, the Certificate of Incorporation or the Bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Such consent shall have been deemed to have been given if such stockholder fails to object in writing to the Corporation within 60 days of having been given notice by the Corporation of its intention to send the single notice. Any consent shall be revocable by the stockholder by written notice to the Corporation.

ARTICLE XIII

AMENDMENTS

Section 45. Amendments. Subject to Section 43(h), The Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the Corporation. Any adoption, amendment or repeal of the Bylaws of the Corporation by the Board of Directors shall require the approval of a majority of the Board of Directors. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Corporation; *provided, however,* that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by the Certificate of Incorporation, the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the Bylaws of the Corporation.

ARTICLE XIV

LOANS TO OFFICERS

Section 46. Loans To Officers. Except as otherwise prohibited by applicable law, 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.

ACADIA PHARMACEUTICALS INC.

AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

March 27, 2003

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ACADIA PHARMACEUTICALS INC.

AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

THIS AMENDED AND RESTATED STOCKHOLDERS AGREEMENT (this "Agreement") is entered into as of March 27, 2003, 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." Allergan Sales, Inc. is an Institutional Stockholder under this Agreement solely for the purpose of Section 9 hereof, and shall not be deemed a party to any other provisions of this Agreement.

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 the Second Amended Stockholders Agreement 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. On May 5, 2000, the parties to the Third Amended Stockholders Agreement amended and restated the Third Amended Stockholders Agreement (the "Amended and Restated Agreement") in connection with the sale of Series E Preferred Stock of the Company.

G. In connection with the issuance and sale of Series F Preferred Stock by the Company, the parties to the Amended and Restated Stockholders Agreement and the New Institutional Investors wish to amend and restate the Amended and Restated Stockholders Agreement.

H. 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, certain of the Existing Institutional Investors own shares of Series E Preferred Stock and certain of the Existing Institutional Stockholders and New Institutional Stockholders own shares of Series F Preferred Stock of the Company. The Founding Stockholder and certain of the Existing Institutional Stockholders also own shares of Common Stock.

I. 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 thirty (30) 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 30-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 30-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 Twenty-Five Million United States Dollars (US$25,000,000) of gross proceeds to the Company at a minimum price of Six and 75/100 Dollars (US$6.75) 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);

(i) shares of Series F Preferred Stock purchased under the Series F Stock Purchase Agreement; or

(j) up to 750,000 shares of Series E Preferred Stock issued by the Company in connection with the sale of the Series F Preferred Stock under the Series F 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 thirty (30) 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 thirty (30) day period specified in Section 3.5(a) shall have an additional option, for a period of thirty (30) days next succeeding the expiration of such 30-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 thirty (30) day period, the Company may elect within eight (8) days succeeding the expiration of such thirty (30) 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 the 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 if the vote required by Section C.2.c. of Article IV of the Certificate is obtained 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 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 if the vote required by Section C.2.c. of Article IV of the Certificate is obtained, 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.

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 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 members to be elected to the Board of Directors as follows: (i) two members designated by the holders of a majority of the issued and outstanding shares of Series F Preferred Stock, one of whom shall be Alan Walton as long as Oxford Biosciences IV, L.P. or any of its affiliates is a holder of shares of Series F Preferred Stock, (ii) two members designated by the holders of a majority of the issued and outstanding shares of Series A Preferred Stock, Series B Preferred Stock and Series D Preferred Stock, (iii) one member designated by the holders of a majority of the issued and outstanding shares of Series E Preferred Stock, (iv) one member elected by the holders of Series Preferred Stock and Common Stock, (v) one member shall be Mark Brann and (vi) one member shall be the Company's chief executive officer. The Stockholders acknowledge that, as of the date of this Agreement, under Section C.3.c. of Article IV of the Certificate, the holders of Series C Preferred Stock have the right to elect one director in addition to the directors elected above.

(b) 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 Stockholders 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 Stockholders 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.

(c) The Board of Directors shall elect, from among the directors of the Company, 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.

(d) 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) or (iv) 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.

(e) Any director appointed pursuant to Section 6.1(a) 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 on such date and at such location as determined by the Board of Directors. In general, no more than one-third each year of all meetings of the Board of Directors shall be held on the west coast of the United States with the remainder of the meetings held on the east coast of the United States; provided, however, that the Board of Directors shall give consideration to periodic meetings in Denmark and to the use of telephonic and video conference meetings.

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) or (iv). 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 member of every committee of the Board of Directors shall be approved by the Specified Majority of the Board.

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.

6.9 Benefits. Each director designated by any series of Series Preferred Stock shall have the right to receive all benefits and perquisites that are granted to any director or directors who are designated by one or more series of the Series Preferred Stock.

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 seven hundred fifty thousand (750,000) 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 certified public accountant firm of national standing and reputation 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.

(iv) 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 seven hundred fifty thousand (750,000) 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. The Company shall also maintain directors and officers insurance of at least $1,000,000, if such insurance is available at commercially acceptable rates.

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 [Intentionally Omitted.]

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 in the Series F 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 F Stock Purchase Agreement.

ARTICLE 9

REGISTRATION RIGHTS

9.1 Required Registrations.

(a) At any time after the earlier of January 15, 2006 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 $1,000,000 (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 or reclassification into Common Stock of all securities convertible or reclassifiable 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; and

(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.

(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 the sale of 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 or reclassification 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 "Amended and Restated Stockholders Agreement" has the meaning set forth in paragraph F of the Recitals.

10.3 "BankInvest" means BankInvest 7 Biotechnologi and BankInvest 1 Danske Aktier, collectively.

10.4 "Board of Directors" means the board of directors of the Company.

10.5 "Board Observer" has the meaning set forth in Section 7.3 of this Agreement.

10.6 "By-Laws" means the Company's By-Laws, as amended.

10.7 "Certificate" means the Company's Certificate of Incorporation, as amended and restated.

10.8 "Commission" means the Securities and Exchange Commission, or any other Federal agency at the time administering the Securities Act.

10.9 "Common Stock" means the Common Stock, par value $.0001 per share, of the Company.

10.10 "Company" means ACADIA Pharmaceuticals Inc., its successors and assigns.

10.11 "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.

10.12 "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 “Major Institutional Stockholder” means any Stockholder, other than the Founding Stockholder, who owns at least 750,000 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.

10.25 “Major Stockholder” means each Major Institutional Stockholder and the Founding Stockholder.

10.26 “New Institutional Stockholder” has that meaning set forth in the introductory paragraph to this Agreement.

10.27 “Offered Securities” has that meaning set forth in Section 2.1 of this Agreement.

10.28 "Organizational Documents" means the Certificate and By-Laws.

10.29 "Partnership" means Investor Associates RT.

10.30 "Person" means any individual, partnership (general or limited), corporation, trust, estate, association, or other entity.

10.31 "Preferred Stock" means the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock and any other series of preferred stock issued subsequent to the date of this Agreement.

10.32 "Qualifying IPO" has the meaning set forth in Section 2.7(f).

10.33 "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) 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, the Series E Stock Purchase Agreement or the Series F Stock Purchase Agreement and (iv) 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.

10.34 "Registration Expenses" means the expenses described in Section 9.4.

10.35 "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).

10.36 "Second Amended Stockholders Agreement" has the meaning set forth in paragraph D of the Recitals.

10.37 "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.

10.38 "Series A Preferred Stock" means the Series A Preferred Stock, $0.01 par value per share, of the Company.

10.39 "Series B Preferred Stock" means the Series B Preferred Stock, $0.01 par value per share, of the Company.

10.40 "Series C Preferred Stock" means the Series C Preferred Stock, $0.01 par value per share, of the Company.

10.41 "Series D Preferred Stock" means the Series D Preferred Stock, $0.01 par value per share, of the Company.

10.42 "Series E Preferred Stock" means the Series E Preferred Stock, $0.01 par value per share, of the Company.

10.43 "Series F Preferred Stock" means the Series F 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 May 5, 2000.

10.49 "Series F Stock Purchase Agreement" means the Series F Preferred Stock Purchase Agreement by and among the Company and the purchasers of Series F Preferred Stock, dated as of even date herewith.

10.50 "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 10.50(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 50,000, 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 $250,000;

(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 $200,000 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) acquisition, sale or other disposition of any assets (other than Intellectual Property Rights) other than in the ordinary course of business;

(v) 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;

(w) the delegation of the authority of the Board of Directors, including the authority to approve significant actions to any person or committee;

(x) the purchase by the Company of any of its outstanding securities;

(y) any material change to the basic strategy of the Company as a drug discovery and development company engaged in the discovery of drug candidates for pharmaceutical development and related applications of its proprietary technology;

(z) the appointment or removal of the auditors of the Company;

(aa) a material change in the accounting principles of the Company;

(bb) any action whereby the Company would become a U.S. Real Property Holding Company;

(cc) a sale or acquisition of any share in any corporate body; or

(dd) any registration of the Company's securities other than in accordance with Article 9 hereof.

10.51 "Significant Number of Stockholders" means the holders of sixty percent (60%) of the issued and outstanding shares of Series Preferred Stock.

10.52 "Special Dividend" has that meaning set forth in Section 2.1 of this Agreement.

10.53 "Specified Majority" means the affirmative vote of two-thirds of the directors appointed by the Stockholders under Section 6.1 of this Agreement, *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.

10.54 "Stock" means the issued and outstanding shares of Common Stock and Preferred Stock.

10.55 "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.

10.56 "Third Amended Stockholders Agreement" has the meaning set forth in paragraph E of the Recitals.

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 F 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/ ULI HACKSELL

Name: Uli Hacksell, Ph.D.
Title: Chief Executive Officer

FOUNDING STOCKHOLDER:

/s/ MARK R. BRANN

MARK R. BRANN

EXISTING INSTITUTIONAL STOCKHOLDERS:

ABN AMRO VENTURES B.V.

By: /s/ M. VAN OSCH

Name: M. van Osch
Title: Director

By: [SIGNATURE ILLEGIBLE]

Name:
Title: Executive Director

ALLMANNA PENSIONSFONDEN (5:AP)

By: /s/ THOMAS NICOLIN

Name: Thomas Nicolin
Title: CEO

BANKINVEST 7 BIOTECHNOLOGI

By: /s/ MICHAEL HOWARD EKMANN

Name: Michael Howard Ekmann
Title: Head of Fund Management

BANKINVEST 1 DANSKE AKTIER

By: /s/ MICHAEL HOWARD EKMANN

Name: Michael Howard Ekmann
Title: Head of Fund Management

DANSK KAPITALANLAEG AKTIESELSKAB

By: /s/ NIELS KRISTIAN AGNER

Name: Niels Kristian Agner
Title:

KOMMUNERNES PENSIONSF ORSIKRING A/S

By: /s/ NIELS HOULAARD

Name: Niels Houlaard
Title: Head of Investments

By: /s/ CHARLOTTE MARK

Name: Charlotte Mark
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:

SVENSKA HANDELSBANKEN (GOTEBORG)

By: /s/ STEN-OLOF HAGMAN

Name: Sten-Olof Hagman
Title: Vice President

By: /s/ MATS LITTORIN

Name: Mats Littorin
Title: Vice President and General Counsel

SVENSKA HANDELSBANKEN (MALMO)

By: /s/ CHRISTER LANDGREN

Name: Christer Landgren
Title: Manager Assets Management

H&Q LIFE SCIENCES INVESTORS

By: /s/ DANIEL R. OMSTEAD

Name: Daniel R. Omstead
Title: President

The name H&Q Life Science Investors is the designation of the Trustees for the time being under an Amended and Restated Declaration of Trust Dated February 20, 1992, as amended, and all persons dealing with H&Q Life Science Investors must look solely to the trust property for the enforcement of any claim against H&Q Life Science Investors, as neither the Trustees, officers nor shareholders assume any personal liability for obligations entered into on behalf of H&Q Life Science Investors.

H&Q HEALTHCARE INVESTORS

By: /s/ DANIEL R. OMSTEAD

Name: Daniel R. Omstead
Title: President

The name H&Q Healthcare Investors is the designation of the Trustees for the time being under an Amended and Restated Declaration of Trust Dated April 21, 1987, as amended, and all persons dealing with H&Q Healthcare Investors must look solely to the trust property for the enforcement of any claim against H&Q Healthcare Investors, as neither the Trustees, officers nor shareholders assume any personal liability for obligations entered into on behalf of H&Q Healthcare Investors.

FEDERATED KAUFMANN FUND

By: [SIGNATURE ILLEGIBLE]

Name:
Title:

EATON VANCE WORLDWIDE HEALTH SCIENCES FUND

By: /s/ CARL GORDON

Name: Carl Gordon
Title: General Partner OrbiMed

FINSBURY WORLDWIDE PHARMACEUTICAL TRUST

By: /s/ CARL GORDON

Name: Carl Gordon
Title: General Partner OrbiMed

PACIFIC RIM LIFE SCIENCE NO. 1 INVESTMENT PARTNERSHIP

By: /s/ MASAHIRO MICHISHITA

Name: Masahiro Michishita, M.D., Ph.D.
Title: Managing General Partner, Pacific Rim Ventures, Co., Ltd. as manager for the fund

PACIFIC RIM LIFE SCIENCE NO. 2 INVESTMENT PARTNERSHIP

By: /s/ MASAHIRO MICHISHITA

Name: Masahiro Michishita, M.D., Ph.D.
Title: Managing General Partner, Pacific Rim Ventures, Co., Ltd. as manager for the fund

PACIFIC RIM LIFE SCIENCE NO. 3 INVESTMENT PARTNERSHIP

By: /s/ MASAHIRO MICHISHITA

Name: Masahiro Michishita, M.D., Ph.D.
Title: Managing General Partner, Pacific Rim Ventures, Co., Ltd. as manager for the fund

NEW INSTITUTIONAL STOCKHOLDERS:

OXFORD BIOSCIENCE PARTNERS IV L.P.
By: OBP Management IV L.P.

By: /s/ ALAN G. WALTON

Alan G. Walton, General Partner

MRNA FUND II L.P.
By: OBP Management IV L.P.

By: /s/ ALAN G. WALTON

Alan G. Walton, General Partner

CARNEGIE FUND II - BIOTECHBRIDGE SUB-FUND

By: /s/ MICHAEL HUGHES

Name: Michael Hughes
Title: Director

GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ MARK A. ROLAND

Mark Roland, Vice President Risk

FOR PURPOSES OF ARTICLE 9 ONLY:

ALLERGAN SALES, LLC

By: /s/ JEFFREY L. EDWARDS

Name: Jeffrey L. Edwards
Title: Vice President

NEW INSTITUTIONAL STOCKHOLDERS:

COASTVIEW BIOSCIENCE PARTNERS I, L.P.
By: Coastview Capital Management I, LLC,
Its General Partner

By /s/ EDWARD SONNENSCHEIN, JR.

Edward Sonnenschein, Jr.
Managing Director

COASTVIEW STRATEGIC FUND I, L.P.
By: Coastview Capital Management I, LLC,
Its General Partner

By /s/ EDWARD SONNENSCHEIN, JR.

Edward Sonnenschein, Jr.
Managing Director

COASTVIEW ADVISORS FUND I, L.P.
By: Coastview Capital Management I, LLC,
Its General Partner

By /s/ EDWARD SONNENSCHEIN, JR.

Edward Sonnenschein, Jr.
Managing Director

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. NO SALE OR DISPOSITION MAY BE EFFECTED WITHOUT (i) AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO, (ii) AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED, (iii) RECEIPT OF NO-ACTION LETTERS FROM THE APPROPRIATE GOVERNMENTAL AUTHORITIES, OR (iv) OTHERWISE COMPLYING WITH THE PROVISIONS OF SECTION 7 OF THIS WARRANT.

ACADIA PHARMACEUTICALS INC.

WARRANT TO PURCHASE PREFERRED STOCK

THIS CERTIFIES THAT, for value received, GATX VENTURES, INC. and its assignees are entitled to subscribe for and purchase that number of the fully paid and nonassessable shares of Series Preferred Stock (as adjusted pursuant to Section 4 hereof, the "Shares") of ACADIA PHARMACEUTICALS INC., a Delaware corporation (the "Company"), as is determined pursuant to the next paragraph hereof at the price per share as is determined pursuant to the next paragraph hereof (such price and such other price as shall result, from time to time, from the adjustments specified in Section 4 hereof is herein referred to as the "Warrant Price"), subject to the provisions and upon the terms and conditions hereinafter set forth. As used herein, (a) the term "Series Preferred Stock" shall mean either the Company's presently authorized Series E Preferred Stock or New Preferred Stock (as defined below), as applicable, and any stock into or for which such series of preferred stock may hereafter be converted or exchanged, and, after the automatic conversion of such series of preferred stock to the Company's Common Stock, shall mean the Company's Common Stock and (b) the term "Date of Grant" shall mean May 31, 2002. The term "Warrant" as used herein shall be deemed to include any warrant or warrants issued upon transfer or partial exercise of or in lieu of this Warrant unless the context clearly requires otherwise.

The Warrant Price shall be $7.50 per share (a) unless and until the Company completes the Qualified Financing at an effective price per share (on a common stock equivalent basis and taking into account any securities issued together with the preferred stock) of less than $7.50, or (b) if the Company completes the Qualified Financing for at an effective price per share not less than $7.50. If the Company completes the Qualified Financing at an effective price per share of less than $7.50 but not less than $6.00, then the Warrant Price shall equal the Adjustment Factor per share, as defined in the Company's Certificate of Incorporation, of the Company's Series E Preferred Stock taking into account any antidilution adjustments triggered by such Qualified Financing. If the Company completes the Qualified Financing at an effective price per share of less than $6.00, then the Warrant Price shall equal the time weighted average, calculated as the quotient of (a) the sum of (X) the per share price of the New Preferred Stock sold in such Qualified Financing multiplied by 23 plus (Y) $7.50 multiplied by the number of whole months from the Date of Grant to the date of the initial closing of such Qualified Financing (the "number of elapsed months") divided by (b) the sum of 23 and the number of elapsed months. The "Qualified Financing" shall mean the first sale of a new series of preferred stock of the Company, or, if sold in connection with the initial public offering of the Company's common stock, the sale of shares of common stock of the Company, (in either case, the "New Preferred Stock") generating gross cash proceeds to the Company of not less than $20,000,000. If the Warrant Price determined as provided above is $7.50 per share (subject to

adjustment as provided in Section 4 below), then this Warrant shall be exercisable for shares of the Company's presently authorized Series E Preferred Stock. If the Warrant Price determined as provided above is less than $7.50 per share (subject to adjustment as provided in Section 4 below), then this Warrant shall be exercisable for shares of the New Preferred Stock. The number of Shares for which this Warrant is initially exercisable shall be the whole number determined by dividing _____ by the Warrant Price determined pursuant to this paragraph.

1. Term. The purchase right represented by this Warrant is exercisable, in whole or in part, at any time and from time to time from the Date of Grant through the later of (i) ten (10) years after the Date of Grant or (ii) five (5) years after the closing of the Company's initial public offering of its Common Stock ("IPO") effected pursuant to a Registration Statement on Form S-1 (or its successor) filed under the Securities Act of 1933, as amended (the "Act"), unless earlier terminated as provided herein.

2. Method of Exercise; Payment; Issuance of New Warrant. Subject to Section 1 hereof, the purchase right represented by this Warrant may be exercised by the holder hereof, in whole or in part and from time to time, at the election of the holder hereof, by (a) the surrender of this Warrant (with the notice of exercise substantially in the form attached hereto as Exhibit A-1 duly completed and executed) at the principal office of the Company and by the payment to the Company, by certified or bank check, or by wire transfer to an account designated by the Company (a "Wire Transfer") of an amount equal to the then applicable Warrant Price multiplied by the number of Shares then being purchased; (b) if in connection with a registered public offering of the Company's securities, the surrender of this Warrant (with the notice of exercise form attached hereto as Exhibit A-2 duly completed and executed) at the principal office of the Company together with notice of arrangements reasonably satisfactory to the Company for payment to the Company either by certified or bank check or by Wire Transfer from the proceeds of the sale of shares to be sold by the holder in such public offering of an amount equal to the then applicable Warrant Price per share multiplied by the number of Shares then being purchased; or (c) exercise of the "net issuance" right provided for in Section 10.2 hereof. The person or persons in whose name(s) any certificate(s) representing shares of Series Preferred Stock shall be issuable upon exercise of this Warrant shall be deemed to have become the holder(s) of record of, and shall be treated for all purposes as the record holder(s) of, the shares represented thereby (and such shares shall be deemed to have been issued) immediately prior to the close of business on the date or dates upon which this Warrant is exercised in accordance with the terms hereof. In the event of any exercise of the rights represented by this Warrant, certificates for the shares of stock so purchased shall be delivered to the holder hereof as soon as possible and in any event within thirty (30) days after such exercise and, unless this Warrant has been fully exercised or expired, a new warrant representing the portion of the Shares, if any, with respect to which this Warrant shall not then have been exercised shall also be issued to the holder hereof as soon as possible and in any event within such thirty-day period; provided, however, at such time as the Company is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, if requested by the holder of this Warrant, the Company shall cause its transfer agent to deliver the certificate representing Shares issued upon exercise of this Warrant to a broker or other person (as directed by the holder exercising this Warrant) within the time period required to settle any trade made by the holder after exercise of this Warrant.

3. Stock Fully Paid; Reservation of Shares. All Shares that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance pursuant to the terms and conditions herein, be fully paid and nonassessable, and free from all preemptive rights and taxes, liens and charges with respect to the issue thereof. During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized, and reserved for the purpose of the issue upon exercise of the purchase rights evidenced by this Warrant, a sufficient number of shares of its Series Preferred Stock to provide for the exercise of the rights represented by this Warrant and a sufficient number of shares of its Common Stock to provide for the conversion of the Series Preferred Stock into Common Stock.

4. Adjustment of Warrant Price and Number of Shares. The number and kind of securities purchasable upon the exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

(a) Reclassification or Merger. In case of any reclassification or change of securities of the class issuable upon exercise of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any merger of the Company with or into another corporation (other than (A) a Sale of the Company (as defined in Section 10.1 below) or (B) a merger with another corporation in which the Company is the acquiring and the surviving corporation and which does not result in any reclassification or change of outstanding securities issuable upon exercise of this Warrant), the Company, or such successor or purchasing corporation, as the case may be, shall duly execute and deliver to the holder of this Warrant a new Warrant (in form and substance satisfactory to the holder of this Warrant), or the Company shall make appropriate provision without the issuance of a new Warrant, so that the holder of this Warrant shall have the right to receive upon exercise of this Warrant, at a total purchase price not to exceed that payable upon the exercise of the unexercised portion of this Warrant, and in lieu of the shares of Series Preferred Stock theretofore issuable upon exercise of this Warrant, the kind and amount of shares of stock, other securities, money and property receivable upon such reclassification, change, merger or sale by a holder of the number of shares of Series Preferred Stock then purchasable under this Warrant. Any new Warrant shall provide for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 4. The provisions of this Section 4(a) shall similarly apply to successive reclassifications, changes, mergers and sales. Upon a Sale of the Company (as defined in Section 10.1 below), the Company shall provide the holder of this Warrant not less than twenty (20) days' prior written notice (A) that a Sale of the Company is anticipated, and (B) of the terms and conditions of such Sale of the Company. Notwithstanding anything to the contrary in this Section 4(a), following receipt of such notice from the Company and prior to the consummation of the Sale of the Company, either (x) the holder of this Warrant will exercise the purchase right under this Warrant (including, without limitation, by way of net issuance as provided in Section 10.2 below) and such exercise will be deemed effective upon completion of such Sale of the Company or, alternatively, rescinded in the event such Sale of the Company is not completed, or (y) if the holder of this Warrant has not notified the Company of its election prior to such Sale of the Company, then (X) if the fair market value of one share of the Series Preferred Stock is greater than the Warrant Price then in effect, this Warrant shall be deemed automatically exercised upon completion of such Sale of the Company pursuant to Section 10.3 below and (Y) if the fair market value of one share of the Series Preferred Stock is less than the Warrant Price then in effect, this Warrant will expire upon completion of such Sale of the Company.

(b) Subdivision or Combination of Shares. If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its outstanding shares of Series Preferred Stock, the Warrant Price shall be proportionately decreased and the number of Shares issuable hereunder shall be proportionately increased in the case of a subdivision and the Warrant Price shall be proportionately increased and the number of Shares issuable hereunder shall be proportionately decreased in the case of a combination.

(c) Stock Dividends and Other Distributions. If the Company at any time while this Warrant is outstanding and unexpired shall (i) pay a dividend with respect to the Series Preferred Stock payable in Series Preferred Stock, then the Warrant Price shall be adjusted, from and after the date of determination of stockholders entitled to receive such dividend or distribution, to that price determined by multiplying the Warrant Price in effect immediately prior to such date of determination by a fraction (A) the numerator of which shall be the total number of shares of the applicable Series Preferred Stock outstanding immediately prior to such dividend or distribution, and (B) the denominator of which shall be the total number of shares of the applicable Series Preferred Stock outstanding immediately after such dividend or distribution; or (ii) make any other distribution with respect to the Series Preferred Stock (except any distribution specifically provided for in Sections 4(a) and 4(b)), then, in each such case, provision shall be made by the Company such that the holder of this Warrant shall receive upon exercise of this Warrant a proportionate share of any such dividend or distribution as though it were the holder of the applicable Series Preferred Stock (or Common Stock issuable upon conversion thereof) as of the record date fixed for the determination of the shareholders of the Company entitled to receive such dividend or distribution.

(d) Adjustment of Number of Shares. Upon each adjustment in the Warrant Price, the number of Shares of Series Preferred Stock purchasable hereunder shall be adjusted to the product obtained by multiplying the number of Shares purchasable immediately prior to such adjustment in the Warrant Price by a fraction, the numerator of which shall be the Warrant Price immediately prior to such adjustment and the denominator of which shall be the Warrant Price immediately thereafter.

(e) Antidilution Rights. The other antidilution rights applicable to the Series Preferred Stock purchasable hereunder are (or, in the case of the New Preferred Stock, will be) set forth in the Company's Certificate of Incorporation, as amended from time to time. A true and complete copy of the Company's Certificate of Incorporation, as amended through the Date of Grant, is attached hereto as Exhibit B (the "Charter"). The antidilution rights set forth in the Charter shall not be restated, amended, modified or waived in any manner that is adverse to the holder hereof without such holder's prior written consent unless such restatement, amendment, modification or waiver affects the holder of this Warrant in the same manner as the restatement, amendment modification or waiver affects all other holders of shares of the applicable Series Preferred Stock for which this Warrant is exercisable at the time of such restatement, amendment, modification or waiver. The Company shall promptly provide the holder hereof with any restatement, amendment, modification or waiver of the Charter promptly after the same has been made.

5. Notice of Adjustments. Whenever the Warrant Price or the number of Shares purchasable hereunder shall be adjusted pursuant to Section 4 hereof, the Company shall make a certificate signed by its chief financial officer setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Warrant Price and the number of Shares purchasable hereunder after giving effect to such adjustment, and shall cause copies of such certificate to be mailed (without regard to Section 13 hereof, by first class mail, postage prepaid) to the holder of this Warrant at the address in the records of the Company. In addition, whenever the conversion price or conversion ratio of the Series Preferred Stock shall be adjusted, the Company shall make a certificate signed by its chief financial officer setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the conversion price or ratio of the Series Preferred Stock after giving effect to such adjustment, and shall cause copies of such certificate to be mailed (without regard to Section 13 hereof, by first class mail, postage prepaid) to the holder of this Warrant at the address in the records of the Company. Whenever the Warrant Price or the number of Shares purchasable hereunder shall be adjusted pursuant to the occurrence of the Qualified Financing, the Company shall make a certificate signed by its chief financial officer setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Warrant Price and the number of Shares purchasable hereunder after giving effect to such adjustment, and shall cause copies of such certificate to be mailed (without regard to Section 13 hereof, by first class mail, postage prepaid) to the holder of this Warrant at the address in the records of the Company.

6. Fractional Shares. No fractional shares of Series Preferred Stock will be issued in connection with any exercise hereunder, but in lieu of such fractional shares the Company shall make a cash payment therefor based on the fair market value of the applicable Series Preferred Stock on the date of exercise as reasonably determined in good faith by the Company's Board of Directors.

7. Compliance with Act; Disposition of Warrant or Shares of Series Preferred Stock.

(a) Compliance with Act. The holder of this Warrant, by acceptance hereof, agrees that this Warrant, and the shares of Series Preferred Stock to be issued upon exercise hereof and any Common Stock issued upon conversion thereof are being acquired for investment and that such holder will not offer, sell or otherwise dispose of this Warrant, or any shares of Series Preferred Stock to be issued upon exercise hereof or any Common Stock issued upon conversion thereof except under circumstances which will not result in a violation of the Act or any applicable state securities laws. Upon exercise of this Warrant, unless the Shares being acquired are registered under the Act and any applicable state securities laws or an exemption from such registration is available, the holder hereof shall confirm in writing that the shares of Series Preferred Stock so purchased (and any shares of Common Stock issued upon conversion thereof) are being acquired for investment and not with a view toward distribution or resale in violation of the Act and shall confirm such other matters related thereto as may be reasonably requested by the Company. This Warrant and all shares of Series Preferred Stock issued upon exercise of this Warrant and all shares of Common Stock issued upon conversion thereof (unless registered under the Act and any applicable state securities laws) shall be stamped or imprinted with a legend in substantially the following form:

"THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. NO SALE OR DISPOSITION MAY BE EFFECTED WITHOUT (i) AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO, (ii) AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED, (iii) RECEIPT OF NO-ACTION LETTERS FROM THE APPROPRIATE GOVERNMENTAL AUTHORITIES, OR (iv) OTHERWISE COMPLYING WITH THE PROVISIONS OF SECTION 7 OF THE WARRANT UNDER WHICH THESE SECURITIES WERE ISSUED, DIRECTLY OR INDIRECTLY."

Said legend shall be removed by the Company, upon the request of a holder, at such time as the restrictions on the transfer of the applicable security shall have terminated. In addition, in connection with the issuance of this Warrant, the holder specifically represents to the Company by acceptance of this Warrant as follows:

(1) The holder is aware of the Company's business affairs and financial condition, and has acquired information about the Company sufficient to reach an informed and knowledgeable decision to acquire this Warrant and any securities for which this Warrant is exercised. The holder is acquiring this Warrant, and any securities for which this Warrant is exercised, for its own account for investment purposes only and not with a view to, or for the resale in connection with, any "distribution" thereof in violation of the Act.

(2) The holder understands that this Warrant has not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the holder's investment intent as expressed herein.

(3) The holder further understands that this Warrant must be held indefinitely unless subsequently registered under the Act and qualified under any applicable state securities laws, or unless exemptions from registration and qualification are otherwise available. The holder is aware of the provisions of Rule 144, promulgated under the Act.

(4) The holder is an "accredited investor" as such term is defined in Rule 501 of Regulation D promulgated under the Act.

(b) Disposition of Warrant or Shares. With respect to any offer, sale or other disposition of this Warrant or any shares of Series Preferred Stock acquired pursuant to the exercise of this Warrant prior to registration of this Warrant or such shares, the holder hereof agrees to give written notice to the Company prior thereto, describing briefly the manner thereof, together with a written opinion of such holder's counsel, or other evidence, if reasonably satisfactory to the Company, to the effect that such offer, sale or other disposition may be effected without registration or qualification (under the Act as then in effect or any federal or state securities law then in effect) of this Warrant or such shares of Series Preferred Stock or Common Stock and indicating whether or not under the Act certificates for this Warrant or such shares of Series Preferred Stock to be sold or otherwise disposed of require any restrictive legend as to applicable restrictions on transferability in order to ensure compliance with such law. Upon receiving such written notice and reasonably satisfactory opinion or other evidence, the Company, as promptly as practicable but no later than

fifteen (15) days after receipt of the written notice, shall notify such holder that such holder may sell or otherwise dispose of this Warrant or such shares of Series Preferred Stock or Common Stock, all in accordance with the terms of the notice delivered to the Company. If a determination has been made pursuant to this Section 7(b) that the opinion of counsel for the holder or other evidence is not reasonably satisfactory to the Company, the Company shall so notify the holder promptly with details thereof after such determination has been made. Notwithstanding the foregoing, this Warrant or such shares of Series Preferred Stock or Common Stock may, as to such federal laws, be offered, sold or otherwise disposed of in accordance with Rule 144 or 144A under the Act, provided that the Company shall have been furnished with such information as the Company may reasonably request to provide a reasonable assurance that the provisions of Rule 144 or 144A have been satisfied. Each certificate representing this Warrant or the shares of Series Preferred Stock thus transferred (except a transfer pursuant to Rule 144 or 144A) shall bear a legend as to the applicable restrictions on transferability in order to ensure compliance with such laws, unless in the opinion of counsel for the Company, such legend is not required in order to ensure compliance with such laws. The Company may issue stop transfer instructions to its transfer agent in connection with such restrictions.

(c) Applicability of Restrictions. Neither any restrictions of any legend described in this Warrant nor the requirements of Section 7(b) above shall apply to any transfer of, or grant of a security interest in, this Warrant (or the Series Preferred Stock or Common Stock obtainable upon exercise hereof) or any part hereof (i) to a partner of the holder if the holder is a partnership or to a member of the holder if the holder is a limited liability company, (ii) to a partnership of which the holder is a partner or to a limited liability company of which the holder is a member, or (iii) to any affiliate of the holder if the holder is a corporation; provided, however, in any such transfer, by acceptance of this Warrant, the transferee agrees to be bound by the terms of this Warrant as if an original holder hereof and shall, on the Company's request, agree in writing to be so bound.

8. Rights as Stockholders; Information. No holder of this Warrant, as such, shall be entitled to vote or receive dividends or be deemed the holder of Series Preferred Stock or any other securities of the Company which may at any time be issuable upon the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon the holder of this Warrant, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until this Warrant shall have been exercised and the Shares purchasable upon the exercise hereof shall have become deliverable, as provided herein. Notwithstanding the foregoing, the Company will transmit to the holder of this Warrant such financial or other information as the holder may reasonably request from time to time in order to make an informed decision regarding the exercise of this Warrant for shares of Series Preferred Stock.

9. Registration Rights. The Company grants registration rights to the holder of this Warrant for any Common Stock of the Company obtained upon conversion of the Series Preferred Stock, comparable to the registration rights granted pursuant to Article 9 of the Company's Amended and Restated Stockholders Agreement dated as of May 5, 2000, (the "Stockholders Agreement"), with the following exceptions and clarifications:

(a) The holder of this Warrant will not have the right to demand registration, as provided in Section 9.1 of the Stockholders Agreement, but can otherwise participate in any registration demanded by others to the extent permitted by the Stockholders Agreement;

(b) The holder of this Warrant agrees to be bound by the provisions of Sections 9.4, 9.5, 9.6, 9.7, 9.8, 9.9 and 9.11 of the Stockholders Agreement as if the holder hereof were a party to the Stockholders Agreement; and

(c) The registration rights described above are assignable by the holder of this Warrant in connection with a permitted transfer of this Warrant or the Shares.

10. Additional Rights.

10.1 Acquisition Transactions. The Company shall provide the holder of this Warrant with at least twenty (20) days' written notice prior to closing thereof of the terms and conditions of any of the following transactions (to the extent the Company has notice thereof): (i) the sale, lease, exchange, conveyance or other disposition of all or substantially all of the Company's property or business, or (ii) its merger into or consolidation with any other corporation (other than a wholly-owned subsidiary of the Company), or any transaction (including a merger or other reorganization) or series of related transactions, in which more than 50% of the voting power of the Company is disposed of. Any transaction described in (i) or (ii) above in which the sole consideration paid in respect of the Company's property, business and stock is cash or publicly traded securities shall be deemed a "Sale of the Company" for purposes of this Warrant and in accordance with the provisions of Section 4(a) above.

10.2 Right to Convert Warrant into Stock: Net Issuance.

(a) Right to Convert. In addition to and without limiting the rights of the holder under the terms of this Warrant, the holder shall have the right to convert this Warrant or any portion thereof (the "Conversion Right") into shares of Series Preferred Stock as provided in this Section 10.2 at any time or from time to time during the term of this Warrant. Upon exercise of the Conversion Right with respect to a particular number of shares subject to this Warrant (the "Converted Warrant Shares"), the Company shall deliver to the holder (without payment by the holder of any exercise price or any cash or other consideration) that number of shares of fully paid and nonassessable Series Preferred Stock as is determined according to the following formula:

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

Where: X = the number of shares of Series Preferred Stock that shall be issued to holder

Y = the fair market value of one share of Series Preferred Stock

A = the aggregate Warrant Price of the specified number of Converted Warrant Shares immediately prior to the exercise of the Conversion Right (*i.e.*, the number of Converted Warrant Shares *multiplied by* the Warrant Price)

B = the aggregate fair market value of the specified number of Converted Warrant Shares (*i.e.*, the number of Converted Warrant Shares *multiplied by* the fair market value of one Converted Warrant Share)

No fractional shares shall be issuable upon exercise of the Conversion Right, and, if the number of shares to be issued determined in accordance with the foregoing formula is other than a whole number, the Company shall pay to the holder an amount in cash equal to the fair market value of the resulting fractional share on the Conversion Date (as hereinafter defined).

(b) Method of Exercise. The Conversion Right may be exercised by the holder by the surrender of this Warrant at the principal office of the Company together with a written statement (which may be in the form of Exhibit A-1 or Exhibit A-2 hereto) specifying that the holder thereby intends to exercise the Conversion Right and indicating the number of shares subject to this Warrant which are being surrendered (referred to in Section 10.2(a) hereof as the Converted Warrant Shares) in exercise of the Conversion Right. Such conversion shall be effective upon receipt by the Company of this Warrant together with the aforesaid written statement, or on such later date as is specified therein (the "Conversion Date"), and, at the election of the holder hereof, may be made contingent upon the closing of the sale of the Company's Common Stock to the public in a public offering pursuant to a Registration Statement under the Act (a "Public Offering"). Certificates for the shares issuable upon exercise of the Conversion Right and, if applicable, a new warrant evidencing the balance of the shares remaining subject to this Warrant, shall be issued as of the Conversion Date and shall be delivered to the holder within thirty (30) days following the Conversion Date.

(c) Determination of Fair Market Value. For purposes of this Section 10.2, "fair market value" of a share of Series Preferred Stock (or Common Stock if the Series Preferred Stock has been automatically converted into Common Stock) as of a particular date (the "Determination Date") shall mean:

(i) If the Conversion Right is exercised in connection with and contingent upon a Public Offering, and if the Company's Registration Statement relating to such Public Offering ("Registration Statement") has been declared effective by the Securities and Exchange Commission, then the initial "Price to Public" specified in the final prospectus with respect to such offering.

(ii) If the Conversion Right is not exercised in connection with and contingent upon a Public Offering, then as follows:

(A) If traded on a securities exchange, the fair market value of the Common Stock shall be deemed to be the average of the closing prices of the Common Stock on such exchange over the five (5) trading days immediately prior to the Determination Date, and the fair market value of the Series Preferred Stock shall be deemed to be such fair market value of the Common Stock multiplied by the number of shares of Common Stock into which each share of Series Preferred Stock is then convertible;

(B) If traded on the Nasdaq Stock Market or other over-the-counter system, the fair market value of the Common Stock shall be deemed to be the average of the closing bid prices

of the Common Stock over the five (5) trading days immediately prior to the Determination Date, and the fair market value of the Series Preferred Stock shall be deemed to be such fair market value of the Common Stock multiplied by the number of shares of Common Stock into which each share of Series Preferred Stock is then convertible; and

(C) If there is no public market for the Common Stock, then fair market value shall be determined in good faith by the Board of Directors of the Company.

In making a determination under clauses (A) or (B) above, if on the Determination Date, five (5) trading days had not passed since the IPO, then the fair market value of the Common Stock shall be the average closing prices or closing bid prices, as applicable, for the shorter period beginning on and including the date of the IPO and ending on the trading day prior to the Determination Date (or if such period includes only one trading day the closing price or closing bid price, as applicable, for such trading day). If closing prices or closing bid prices are no longer reported by a securities exchange or other trading system, the closing price or closing bid price shall be that which is reported by such securities exchange or other trading system at 4:00 p.m. New York City time on the applicable trading day.

10.3 Exercise Prior to Expiration. To the extent this Warrant is not previously exercised as to all of the Shares subject hereto, and if the fair market value of one share of the Series Preferred Stock is greater than the Warrant Price then in effect, this Warrant shall be deemed automatically exercised pursuant to Section 10.2 above (even if not surrendered) immediately before its expiration. For purposes of such automatic exercise, the fair market value of one share of the Series Preferred Stock upon such expiration shall be determined pursuant to Section 10.2(c). To the extent this Warrant or any portion thereof is deemed automatically exercised pursuant to this Section 10.3, the Company agrees to promptly notify the holder hereof of the number of Shares, if any, the holder hereof is to receive by reason of such automatic exercise.

11. Representations and Warranties. The Company represents and warrants to the holder of this Warrant as follows:

(a) This Warrant has been duly authorized and executed by the Company and is a valid and binding obligation of the Company enforceable in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and the rules of law or principles at equity governing specific performance, injunctive relief and other equitable remedies.

(b) Sufficient shares of the Company's Series E Preferred Stock have been duly authorized and reserved for issuance by the Company upon the exercise of this Warrant and, when issued in accordance with the terms hereof, will be validly issued, fully paid and nonassessable and free from preemptive rights. If the Company completes the Qualified Financing at an effective price per share of less than $7.50, the Company will have, upon the completion of such Qualified Financing, duly authorized and reserved sufficient shares of its New Preferred Stock for issuance by the Company upon the exercise of this Warrant and, when issued in accordance with the terms hereof, such shares of New Preferred Stock will be validly issued, fully paid and nonassessable and free from preemptive rights.

(c) The rights, preferences, privileges and restrictions granted to or imposed upon the Series Preferred Stock and the holders thereof are (or, in the case of the New Preferred Stock, will be) as set forth in the Charter, as the same may be amended from time to time. On the Date of Grant, each share of the Company's Series E Preferred Stock is convertible into one share of the Company's Common Stock.

(d) The shares of Common Stock issuable upon conversion of the Shares have been duly authorized and reserved for issuance by the Company and, when issued in accordance with the terms of the Charter will be validly issued, fully paid and nonassessable.

(e) The execution and delivery of this Warrant are not, and the issuance of the Shares upon exercise of this Warrant in accordance with the terms hereof will not be, inconsistent with the Company's Charter or by-laws, do not contravene any law, governmental rule or regulation, judgment or order applicable to the Company, and do not and will not conflict with or contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument of which the Company is a party or by which it is bound, and do not require the consent or approval of, the giving of notice to, the registration or filing with or the taking of any action in respect of or by, any Federal, state or local government authority or agency or other person, except for the filing of notices pursuant to federal and state securities laws, which filings will be effected by the time required thereby.

(f) There are no actions, suits, audits, investigations or proceedings pending or, to the knowledge of the Company, threatened against the Company in any court or before any governmental commission, board or authority which, if adversely determined, could have a material adverse effect on the ability of the Company to perform its obligations under this Warrant.

(g) The number of shares of Common Stock of the Company outstanding on the date hereof, on a fully diluted basis (assuming the conversion of all outstanding convertible securities and the exercise of all outstanding options and warrants, excluding this Warrant), does not exceed 13,328,657 shares.

12. Modification and Waiver. This Warrant and any provision hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the same is sought.

13. Notices. Any notice, request, communication or other document required or permitted to be given or delivered to the holder hereof or the Company shall be delivered, or shall be sent by certified or registered mail, postage prepaid, to each such holder at its address as shown on the books of the Company or to the Company at the address indicated therefor on the signature page of this Warrant.

14. Binding Effect on Successors. Except as set forth herein, this Warrant shall be binding upon any corporation succeeding the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets. All of the obligations of the Company relating to the Series Preferred Stock issuable upon the exercise or conversion of this Warrant shall survive the exercise, conversion and termination of this Warrant and all of the covenants and agreements of the

Company shall inure to the benefit of the successors and assigns of the holder hereof. Notwithstanding anything herein to the contrary, neither this Warrant nor the Shares issuable upon exercise of this Warrant may be transferred to a person or entity deemed, in good faith, by the Board of Directors of the Company to be a competitor or potential competitor of the Company, or to an "affiliate" (within the meaning of Rule 144 under the Act) of a person or entity deemed, in good faith, by the Board of Directors to be a competitor or potential competitor of the Company.

15. Lost Warrants or Stock Certificates. The Company covenants to the holder hereof that, upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant or any stock certificate and, in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the case of any such mutilation upon surrender and cancellation of such Warrant or stock certificate, the Company will make and deliver a new Warrant or stock certificate, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant or stock certificate.

16. Descriptive Headings. The descriptive headings of the various Sections of this Warrant are inserted for convenience only and do not constitute a part of this Warrant. The language in this Warrant shall be construed as to its fair meaning without regard to which party drafted this Warrant.

17. Governing Law. This Warrant shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of California.

18. Survival of Representations, Warranties and Agreements. All representations and warranties of the Company and the holder hereof contained herein shall survive the Date of Grant, the exercise or conversion of this Warrant (or any part hereof) or the termination or expiration of rights hereunder. All agreements of the Company and the holder hereof contained herein shall survive indefinitely until, by their respective terms, they are no longer operative.

19. Remedies. In case any one or more of the covenants and agreements contained in this Warrant shall have been breached, the holders hereof (in the case of a breach by the Company), or the Company (in the case of a breach by a holder), may proceed to protect and enforce their or its rights either by suit in equity and/or by action at law, including, but not limited to, an action for damages as a result of any such breach and/or an action for specific performance of any such covenant or agreement contained in this Warrant.

20. No Impairment of Rights. The Company will not, by amendment of its Charter or through any other means, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the holder of this Warrant against impairment.

21. Severability. The invalidity or unenforceability of any provision of this Warrant in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction, or affect any other provision of this Warrant, which shall remain in full force and effect.

22. Recovery of Litigation Costs. If any legal action or other proceeding is brought for the enforcement of this Warrant, or because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this Warrant, the successful or prevailing party or parties shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

23. Entire Agreement; Modification. This Warrant (and the provisions of the Stockholders Agreement referred to herein) constitutes the entire agreement between the parties pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations, and undertakings of the parties, whether oral or written, with respect to such subject matter.

The Company has caused this Warrant to be duly executed and delivered as of the Date of Grant specified above.

ACADIA PHARMACEUTICALS INC.

By _____

Name _____

Title _____

Address: 3911 Sorrento Valley Boulevard
San Diego, CA 92121

Agreed to and Accepted as
of the Date of Grant by:

GATX VENTURES, INC.

By: _____

Name: _____

Title: _____

Address: 3687 Mt. Diablo Blvd., Suite 20

Lafayette, CA 94549

ACADIA PHARMACEUTICALS INC.
INDEMNITY AGREEMENT

THIS INDEMNITY AGREEMENT (this "***Agreement***") is made and entered into as of _____, 2004 by and between **ACADIA PHARMACEUTICALS INC.**, a Delaware corporation (the "***Company***"), and _____ ("***Agent***").

RECITALS

WHEREAS, Agent performs a valuable service to the Company in Agent's capacity as _____ of the Company;

WHEREAS, the stockholders of the Company have adopted Amended and Restated Bylaws (the "***Bylaws***") providing for the indemnification of the directors, officers, employees and other agents of the Company, including persons serving at the request of the Company in such capacities with other corporations or enterprises, as authorized by the Delaware General Corporation Law (the "***DGCL***");

WHEREAS, the Bylaws and the DGCL, by their non-exclusive nature, permit contracts between the Company 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 Company, the Company 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 COMPANY. Agent will serve, at the will of the Company or under separate contract, if any such contract exists, as _____ of the Company or as a director, executive officer or other fiduciary of an affiliate of the Company (including any employee benefit plan of the Company) faithfully and to the best of his 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 Company 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 Company or any affiliate shall have no obligation under this Agreement to continue Agent in any such position.

2. INDEMNITY OF AGENT. The Company hereby agrees to hold harmless and indemnify Agent to the fullest extent authorized or permitted by the provisions of the Bylaws and the DGCL, as the same may be amended from time to time (but only to the extent that such amendment permits the Company to provide broader indemnification rights than the Bylaws or the DGCL 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 Company 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 Company) 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 the Company, or is or was serving or at any time serves at the request of the Company 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 Company under the non-exclusivity provisions of the DGCL and Section 43 of the Bylaws.

4. LIMITATIONS ON ADDITIONAL INDEMNITY. No indemnity pursuant to Section 3 hereof shall be paid by the Company:

(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 Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, 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 Company 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 Company 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 Company 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 Company, (iii) such indemnification is provided by the Company, in its sole discretion, pursuant to the powers vested in the Company under the DGCL, or (iv) the proceeding is initiated pursuant to Section 9 hereof.

5. CONTINUATION OF INDEMNITY. All agreements and obligations of the Company contained herein shall continue during the period Agent is a director, officer, employee or other agent of the Company (or is or was serving at the request of the Company 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 Company 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 Company shall indemnify Agent for the portion thereof to which Agent is entitled.

7. NOTIFICATION AND DEFENSE OF CLAIM. Not later than 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 Company under this Agreement, notify the Company of the commencement thereof; but the omission so to notify the Company 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 Company of the commencement thereof:

(a) the Company will be entitled to participate therein at its own expense;

(b) except as otherwise provided below, the Company 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 Company to Agent of its election to assume the defense thereof, the Company 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 Company 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 Company, (ii) Agent shall have reasonably concluded, and so notified the Company, that there is an actual conflict of interest between the Company and Agent in the conduct of the defense of such action or (iii) the Company 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 Company. The Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Company or as to which Agent shall have made the conclusion provided for in clause (ii) above; and

(c) the Company 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 Company 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 Company 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 DGCL 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 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 his 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 Company) that Agent is not entitled to indemnification because of the limitations set forth in Section 4 hereof. Neither the failure of the Company (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 Company (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 Company 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 Company 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 Company's Certificate of Incorporation or Bylaws, agreement, vote of stockholders or directors, or otherwise, both as to action in his 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 Company or to serve at the request of the Company 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 Company 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 Company, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company 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 Company shall nevertheless indemnify Agent to the fullest extent provided by the Certificate of Incorporation, Bylaws, the DGCL 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; FACSIMILE. 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. Facsimile signatures shall be as effective as original signatures.

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 Company, 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 Company.

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

ACADIA PHARMACEUTICALS INC.

By: _____

Name: _____

Title: _____

AGENT

By: _____

Name: _____

Address: _____

_____

[SIGNATURE PAGE TO INDEMNITY AGREEMENT]

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: December 22, 2000
Amended by the Board of Directors: March 4, 2002
Approved by Stockholders: December 3, 2002
Amended by the Board of Directors: June 7, 2003
Approved by Stockholders: September 4, 2003

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 6,160,000 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 «Grant_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 of the Company ("Common Stock") (the "Shares") at $«FMW_of_Share» per Share. Unless earlier terminated, this option shall expire on «Grant_Expiration_Date» (the "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, «Employment_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 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 5 shall remain subject to the right of first refusal set forth in this Section 5) 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.

ACADIA PHARMACEUTICALS INC.

Date: _____ By: _____

Uli Hacksell, Ph.D.
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:

_____

«Employee»

ACADIA Pharmaceuticals Inc.

Nonstatutory 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 «Grant_Date» to «Consultant_Name» a consultant to 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 of the Company ("Common Stock") (the "Shares") at $«FMV_of_Share» per Share. Unless earlier terminated, this option shall expire on «Grant_Expiration_Date» (the "Final Exercise Date").

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 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 12-month period following the date of initial services of the Company, «Initial_Date_of_Service» (the "Service Date") and as to an additional 25% at each of the second, third and fourth anniversaries of the Service Date. This option shall expire upon, and will not be exercisable after, the Final Exercise 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 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. 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: _____

Uli Hacksell
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:

_____

«Consultant_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 <<Grant 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 12-month period following the date of initial employment with the Company, <<Employment_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 <<Grant_Expiration_Date>> (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 his 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.

Date: _____ By: _____

Uli Hacksell, Ph.D.
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:

_____

«Employee»

THE CORPORATEplan *FOR RETIREMENT*[SM]100

FIDELITY BASIC PLAN DOCUMENT No. 10

THE CORPORATEPLAN
***FOR RETIREMENT*SM100**

Article 17. Amendment and Continuation of Prior Plan; Transfer of Funds to or from Other Qualified Plans

Article 18. Miscellaneous

Article 19. Plan Administration

Article 20. Trust Agreement

Preamble.

This prototype plan consists of three parts: (1) an Adoption Agreement that is a separate document incorporated by reference into this Basic Plan Document; (2) this Basic Plan Document; and (3) a Trust Agreement that is a part of this Basic Plan Document and is found in Article 20. Each part of the prototype plan contains substantive provisions that are integral to the operation of the plan. The Adoption Agreement is the means by which an adopting Employer elects the optional provisions that shall apply under its plan. The Basic Plan Document describes the standard provisions elected in the Adoption Agreement. The Trust Agreement describes the powers and duties of the Trustee with respect to plan assets.

The prototype plan is intended to qualify under Code Section 401(a). Depending upon the Adoption Agreement completed by an adopting Employer, the prototype plan may be used to implement a money purchase pension plan, a profit sharing plan, or a profit sharing plan with a cash or deferred arrangement intended to qualify under Code Section 401(k).

Article 1. Adoption Agreement.

Article 2. Definitions.

2.01. Definitions. Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

(a) "**Account**" means an account established for the purpose of recording any contributions made on behalf of a Participant and any income, expenses, gains, or losses incurred thereon. The Administrator shall establish and maintain sub-accounts within a Participant's Account as necessary to depict accurately a Participant's interest under the Plan.

(b) "**Active Participant**" means any Eligible Employee who has met the requirements of Article 4 to participate in the Plan and who may be entitled to receive allocations under the Plan.

(c) "**Administrator**" means the Employer adopting this Plan, as listed in Subsection 1.02(a) of the Adoption Agreement, or any other person designated by the Employer in Subsection 1.01(c) of the Adoption Agreement.

(d) "**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 20. The provisions of the Adoption Agreement shall be an integral part of the Plan.

(e) "**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 permitted under the Plan.

(f) "**Basic Plan Document**" means this Fidelity prototype plan document, qualified with the National Office of the Internal Revenue Service as Basic Plan Document No. 10.

(g) "**Beneficiary**" means the person or persons (including a trust) entitled under Section 11.04 or 14.04 to receive benefits under the Plan upon the death of a Participant; provided, however, that for purposes of Section 13.03 such term shall be applied in accordance with Code Section 401(a)(9) and the regulations thereunder.

(h) "**Break in Vesting Service**" means a 12-consecutive-month period beginning on an Employee's Severance Date or any anniversary thereof in which the Employee is not credited with an Hour of Service.

Notwithstanding the foregoing, the following special rules apply in determining whether an Employee who is on leave has incurred a Break in Vesting Service:

(1) If an individual is absent from work because of "maternity/paternity leave" beyond the first anniversary of his Severance Date, the 12-consecutive-month period beginning on the individual's Severance Date shall not constitute a Break in Vesting Service. For purposes of this paragraph, "maternity/paternity leave" means a leave of absence (A) by reason of the pregnancy of the individual, (B) by reason of the birth of a child of the individual, (C) by reason of the placement of a child with the individual in connection with the adoption of such child by the individual, or (D) for purposes of caring for a child for the period beginning immediately following such birth or placement.

(2) If an individual is absent from work because of "FMLA leave" and returns to employment with the Employer or a Related Employer following such "FMLA leave", he shall not incur a Break in Vesting Service during any 12-consecutive-month period beginning on his Severance Date or anniversaries thereof in which he is absent because of such "FMLA leave". For purposes of this paragraph, "FMLA leave" means an approved leave of absence pursuant to the Family and Medical Leave Act of 1993.

(i) "**Code**" means the Internal Revenue Code of 1986, as amended from time to time.

(j) "**Compensation**" means wages as defined in Code Section 3401(a) and all other payments of compensation to an Eligible Employee by the Employer (in the course of the Employer's trade or business) for services to the Employer while employed as an Eligible Employee for which the Employer is required to furnish the Eligible Employee a written statement under Code Sections 6041(d) and 6051(a)(3). Compensation must be determined without regard to any rules under Code Section 3401(a) 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 Code Section 3401(a)(2)).

For any Self-Employed Individual, Compensation means Earned Income; provided, however, that if the Employer elects to exclude specified items from Compensation, such Earned Income shall be adjusted in a similar manner so that it is equivalent under regulations issued under Code Section 414(s) to Compensation for Participants who are not Self-Employed Individuals.

Compensation shall generally be based on the amount actually paid to the Eligible Employee during the Plan Year or, for purposes of Articles 5 (and, for Plan Years beginning prior to January 1, 2003, Article 15) if so elected by the Employer in Subsection 1.05(b) of the Adoption Agreement, during that portion of the Plan Year during which the Eligible Employee is an Active Participant. Notwithstanding the preceding sentence, Compensation for purposes of Section 6.12 (Code Section 415 Limitations) shall be based on the amount actually paid or made available to the Participant during the Limitation Year.

If the initial Plan Year of a new plan consists of fewer than 12 months, calculated from the Effective Date listed in Subsection 1.01(g)(1) of the Adoption Agreement through the end of such initial Plan Year, Compensation for such initial Plan Year shall be determined as follows:

(1) If the Plan is a profit sharing plan, for purposes of allocating Nonelective Employer Contributions under Section 1.11 of the Adoption Agreement (other than Nonelective Employer Contributions made in accordance with the Safe Harbor Nonelective Employer Contributions Addendum to the Adoption Agreement) and determining Highly Compensated Employees under Subsection 2.01(z), the initial Plan Year shall be the 12-month period ending on the last day of the Plan Year.

(2) For purposes of Section 6.12 (Code Section 415 Limitations) where the Limitation Year is based on the Plan Year, the Limitation Year shall be the 12-month period ending on the last day of the Plan Year.

(3) For all other purposes, the initial Plan Year shall be the period from the Effective Date listed in Subsection 1.01(g)(1) of the Adoption Agreement through the end of the initial Plan Year.

The annual Compensation of each Active Participant taken into account for determining benefits provided under the Plan for any determination period shall not exceed the annual Compensation limit under Code Section 401(a)(17) as in effect on the first day of the determination period. This limit shall be adjusted by the Secretary to reflect increases in the cost of living, as provided in Code Section 401(a)(17)(B); provided, however, that the dollar increase in effect on January 1 of any calendar year is effective for determination periods beginning in such calendar year. If a Plan determines Compensation over a determination period that contains fewer than 12 calendar months (a "short determination period"), then the Compensation limit for such "short determination period" is equal to the Compensation limit for the calendar year in which the "short determination period" begins multiplied by the ratio obtained by dividing the number of full months in the "short determination period" by 12; provided, however, that such proration shall not apply if there is a "short determination period" because (i) the Employer elected in Subsection 1.05(b) of the Adoption Agreement to determine contributions based only on Compensation paid during the portion of the Plan Year during which an individual was an Active Participant, (ii) an Employee is covered under the Plan less than a full Plan Year, or (iii) Deferral Contributions and/or Matching Employer Contributions are contributed for each pay period during the Plan Year and are based on Compensation for that pay period.

(k) "**Contribution Period**" means the period for which Matching Employer and Nonelective Employer Contributions are made and calculated. The Contribution Period for additional Matching Employer Contributions, as described in Subsection 1.10(b) of the Adoption Agreement and Nonelective Employer Contributions is the Plan Year. The Contribution Period for basic Matching Employer Contributions, as described in Subsection 1.10(a)of the Adoption Agreement, is the period specified by the Employer in Subsection 1.10(c) of the Adoption Agreement.

(l) "**Deferral Contribution**" means any contribution made to the Plan by the Employer in accordance with the provisions of Section 5.03.

(m) "**Early Retirement Age**" means the early retirement age specified in Subsection 1.13(b) of the Adoption Agreement, if any.

(n) "**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 net earnings shall be determined with regard to the deduction allowed under Code Section 164(f), 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 Code Section 404.

(o) "**Effective Date**" means the effective date specified by the Employer in Subsection 1.01(g)(1) or (2) of the Adoption Agreement with respect to the Plan, if this is a new plan, or with respect to the amendment and restatement, if this is an amendment and restatement of the Plan. The Employer may select special Effective Dates with respect to specified Plan provisions, as set forth in Section (a) of the Special Effective Dates Addendum to the Adoption Agreement. In the event that another plan is merged into and made a part of the Plan, the effective date of the merger shall be reflected in Section (b) of the Special Effective Dates Addendum to the Adoption Agreement.

If this is an amendment and restatement of the Plan, and the Plan was not amended prior to the effective date specified by the Employer in Subsection 1.01(g)(2) of the Adoption Agreement to comply with the requirements of the Acts specified in the Snap Off Addendum to the Adoption Agreement, the effective dates specified in such

Snap Off Addendum shall apply with respect to those provisions specified therein. Such effective dates may be earlier than the date specified in Subsection 1.01(g)(2) of the Adoption Agreement.

(p) "**Eligibility Computation Period**" means each 12-consecutive-month period beginning with an Employee's Employment Commencement Date and each anniversary thereof.

(q) "**Eligibility Service**" means an Employee's service that is taken into account in determining his eligibility to participate in the Plan as may be required under Subsection 1.04(b) of the Adoption Agreement. Eligibility Service shall be credited in accordance with Article 3.

(r) "**Eligible Employee**" means any Employee of the Employer who is in the class of Employees eligible to participate in the Plan. The Employer must specify in Subsection 1.04(c) of the Adoption Agreement any Employee or class of Employees not eligible to participate in the Plan. If Article 1 of the Employer's Plan is a Non-Standardized Adoption Agreement, regardless of the Employer's selection in Subsection 1.04(c) of the Adoption Agreement, the following Employees are automatically excluded from eligibility to participate in the Plan:

(1) any individual who is a signatory to a contract, letter of agreement, or other document that acknowledges his status as an independent contractor not entitled to benefits under the Plan or who is not otherwise classified by the Employer as a common law employee and with respect to whom the Employer does not withhold income taxes and file Form W-2 (or any replacement Form), with the Internal Revenue Service and does not remit Social Security payments to the Federal government, even if such individual is later adjudicated to be a common law employee; and

(2) any Employee who is a resident of Puerto Rico.

If the Employer elects to exclude collective bargaining employees from the eligible class, 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 covered under 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.

If the Employer does not elect to exclude Leased Employees from the eligible class, 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 and there shall be no duplication of benefits under this Plan.

(s) "**Employee**" means any common law employee of the Employer or a Related Employer, any Self-Employed Individual, and any Leased Employee. Notwithstanding the foregoing, 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 and providing (1) a nonintegrated employer contribution rate of at least 10 percent of compensation, as defined for purposes of Code Section 415(c)(3), but including amounts contributed pursuant to a salary reduction agreement which are excludable from gross income under Code Section 125, 132(f)(4), 402(e)(3), 402(h) or 403(b), (2) full and immediate vesting, and (3) immediate participation by each employee of the leasing organization.

(t) "**Employee Contribution**" means any after-tax contribution made by an Active Participant to the Plan prior to the Effective Date of the Plan. The Employer shall not allow Active Participants to make any Employee Contributions to the Plan on or after the Effective Date.

(u) "**Employer**" means the employer named in Subsection 1.02(a) of the Adoption Agreement and any Related Employer included as an Employer under this Subsection 2.01(u). If Article 1 of the Employer's Plan is a Standardized Adoption Agreement, the term "Employer" includes all Related Employers; provided, however, that if an employer becomes a Related Employer as a result of an asset or stock acquisition, merger or other similar transaction, the term "Employer" shall not include such employer for periods prior to the earlier of (1) the date as of which Subsection 1.02(b) of the Adoption Agreement is amended to name such employer or (2) the first day of the second Plan Year beginning after the date of such transaction. If Article 1 of the Employer's Plan is a Non-Standardized Adoption Agreement, the term "Employer" includes only those Related Employers designated in Subsection 1.02(b) of the Adoption Agreement.

If the organization or other entity named in the Adoption Agreement is a sole proprietor or a professional corporation and the sole proprietor of such proprietorship or the sole shareholder of the professional corporation dies, then the legal representative of such sole proprietor or shareholder shall be deemed to be the Employer until such time as, through the disposition of such sole proprietor's or sole shareholder's estate or otherwise, any organization or other entity succeeds to the interests of the sole proprietor in the proprietorship or the sole shareholder in the professional corporation. The legal representative of a sole proprietor or shareholder shall be (1) the person appointed as such by the sole proprietor or shareholder prior to his death under a legally enforceable power of attorney, or, if none, (2) the executor or administrator of the sole proprietor's or shareholder's estate.

If one of the Employers designated in Subsection 1.02(b) of the Adoption Agreement is not a Related Employer, the term "Employer" includes such un-Related Employer and the provisions of Section 18.06 shall apply.

(v) "**Employment Commencement Date**" means the date on which an Employee first performs an Hour of Service.

(w) "**Entry Date**" means the date specified by the Employer in Subsection 1.04(d) of the Adoption Agreement as of which an Eligible Employee who has met the applicable eligibility requirements begins to participate in the Plan.

(x) "**ERISA**" means the Employee Retirement Income Security Act of 1974, as from time to time amended.

(y) "**Fund Share**" means the share, unit, or other evidence of ownership in a Permissible Investment.

(z) "**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 (1) at any time during the "determination year" or the "look-back year" was a five percent owner or (2) received Compensation from the Employer during the "look-back year" in excess of $80,000 (as adjusted pursuant to Code Section 415(d)) and, if elected by the Employer in Section 1.06 of the Adoption Agreement, was a member of the top-paid group for such year.

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", unless the Employer has elected in Section 1.06 of the Adoption Agreement to make the "look-back year" the calendar year beginning within the preceding Plan Year.

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, as determined under the rules in effect for determining Highly Compensated Employees for such separation year or "determination year".

The determination of who is a Highly Compensated Employee, including the determinations of the number and identity of Employees in the top-paid group, shall be made in accordance with Code Section 414(q) and the Treasury Regulations issued thereunder.

For purposes of this Subsection 2.01(z), Compensation shall include amounts that are not includable in the gross income of an Employee under a salary reduction agreement by reason of the application of Code Section 125, 132(f)(4), 402(e)(3), 402(h), or 403(b).

(aa) "**Hour of Service**", with respect to any individual, means:

(1) Each hour for which the individual 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 individual for the Eligibility Computation Period in which the duties were performed;

(2) Each hour for which the individual is directly or indirectly paid, or entitled to payment, by the Employer or a 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 individual for the Eligibility Computation Period in which such period of time occurs, subject to the following rules:

(A) No more than 501 Hours of Service shall be credited under this paragraph (2) on account of any single continuous period during which the individual performs no duties, unless the individual performs no duties because of military duty, the individual's employment rights are protected by law, and the individual returns to employment with the Employer or a Related Employer during the period that his employment rights are protected under Federal law;

(B) Hours of Service shall not be credited under this paragraph (2) for a payment which solely reimburses the individual for medically-related expenses, or which is made or due under a plan maintained solely for the purpose of complying with applicable worker's compensation, unemployment compensation or disability insurance laws; and

(C) If the period during which the individual 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 individuals;

(3) Each hour not counted under paragraph (1) or (2) for which he would have been scheduled to work for the Employer or a Related Employer during the period that he is absent from work because of military duty, provided the individual's employment rights are protected under Federal law and the individual returns to work with the Employer or a Related Company during the period that his employment rights are protected, each such hour to be credited to the individual for the Eligibility Computation Period for which he would have been scheduled to work; and

(4) Each hour not counted under paragraph (1), (2), or (3) 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, shall be credited to the individual 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 paragraphs (2) and (4) above, Hours of Service shall 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.

Notwithstanding any other provision of this Subsection to the contrary, the Employer may elect to credit Hours of Service in accordance with any of the equivalencies set forth in paragraphs (d), (e), or (f) of Department of Labor Regulations Section 2530.200b-3.

(bb) "**Inactive Participant**" means any individual who was an Active Participant, but is no longer an Eligible Employee and who has an Account under the Plan.

(cc) "**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 (1) such services are provided pursuant to an agreement between the recipient and any other person (the "leasing organization"), (2) such individual has performed services for the recipient (or for the recipient and any related persons within the meaning of Code Section 414(n)(6)) on a substantially full-time basis for at least one year, and (3) such services are performed under primary direction of or control by the recipient. The determination of who is a Leased Employee shall be made in accordance with any rules and regulations issued by the Secretary of the Treasury or his delegate.

(dd) "**Limitation Year**" means the 12-consecutive-month period designated by the Employer in Subsection 1.01(f) of the Adoption Agreement. If no other Limitation Year is designated by the Employer, the Limitation Year shall be the calendar year. All qualified plans of the Employer and any Related 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.

(ee) "**Matching Employer Contribution**" means any contribution made by the Employer to the Plan in accordance with Section 5.08 or 5.09 on account of an Active Participant's Deferral Contributions.

(ff) "**Mass Submitter Sponsor**" means Fidelity Management & Research Company or its successor.

(gg) "**Nonelective Employer Contribution**" means any contribution made by the Employer to the Plan in accordance with Section 5.10.

(hh) "**Non-Highly Compensated Employee**" means any Employee who is not a Highly Compensated Employee.

(ii) "**Normal Retirement Age**" means the normal retirement age specified in Subsection 1.13(a) of the Adoption Agreement. If the Employer enforces a mandatory retirement age in accordance with Federal law, the Normal Retirement Age is the lesser of that mandatory age or the age specified in Subsection 1.13(a) of the Adoption Agreement.

(jj) "**Participant**" means any individual who is either an Active Participant or an Inactive Participant.

(kk) "**Permissible Investment**" means the investments specified by the Employer as available for investment of assets of the Trust and agreed to by the Trustee and the Prototype Sponsor. The Permissible Investments under the Plan shall be listed in the Service Agreement.

(ll) "**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.

(mm) "**Plan Year**" means the 12-consecutive-month period ending on the date designated by the Employer in Subsection 1.01(d) of the Adoption Agreement, except that the initial Plan Year of a new Plan may consist of fewer than 12 months, calculated from the Effective Date listed in Subsection 1.01(g)(1) of the Adoption Agreement through the end of such initial Plan Year, in which event Compensation for such initial Plan Year shall be treated as provided in Subsection 2.01(j).

(nn) "**Prototype Sponsor**" means Fidelity Management & Research Company or its successor.

(oo) "**Qualified Matching Employer Contribution**" means any contribution made by the Employer to the Plan on account of Deferral Contributions made on behalf of Non-Highly Compensated Participants in accordance with Section 5.09, that may be included in determining whether the Plan meets the "ADP" test described in Section 6.03.

(pp) "**Qualified Nonelective Employer Contribution**" means any contribution made by the Employer to the Plan on behalf of Non-Highly Compensated Employees in accordance with Section 5.07, that may be included in determining whether the Plan meets the "ADP" test described in Section 6.03 or the "ACP" test described in Section 6.06.

(qq) "**Reemployment Commencement Date**" means the date on which an Employee who terminates employment with the Employer and all Related Employers first performs an Hour of Service following such termination of employment.

(rr) "**Related Employer**" means any employer other than the Employer named in Subsection 1.02(a) of the Adoption Agreement if the Employer and such other employer are members of a controlled group of corporations (as defined in Code Section 414(b)) or an affiliated service group (as defined in Code Section 414(m)), or are trades or businesses (whether or not incorporated) which are under common control (as defined in Code Section 414(c)), or such other employer is required to be aggregated with the Employer pursuant to regulations issued under Code Section 414(o); provided, however, that if Article 1 of the Employer's Plan is a Standardized Adoption Agreement, for purposes of Subsection 1.02(b) of the Adoption Agreement, the term "Related Employer" shall not include any employer that becomes a Related Employer as a result of an asset or stock acquisition, merger or other similar transaction with respect to any period prior to the earlier of (1) the date as of which Subsection 1.02(b) of the Adoption Agreement is amended to name such employer or (2) the first day of the second Plan Year beginning after the date of such transaction.

(ss) "**Required Beginning Date**" means:

(1) for a Participant who is not a five percent owner, April 1 of the calendar year following the calendar year in which occurs the later of (i) the Participant's retirement or (ii) the Participant's attainment of age 70 1/2; provided, however, that a Participant may elect to have his Required Beginning Date determined without regard to the provisions of clause (i).

(2) for a Participant who is a five percent owner, April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2.

Once the Required Beginning Date of a five percent owner or a Participant who has elected to have his Required Beginning Date determined in accordance with the provisions of Section 2.01(ss)(1)(ii) has occurred, such Required Beginning Date shall not be re-determined, even if the Participant ceases to be a five percent owner in a subsequent year or continues in employment with the Employer or a Related Employer.

For purposes of this Subsection 2.01(ss), a Participant is treated as a five percent owner if such Participant is a five percent owner as defined in Code Section 416(i) (determined in accordance with Code 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 70 1/2.

(tt) "**Rollover Contribution**" means any distribution from a qualified plan (or an individual retirement account holding only assets allocable to a distribution from a qualified plan) that an Employee elects to contribute to the Plan in accordance with the provisions of Section 5.06.

(uu) "**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, including, but not limited to, a partner in a partnership, a sole proprietor, a member in a limited liability company or a shareholder in a subchapter S corporation.

(vv) "**Service Agreement**" means the agreement between the Employer and the Prototype Sponsor (or an agent or affiliate of the Prototype Sponsor) relating to the provision of investment and other services to the Plan and shall include any addendum to the agreement and any other separate written agreement between the Employer and the Prototype Sponsor (or an agent or affiliate of the Prototype Sponsor) relating to the provision of services to the Plan.

(ww) "**Severance Date**" means the earlier of (i) the date an Employee retires, dies, quits, or is discharged from employment with the Employer and all Related Employers or (ii) the 12-month anniversary of the date on which the Employee was otherwise first absent from employment; provided, however, that if an individual terminates or is absent from employment with the Employer and all Related Employers because of military duty, such individual shall not incur a Severance Date if his employment rights are protected under Federal law and he returns to employment with the Employer or a Related Employer within the period during which he retains such employment rights, but, if he does not return to such employment within such period, his Severance Date shall be the earlier of (1) the anniversary of the date his absence commenced or (2) the last day of the period during which he retains such employment rights.

(xx) "**Trust**" means the trust created by the Employer in accordance with the provisions of Section 20.01.

(yy) "**Trust Agreement**" means the agreement between the Employer and the Trustee, as set forth in Article 20, under which the assets of the Plan are held, administered, and managed.

(zz) "**Trustee**" means Fidelity Management Trust Company or its successor. The term Trustee shall include any delegate of the Trustee as may be provided in the Trust Agreement.

(aaa) "**Trust Fund**" means the property held in Trust by the Trustee for the Accounts of Participants and their Beneficiaries.

(bbb) "**Vesting Service**" means an Employee's service that is taken into account in determining his vested interest in his Matching Employer and Nonelective Employer Contributions Accounts as may be required under Section 1.15 of the Adoption Agreement. Vesting Service shall be credited in accordance with Article 3.

2.02. Pronouns. Pronouns used in the Plan are in the masculine gender but include the feminine gender unless the context clearly indicates otherwise.

2.03. Special Effective Dates. Some provisions of the Plan are only effective beginning as of a specified date or until a specified date. Any such special effective dates are specified within Plan text where applicable and are exceptions to the general Plan Effective Date as defined in Section 2.01(o).

Article 3. Service.

3.01. Crediting of Eligibility Service. If the Employer has selected an Eligibility Service requirement in Subsection 1.04(b) of the Adoption Agreement for an Eligible Employee to become an Active Participant, Eligibility Service shall be credited to an Employee as follows:

(a) If the Employer has selected the one year of Eligibility Service requirement described in Subsection 1.04(b)(1)(D) of the Adoption Agreement, an Employee shall be credited with a year of Eligibility Service for each Eligibility Computation Period during which the Employee has been credited with at least 1,000 Hours of Service.

(b) If the Employer has selected the three or six months of Eligibility Service requirement described in Subsection 1.04(b)(1)(B) or (C) of the Adoption Agreement, an Employee shall be credited with Eligibility Service for the aggregate of the periods beginning with the Employee's Employment Commencement Date (or Reemployment Commencement Date) and ending on his subsequent Severance Date; provided, however, that an Employee who has a Reemployment Date within the 12-consecutive-month period following the earlier of the first date of his absence or his Severance Date shall be credited with Eligibility Service for the period between his Severance Date and his Reemployment Date. Months of Eligibility Service shall be measured from the Employee's Employment Commencement Date or Reemployment Commencement Date to the coinciding date in the applicable following month.

3.02. Re-Crediting of Eligibility Service Following Termination of Employment. An Employee whose employment with the Employer and all Related Employers terminates and who is subsequently reemployed by the Employer or a Related Employer shall be re-credited upon reemployment with his Eligibility Service earned prior to his termination of employment.

3.03. Crediting of Vesting Service. If the Plan provides for Matching Employer and/or Nonelective Employer Contributions that are not 100 percent vested when made, Vesting Service shall be credited to an Employee for the aggregate of the periods beginning with the Employee's Employment Commencement Date (or Reemployment Commencement Date) and ending on his subsequent Severance Date; provided, however, that an Employee who has a Reemployment Date within the 12-consecutive-month period following the earlier of the first date of his absence or his Severance Date shall be credited with Vesting Service for the period between his Severance Date and his Reemployment Date. Fractional periods of a year shall be expressed in terms of days.

3.04. Application of Vesting Service to a Participant's Account Following a Break in Vesting Service. The following rules describe how Vesting Service earned before and after a Break in Vesting Service shall be applied for purposes of determining a Participant's vested interest in his Matching Employer and Nonelective Employer Contributions Accounts.

(a) If a Participant incurs five-consecutive Breaks in Vesting Service, all years of Vesting Service earned by the Employee after such Breaks in Service shall be disregarded in determining the Participant's vested interest in his Matching Employer and Nonelective Employer Contributions Account balances attributable to employment before such Breaks in Vesting Service. However, Vesting Service earned both before and after such Breaks in Vesting Service shall be included in determining the Participant's vested interest in his Matching

Employer and Nonelective Employer Contributions Account balances attributable to employment after such Breaks in Vesting Service.

(b) If a Participant incurs fewer than five-consecutive Breaks in Vesting Service, Vesting Service earned both before and after such Breaks in Vesting Service shall be included in determining the Participant's vested interest in his Matching Employer and Nonelective Employer Contributions Account balances attributable to employment both before and after such Breaks in Vesting Service.

3.05. Service with Predecessor Employer. If the Plan is the plan of a predecessor employer, an Employee's Eligibility and Vesting Service shall include years of service with such predecessor employer. In any case in which the Plan is not the plan maintained by a predecessor employer, service for such predecessor employer shall be treated as Eligibility and Vesting Service if so specified in Section 1.16 of the Adoption Agreement.

3.06. Change in Service Crediting. If an amendment to the Plan or a transfer from employment as an Employee covered under another qualified plan maintained by the Employer or a Related Employer results in a change in the method of crediting Eligibility and/or Vesting Service with respect to a Participant between the Hours of Service crediting method set forth in Section 2530.200b-2 of the Department of Labor Regulations and the elapsed-time crediting method set forth in Section 1.410(a)-7 of the Treasury Regulations, each Participant with respect to whom the method of crediting Eligibility and/or Vesting Service is changed shall be treated in the manner set forth in Section 1.410(a)-7(f)(1) of the Treasury Regulations which are incorporated herein by reference.

Article 4. Participation.

4.01. Date of Participation. If the Plan is an amendment and restatement of a prior plan, all Eligible Employees who were active participants in the Plan immediately prior to the Effective Date shall continue as Active Participants on the Effective Date. All Eligible Employees who are in the service of the Employer on the Effective Date (and, if this is an amendment and restatement of a prior plan, were not active participants in the prior plan immediately prior to the Effective Date) shall become Active Participants on the date elected by the Employer in Subsection 1.04(e) of the Adoption Agreement. Any other Eligible Employee shall become an Active Participant in the Plan on the Entry Date coinciding with or immediately following the date on which he first satisfies the eligibility requirements set forth in Subsections 1.04(a) and 1.04(b) of the Adoption Agreement.

4.02. Transfers Out of Covered Employment. If any Active Participant ceases to be an Eligible Employee, but continues in the employ of the Employer or a Related Employer, such Employee shall cease to be an Active Participant, but shall continue as an Inactive Participant until his entire Account balance is forfeited or distributed. An Inactive Participant shall not be entitled to receive an allocation of contributions or forfeitures under the Plan for the period that he is not an Eligible Employee and wages and other payments made to him by the Employer or a Related Employer for services other than as an Eligible Employee shall not be included in Compensation for purposes of determining the amount and allocation of any contributions to the Account of such Inactive Participant. Such Inactive Participant shall continue to receive credit for Vesting Service completed during the period that he continues in the employ of the Employer or a Related Employer.

4.03. Transfers Into Covered Employment. If an Employee who is not an Eligible Employee becomes an Eligible Employee, such Eligible Employee shall become an Active Participant immediately as of his transfer date if such Eligible Employee has already satisfied the eligibility requirements and would have otherwise previously become an Active Participant in accordance with Section 4.01. Otherwise, such Eligible Employee shall become an Active Participant in accordance with Section 4.01.

Wages and other payments made to an Employee prior to his becoming an Eligible Employee by the Employer or a Related Employer for services other than as an Eligible Employee shall not be included in

Compensation for purposes of determining the amount and allocation of any contributions to the Account of such Eligible Employee.

4.04. Resumption of Participation Following Reemployment. If a Participant who terminates employment with the Employer and all Related Employers is reemployed as an Eligible Employee, he shall again become an Active Participant on his Reemployment Date. Any other Employee who terminates employment with the Employer and all Related Employers and is reemployed by the Employer or a Related Employer shall become an Active Participant as provided in Section 4.01 or 4.03. Any distribution which a Participant is receiving under the Plan at the time he is reemployed by the Employer or a Related Employer shall cease except as otherwise required under Section 12.04.

Article 5. Contributions.

5.01. Contributions Subject to Limitations. All contributions made to the Plan under this Article 5 shall be subject to the limitations contained in Article 6.

5.02. Compensation Taken into Account in Determining Contributions. In determining the amount or allocation of any contribution that is based on a percentage of Compensation, only Compensation paid to a Participant for services rendered to the Employer while employed as an Eligible Employee shall be taken into account. Except as otherwise specifically provided in this Article 5, for purposes of determining the amount and allocation of contributions under this Article 5, Compensation shall not include reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, deferred compensation, welfare benefits, and any items elected by the Employer with respect to such contributions in Subsection 1.05(a) of the Adoption Agreement, but shall include amounts that are not includable in the gross income of the Participant under a salary reduction agreement by reason of the application of Code Section 125, (132)(f)(4), 402(e)(3), 402(h), 403(b), or 457(b).

If the initial Plan Year of a new plan consists of fewer than 12 months, calculated from the Effective Date listed in Subsection 1.01(g)(1) of the Adoption Agreement through the end of such initial Plan Year, except as otherwise provided in this paragraph, Compensation for purposes of determining the amount and allocation of contributions under this Article 5 for such initial Plan Year shall include only Compensation for services during the period beginning on the Effective Date listed in Subsection 1.01(g)(1) of the Adoption Agreement and ending on the last day of the initial Plan Year. Notwithstanding the foregoing, if the Plan is a profit sharing plan, Compensation for purposes of determining the amount and allocation of non-safe harbor Nonelective Employer Contributions under this Article 5 for such initial Plan Year shall include Compensation for the full 12-consecutive-month period ending on the last day of the initial Plan Year.

5.03. Deferral Contributions. If so provided by the Employer in Subsection 1.07(a) of the Adoption Agreement, each Active Participant may elect to execute a salary reduction agreement with the Employer to reduce his Compensation by a specified percentage or dollar amount, not exceeding the percentage specified by the Employer in Subsection 1.07(a)(1) of the Adoption Agreement, per payroll period, subject to any exceptions elected by the Employer in Subsections 1.07(a)(2) and (3) of the Adoption Agreement, and equal to a whole number multiple of one percent. If elected by the Employer in Subsection 1.07(a)(1)(A) of the Adoption Agreement, in lieu of specifying a percentage of Compensation reduction, an Active Participant may elect to reduce his Compensation by a specified dollar amount per payroll period, provided that such dollar amount may not exceed the percentage of Compensation specified by the Employer in Subsection 1.07(a)(1) of the Adoption Agreement, subject to any exceptions elected by the Employer in Subsections 1.07(a)(2) and (3) of the Adoption Agreement.

An Active Participant's salary reduction agreement shall become effective on the first day of the first payroll period for which the Employer can reasonably process the request, but not earlier than the later of (a) the effective date of the provisions permitting Deferral Contributions or (b) the date the Employer adopts such provisions. The

Employer shall make a Deferral Contribution on behalf of the Participant corresponding to the amount of said reduction. Under no circumstances may a salary reduction agreement be adopted retroactively.

An Active Participant may elect to change or discontinue the percentage or dollar amount by which his Compensation is reduced by notice to the Employer as provided in Subsection 1.07(a)(1)(B) or (C) of the Adoption Agreement. Notwithstanding the provisions of Subsection 1.07(a)(1)(B) or (C) of the Adoption Agreement, if the Employer has elected one of the safe harbor contributions in Subsection 1.10(a)(3) or 1.11(a)(3) of the Adoption Agreement, an Active Participant may elect to change or discontinue the percentage or dollar amount by which his Compensation is reduced by notice to the Employer within a reasonable period, as specified by the Employer (but not less than 30 days), of receiving the notice described in Section 6.10.

5.04. Employee Contributions. The Employer shall not allow Participants to make Employee Contributions to the Plan. Employee Contributions made to the Plan prior to the Effective Date shall be maintained in a separate account.

5.05. No Deductible Employee Contributions. No deductible Employee Contributions may be made to the Plan. Deductible Employee Contributions made prior to January 1, 1987 shall be maintained in a separate Account. No part of the deductible Employee Contributions Account shall be used to purchase life insurance.

5.06. Rollover Contributions. An Eligible Employee who is or was entitled to receive an eligible rollover distribution, as defined in Code Section 402(c)(4) and Treasury Regulations issued thereunder, from a qualified plan (or an individual retirement account holding only assets attributable to a distribution from a qualified plan) may elect to contribute all or any portion of such distribution to the Trust directly from such qualified plan or individual retirement account or within 60 days of receipt of such distribution to the Eligible Employee. Rollover Contributions shall only be made in the form of cash, allowable Fund Shares, or, if and to the extent permitted by the Employer with the consent of the Trustee, promissory notes evidencing a plan loan to the Eligible Employee; provided, however, that Rollover Contributions shall only be permitted in the form of promissory notes if the Plan otherwise provides for loans.

An Eligible Employee who has not yet become an Active Participant in the Plan in accordance with the provisions of Article 3 may make a Rollover Contribution to the Plan. Such Eligible Employee shall be treated as a Participant under the Plan for all purposes of the Plan, except eligibility to have Deferral Contributions made on his behalf and to receive an allocation of Matching Employer or Nonelective Employer Contributions.

The Administrator shall develop such procedures and require such information from Eligible Employees as it deems necessary to ensure that amounts contributed under this Section 5.06 meet the requirements for tax-deferred rollovers established by this Section 5.06 and by Code Section 402(c). No Rollover Contributions may be made to the Plan until approved by the Administrator.

If a Rollover Contribution made under this Section 5.06 is later determined by the Administrator not to have met the requirements of this Section 5.06 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 such Rollover Contribution.

A Participant's Rollover Contributions Account shall be subject to the terms of the Plan, including Article 14, except as otherwise provided in this Section 5.06.

Notwithstanding any other provision of this Section 5.06, the Employer may direct the Trustee not to accept Rollover Contributions.

5.07. Qualified Nonelective Employer Contributions. The Employer may, in its discretion, make a Qualified Nonelective Employer Contribution for the Plan Year in any amount necessary to satisfy or help to satisfy the "ADP" test, described in Section 6.03, and/or the "ACP" test, described in Section 6.06. Qualified Nonelective Employer Contributions shall be made and allocated based on Participants' "testing compensation", as defined in Subsection 6.01(t), rather than Compensation, as defined in Subsection 2.01(j). Any Qualified Nonelective Employer Contribution shall be allocated among the Accounts of Non-Highly Compensated Employees who are Active Participants at any time during the Plan Year in one of the following manners as elected by the Employer:

(a) in the ratio that each eligible Active Participant's "testing compensation", as defined in Subsection 6.01(t), for the Plan Year bears to the total "testing compensation" paid to all eligible Active Participants for the Plan Year; or

(b) as a uniform flat dollar amount for each eligible Active Participant for the Plan Year.

Active Participants shall not be required to satisfy any Hours of Service or employment requirement for the Plan Year in order to receive an allocation of Qualified Nonelective Employer Contributions.

Qualified Nonelective Employer Contributions shall be distributable only in accordance with the distribution provisions that are applicable to Deferral Contributions; provided, however, that a Participant shall not be permitted to take a hardship withdrawal of amounts credited to his Qualified Nonelective Employer Contributions Account after the later of December 31, 1988 or the last day of the Plan Year ending before July 1, 1989.

5.08. Matching Employer Contributions. If so provided by the Employer in Section 1.10 of the Adoption Agreement, the Employer shall make a Matching Employer Contribution on behalf of each eligible Active Participant, as determined in accordance with Subsection 1.10(d) and Section 1.12 of the Adoption Agreement, who had Deferral Contributions made on his behalf during the Contribution Period. The amount of the Matching Employer Contribution shall be determined in accordance with Subsection 1.10(a) and/or (b) and/or the Safe Harbor Matching Employer Contribution Addendum to the Adoption Agreement, as applicable.

5.09. Qualified Matching Employer Contributions. If so provided by the Employer in Subsection 1.10(e) of the Adoption Agreement, the Employer may make a Qualified Matching Employer Contribution on behalf of each Active Participant who is a Non-Highly Compensated Employee and who had Deferral Contributions made on his behalf during the Plan Year. The amount of the Qualified Matching Employer Contribution shall be determined in accordance with Subsection 1.10(e). Qualified Matching Employer Contributions shall be distributable only in accordance with the distribution provisions that are applicable to Deferral Contributions; provided, however, that a Participant shall not be permitted to take a hardship withdrawal of amounts credited to his Qualified Matching Employer Contributions Account after the later of December 31, 1988 or the last day of the Plan Year ending before July 1, 1989.

If the amount of an Employer's Qualified Matching Employer Contribution is determined based on a Participant's Compensation, and the Qualified Matching Employer Contribution is necessary to satisfy the "ADP" test described in Section 6.03, the compensation used in determining the amount of the Qualified Matching Employer Contribution shall be "testing compensation", as defined in Subsection 6.01(t). If the Qualified Matching Employer Contribution is not necessary to satisfy the "ADP" test described in Section 6.03, the compensation used to determine the amount of the Qualified Matching Employer Contribution shall be Compensation as defined in Subsection 2.01(j), modified as provided in Section 5.02.

5.10. Nonelective Employer Contributions. If so provided by the Employer in Section 1.11 of the Adoption Agreement, the Employer shall make Nonelective Employer Contributions to the Trust in accordance with Subsection 1.11(a)and/or (b) of the Adoption Agreement to be allocated as follows:

(a) If the Plan is a money purchase pension plan or the Employer has elected a fixed contribution formula, Nonelective Employer Contributions shall be allocated among eligible Active Participants, as determined in accordance with Subsection 1.11(c) and Section 1.12 of the Adoption Agreement, in the manner specified in Subsection 1.11(a) or the Safe Harbor Nonelective Employer Contribution Addendum to the Adoption Agreement, as applicable.

(b) If the Employer has elected a discretionary contribution amount, Nonelective Employer Contributions shall be allocated among eligible Active Participants, as determined in accordance with Subsection 1.11(c) and Section 1.12 of the Adoption Agreement, as follows:

(1) If the non-integrated formula is elected in Subsection 1.11(b)(1) of the Adoption Agreement, Nonelective Employer Contributions shall be allocated to eligible Active Participants in the ratio that each eligible Active Participant's Compensation bears to the total Compensation paid to all eligible Active Participants for the Plan Year; provided, however, that if the Plan is or is deemed to be a "top-heavy plan", as defined in Subsection 15.01(f), for any Plan Year, these allocation provisions shall be modified as provided in Section 15.04; or

(2) If the integrated formula is elected in Subsection 1.11(b)(2) of the Adoption Agreement, Nonelective Employer Contributions shall be allocated in the following steps:

(A) First, to each eligible Active Participant in the same ratio that the sum of the eligible Active Participant's Compensation and "excess Compensation" for the Plan Year bears to the sum of the Compensation and "excess Compensation" of all eligible Active Participants for the Plan Year. This allocation as a percentage of the sum of each eligible Active Participant's Compensation and "excess Compensation" shall not exceed the "permitted disparity limit", as defined in Section 1.11 of the Adoption Agreement.

Notwithstanding the foregoing, if in any Plan Year an eligible Active Participant has reached the "cumulative permitted disparity limit", such eligible Active Participant shall receive an allocation under this Subsection 5.10(b)(2)(A) based on two times his Compensation for the Plan Year, rather than the sum of his Compensation and "excess Compensation" for the Plan Year. If an Active Participant did not benefit under a qualified defined benefit plan or target benefit plan for any Plan Year beginning on or after January 1, 1994, the Active Participant shall have no "cumulative disparity limit".

(B) Second, if any Nonelective Employer Contributions remain after the allocation in Subsection 5.10(b)(2)(A), the remaining Nonelective Employer Contributions shall be allocated to each eligible Active Participant in the same ratio that the eligible Active Participant's Compensation for the Plan Year bears to the total Compensation of all eligible Active Participants for the Plan Year.

Notwithstanding the provisions of Subsections 5.10(b)(2)(A) and (B) above, if in any Plan Year an eligible Active Participant benefits under another qualified plan or simplified employee pension, as defined in Code Section 408(k), that provides for or imputes permitted disparity, the Nonelective Employer Contributions for the Plan Year allocated to such eligible Active Participant shall be in the ratio that his Compensation for the Plan Year bears to the total Compensation paid to all eligible Active Participants.

If the Plan is or is deemed to be a "top-heavy plan", as defined in Subsection 15.01(f), for any Plan Year, the allocation steps in Subsections 5.10(b)(2)(A) and (B) shall be modified as provided in Section 15.04.

For purposes of this Subsection 5.10(b)(2), the following definitions shall apply:

(C) "**Cumulative permitted disparity limit**" means 35 multiplied by the sum of an Active Participant's annual permitted disparity fractions, as defined in Sections 1.401(l)-5(b)(3) through (b)(7) of the Treasury Regulations, attributable to the Active Participant's total years of service under the Plan and any other qualified plan or simplified employee pension, as defined in Code Section 408(k), maintained by the Employer or a Related Employer. For each Plan Year commencing prior to January 1, 1989, the annual permitted disparity fraction shall be deemed to be one, unless the Participant never accrued a benefit under any qualified plan or simplified employee pension maintained by the Employer or a Related Employer during any such Plan Year. In determining the annual permitted disparity fraction for any Plan Year, the Employer may elect to assume that the full disparity limit has been used for such Plan Year.

(D) "**Excess Compensation**" means Compensation in excess of the "integration level" specified by the Employer in Subsection 1.11(b)(2) of the Adoption Agreement.

5.11. Vested Interest in Contributions. A Participant's vested interest in the following sub-accounts shall be 100 percent:

(a) his Deferral Contributions Account;

(b) his Qualified Nonelective Contributions Account;

(c) his Qualified Matching Employer Contributions Account;

(d) his Nonelective Employer Contributions Account attributable to Nonelective Employer Contributions made in accordance with the Safe Harbor Nonelective Employer Contribution Addendum to the Adoption Agreement that are intended to satisfy the safe harbor contribution requirement for deemed satisfaction of the "ADP" test described in Section 6.03;

(e) his Matching Employer Contributions Account attributable to Matching Employer Contributions made in accordance with the Safe Harbor Matching Employer Contribution Addendum to the Adoption Agreement that are intended to satisfy the safe harbor contribution requirement for deemed satisfaction of the "ADP" test described in Section 6.03;

(f) his Rollover Contributions Account;

(g) his Employee Contributions Account; and

(h) his deductible Employee Contributions Account.

A Participant's vested interest in his Nonelective Employer Contributions Account attributable to Nonelective Employer Contributions other than those described in Subsection 5.11(d) above, shall be determined in accordance with the vesting schedule elected by the Employer in Subsection 1.15(a) of the Adoption Agreement. A Participant's vested interest in his Matching Employer Contributions Account attributable to Matching Employer Contributions other than those described in Subsection 5.11(e) above, shall be determined in accordance with the vesting schedule elected by the Employer in Subsection 1.15(a) of the Adoption Agreement.

5.12. Time for Making Contributions. The Employer shall 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 Employer shall remit any safe harbor Matching Employer Contributions made during a Plan Year quarter to the Trustee no later than the last day of the immediately following Plan Year quarter.

The Employer should remit Deferral Contributions to the Trustee as of the earliest date on which such contributions can reasonably be segregated from the Employer's general assets, but not later than the 15th business day of the calendar month following the month in which such amount otherwise would have been paid to the Participant, or within such other time frame as may be determined by applicable regulation or legislation.

The Trustee shall 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 5, or to enforce, by suit or otherwise, the Employer's obligation, if any, to make a contribution to the Trustee.

5.13. Return of Employer Contributions. The Trustee shall, upon request by the Employer, return to the Employer the amount (if any) determined under Section 20.22. 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 shall 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. To the extent such gains exceed losses, the gains shall be forfeited and applied as provided in Section 11.09. In no event shall 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.

Article 6. Limitations on Contributions.

6.01. Special Definitions. For purposes of this Article, the following definitions shall apply:

(a) "**Aggregate limit**" means the greater of (1) or (2) where (1) is the sum of (A) 125 percent of the greater of the average "deferral ratio" of the Active Participants who are Non-Highly Compensated Employees for the "testing year" or the average "contribution percentage" of Active Participants who are Non-Highly Compensated Employees for the "testing year" beginning with or within the "testing year" of the cash or deferred arrangement and (B) the lesser of 200 percent or two plus the lesser of such average "deferral ratio" or average "contribution percentage" and where (2) is the sum of (A) 125 percent of the lesser of the average "deferral ratio" of the Active Participants who are Non-Highly Compensated Employees for the "testing year" or the average "contribution percentage" of the Active Participants who are Non-Highly Compensated Employees for the "testing year" beginning with or within the "testing year" of the cash or deferred arrangement and (B) the lesser of 200 percent or two plus the greater of such average "deferral ratio" or average "contribution percentage".

(b) "**Annual additions**" mean the sum of the following amounts allocated to an Active Participant for a Limitation Year:

(1) all employer contributions allocated to an Active Participant's account under qualified defined contribution plans maintained by the "415 employer", including amounts applied to reduce employer contributions as provided under Section 11.09;

(2) all employee contributions allocated to an Active Participant's account under a qualified defined contribution plan or a qualified defined benefit plan maintained by the "415 employer" if separate accounts are maintained with respect to such Active Participant under the defined benefit plan;

(3) all forfeitures allocated to an Active Participant's account under a qualified defined contribution plan maintained by the "415 employer";

(4) all amounts allocated, after March 31, 1984, to an "individual medical benefit account" which is part of a pension or annuity plan maintained by the "415 employer";

(5) all 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 Code Section 419A(d)(3), under a "welfare benefit fund" maintained by the "415 employer"; and

(6) all allocations to an Active Participant under a "simplified employee pension".

(c) "**Contribution percentage**" means the ratio (expressed as a percentage) of (1) the "contribution percentage amounts" allocated to an "eligible participant's" accounts for the Plan Year to (2) the "eligible participant's" "testing compensation" for the Plan Year.

(d) "**Contribution percentage amounts**" mean:

(1) any Employee Contributions made by an "eligible participant" to the Plan prior to the Effective Date of this amendment and restatement;

(2) any Matching Employer Contributions, but excluding (A) Qualified Matching Employer Contributions that are taken into account in satisfying the "ADP" test described in Section 6.03 (except that such exclusion shall not apply for any Plan Year in which the "ADP" test described in Section 6.03 is deemed satisfied pursuant to Section 6.10) and (B) Matching Employer 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";

(3) at the election of the Employer, Qualified Nonelective Employer Contributions, excluding Qualified Nonelective Employer Contributions that are taken into account in satisfying the "ADP" test described in Section 6.03; and

(4) at the election of the Employer, Deferral Contributions, excluding Deferral Contributions that are taken into account in satisfying the "ADP" test described in Section 6.03.

Notwithstanding the foregoing, for any Plan Year in which the "ADP" test described in Section 6.03 is deemed satisfied pursuant to Section 6.10, "contribution percentage amounts" shall not include the following:

(5) any Deferral Contributions; and

(6) if the requirements described in Section 6.11 for deemed satisfaction of the "ACP" test with respect to Matching Employer Contributions are met, any Matching Employer Contributions; or if the requirements described in Section 6.11 for deemed satisfaction of the "ACP" test with respect to Matching Employer Contributions are not met, any Matching Employer Contributions made on behalf of an "eligible participant" for the Plan Year that do not exceed four percent of the "eligible participant's" Compensation for the Plan Year.

To be included in determining an "eligible participant's" "contribution percentage" for a Plan Year, "contribution percentage amounts" (other than Employee Contributions made prior to the Effective Date of this amendment and restatement) must be allocated to the "eligible participant's" Account as of a date within such Plan Year and made before the last day of the 12-month period immediately following the Plan Year to which the "contribution percentage amounts" relate. If an Employer has elected the prior year testing method described in Subsection 1.06(a)(2) of the Adoption Agreement, "contribution percentage amounts" that are taken into account for purposes of determining the "contribution percentages" of Non-Highly Compensated Employees for the prior year relate to such prior year. Therefore, such "contribution percentage amounts" must be made before the last day of the Plan Year being tested.

Effective for Plan Years beginning on or after January 1, 1999, if an Employer elects to change from the current year testing method described in Subsection 1.06(a)(1) of the Adoption Agreement to the prior year testing method described in Subsection 1.06(a)(2) of the Adoption Agreement, the following shall not be considered "contribution percentage amounts" for purposes of determining the "contribution percentages" of Non-Highly Compensated Employees for the prior year immediately preceding the Plan Year in which the change is effective:

(7) Qualified Matching Employer Contributions that were taken into account in satisfying the "ADP" test described in Section 6.03 for such prior year;

(8) Qualified Nonelective Employer Contributions that were taken into account in satisfying the "ADP" test described in Section 6.03 or the "ACP" test described in Section 6.06 for such prior year; and

(9) all Deferral Contributions.

(e) "**Deferral ratio**" means the ratio (expressed as a percentage) of (1) the amount of "includable contributions" made on behalf of an Active Participant for the Plan Year to (2) the Active Participant's "testing compensation" for such Plan Year. An Active Participant who does not receive "includable contributions" for a Plan Year shall have a "deferral ratio" of zero.

(f) "**Defined benefit fraction**" means a fraction, the numerator of which is the sum of the Active 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 "415 employer", each such annual benefit computed on the assumptions that the Active Participant shall remain in employment until the normal retirement age under each such plan (or the Active Participant's current age, if later) and that all other factors used to determine benefits under such plan shall 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 Code Sections 415(b)(1)(A) and 415(d) or 140 percent of the Active Participant's highest average Compensation for three consecutive calendar years of service during which the Active Participant was active in each such plan, including any adjustments under Code Section 415(b). However, if the Active 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 "415 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 Active 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 such plans made after May 5, 1986, under all such defined benefit plans that met, individually and in the aggregate, the requirements of Code Section 415 for all Limitation Years beginning before January 1, 1987.

(g) "**Defined contribution fraction**" means a fraction, the numerator of which is the sum of all "annual additions" credited to an Active Participant for the current Limitation Year and all prior Limitation Years and the denominator of which is the sum of the "maximum permissible amounts" for the current Limitation Year

and all prior Limitation Years during which the Participant was an Employee (regardless of whether the "415 employer" maintained a defined contribution plan in any such Limitation Year).

If the Active 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 "415 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 the Plan. Under the adjustment an amount equal to the product of (1) the excess of the sum of the fractions over 1.0 and (2) the denominator of this fraction shall 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 plans made after May 6, 1986, but using the Section 415 limitation applicable to the first Limitation Year beginning on or after January 1, 1987.

For purposes of determining the "defined contribution fraction", the "annual additions" for Limitation Years beginning before January 1, 1987 shall not be recomputed to treat all employee contributions as "annual additions".

(h) "**Determination year**" means (1) for purposes of determining income or loss with respect to "excess deferrals", the calendar year in which the "excess deferrals" were made and (2) for purposes of determining income or loss with respect to "excess contributions", and "excess aggregate contributions", the Plan Year in which such "excess contributions" or "excess aggregate contributions" were made.

(i) **"Elective deferrals**" mean all employer contributions, other than Deferral Contributions, made on behalf of a Participant pursuant to an election to defer under any qualified CODA as described in Code Section 401(k), any simplified employee pension cash or deferred arrangement as described in Code Section 402(h)(1)(B), any eligible deferred compensation plan under Code Section 457, any plan as described under Code Section 501(c)(18), and any employer contributions made on behalf of a Participant pursuant to a salary reduction agreement for the purchase of an annuity contract under Code Section 403(b). "Elective deferrals" shall not include any deferrals properly distributed as excess "annual additions".

(j) "**Eligible participant**" means any Active Participant who was eligible to make Employee Contributions prior to the Effective Date of this amendment and restatement or who is eligible to make Deferral Contributions (if the Employer takes such contributions into account in calculating "contribution percentages"), or to receive a Matching Employer Contribution. Notwithstanding the foregoing, the term "eligible participant" shall not include any Active Participant who is 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.

(k) "**Excess aggregate contributions**" with respect to any Plan Year mean the excess of

(1) The aggregate "contribution percentage amounts" actually taken into account in computing the average "contribution percentages" of "eligible participants" who are Highly Compensated Employees for such Plan Year, over

(2) The maximum amount of "contribution percentage amounts" permitted to be made on behalf of Highly Compensated Employees under Section 6.06 (determined by reducing "contribution percentage amounts" made for the Plan Year on behalf of "eligible participants" who are Highly Compensated Employees in order of their "contribution percentages" beginning with the highest of such "contribution percentages").

"Excess aggregate contributions" shall be determined after first determining "excess deferrals" and then determining "excess contributions".

(l) "**Excess contributions**" with respect to any Plan Year mean the excess of

(1) The aggregate amount of "includable contributions" actually taken into account in computing the average "deferral percentage" of Active Participants who are Highly Compensated Employees for such Plan Year, over

(2) The maximum amount of "includable contributions" permitted to be made on behalf of Highly Compensated Employees under Section 6.03 (determined by reducing "includable contributions" made for the Plan Year on behalf of Active Participants who are Highly Compensated Employees in order of their "deferral ratios", beginning with the highest of such "deferral ratios").

(m) "**Excess deferrals**" mean those Deferral Contributions and/or "elective deferrals" that are includable in a Participant's gross income under Code Section 402(g) to the extent such Participant's Deferral Contributions and/or "elective deferrals" for a calendar year exceed the dollar limitation under such Code Section for such calendar year.

(n) "**Excess 415 amount**" means the excess of an Active Participant's "annual additions" for the Limitation Year over the "maximum permissible amount".

(o) "**415 employer**" means the Employer and any other employers which constitute a controlled group of corporations (as defined in Code Section 414(b) as modified by Code Section 415(h)) or which constitute trades or businesses (whether or not incorporated) which are under common control (as defined in Code Section 414(c) as modified by Code Section 415(h)) or which constitute an affiliated service group (as defined in Code Section 414(m)) and any other entity required to be aggregated with the Employer pursuant to regulations issued under Code Section 414(o).

(p) "**Includable contributions**" mean:

(1) any Deferral Contributions made on behalf of an Active Participant, 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 maintained by the Employer or a Related Employer and (b) Deferral Contributions that are taken into account in satisfying the "ACP" test described in Section 6.06;

(2) at the election of the Employer, Qualified Nonelective Employer Contributions, excluding Qualified Nonelective Employer Contributions that are taken into account in satisfying the "ACP" test described in Section 6.06; and

(3) at the election of the Employer, Qualified Matching Employer Contributions; provided, however, that the Employer may not elect to treat Qualified Matching Employer Contributions as "includable contributions" for any Plan Year in which the "ADP" test described in Section 6.03 is deemed satisfied pursuant to Section 6.10.

To be included in determining an Active Participant's "deferral ratio" for a Plan Year, "includable contributions" must be allocated to the Participant's Account as of a date within such Plan Year and made before the last day of the 12-month period immediately following the Plan Year to which the "includable contributions" relate. If an Employer has elected the prior year testing method described in Subsection 1.06(a)(2) of the Adoption Agreement, "includable contributions" that are taken into account for purposes of determining the "deferral ratios"

of Non-Highly Compensated Employees for the prior year relate to such prior year. Therefore, such "includable contributions" must be made before the last day of the Plan Year being tested.

Effective for Plan Years beginning on or after January 1, 1999, if an Employer elects to change from the current year testing method described in Subsection 1.06(a)(1) of the Adoption Agreement to the prior year testing method described in Subsection 1.06(a)(2) of the Adoption Agreement, the following shall not be considered "includable contributions" for purposes of determining the "deferral ratios" of Non-Highly Compensated Employees for the prior year immediately preceding the Plan Year in which the change is effective:

(4) Deferral Contributions that were taken into account in satisfying the "ACP" test described in Section 6.06 for such prior year;

(5) Qualified Nonelective Employer Contributions that were taken into account in satisfying the "ADP" test described in Section 6.03 or the "ACP" test described in Section 6.06 for such prior year; and

(6) all Qualified Matching Employer Contributions.

(q) "**Individual medical benefit account**" means an individual medical benefit account as defined in Code Section 415(l)(2).

(r) "**Maximum permissible amount**" means for a Limitation Year with respect to any Active Participant the lesser of (1) $30,000 (adjusted as provided in Code Section 415(d)) or (2) 25 percent of the Active 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 dollar limitation specified in clause (1) above shall be adjusted by multiplying it by a fraction the numerator of which is the number of months in the short Limitation Year and the denominator of which is 12.

The Compensation limitation specified in clause (2) above shall not apply to any contribution for medical benefits within the meaning of Code Section 401(h) or 419A(f)(2) after separation from service which is otherwise treated as an "annual addition" under Code Section 419A(d)(2) or 415(l)(1).

(s) "**Simplified employee pension**" means a simplified employee pension as defined in Code Section 408(k).

(t) "**Testing compensation**" means compensation as defined in Code Section 414(s). "Testing compensation" shall be based on the amount actually paid to a Participant during the "testing year" or, at the option of the Employer, during that portion of the "testing year" during which the Participant is an Active Participant.

The annual "testing compensation" of each Active Participant taken into account in applying the "ADP" test described in Section 6.03 and the "ACP" test described in Section 6.06 for any "testing year" shall not exceed the annual compensation limit under Code Section 401(a)(17) as in effect on the first day of the "testing year". This limit shall be adjusted by the Secretary to reflect increases in the cost of living, as provided in Code Section 401(a)(17)(B); provided, however, that the dollar increase in effect on January 1 of any calendar year is effective for "testing years" beginning in such calendar year. If a Plan determines "testing compensation" over a period that contains fewer than 12 calendar months (a "short determination period"), then the Compensation limit for such "short determination period" is equal to the Compensation limit for the calendar year in which the "short determination period" begins multiplied by the ratio obtained by dividing the number of full months in the "short determination period" by 12; provided, however, that such proration shall not apply if there is a "short determination period" because (1) the Employer elected in accordance with any rules and regulations issued by the Secretary of the Treasury or his delegate to apply the "ADP" test described

in Section 6.03 and/or the "ACP" test described in Section 6.06 based only on Compensation paid during the portion of the "testing year" during which an individual was an Active Participant or (2) an Employee is covered under the Plan for fewer than 12 calendar months.

(u) "**Testing year**" means

(1) if the Employer has elected the current year testing method in Subsection 1.06(a)(1) of the Adoption Agreement, the Plan Year being tested.

(2) if the Employer has elected the prior year testing method in Subsection 1.06(a)(2) of the Adoption Agreement, the Plan Year immediately preceding the Plan Year being tested.

(v) "**Welfare benefit fund**" means a welfare benefit fund as defined in Code Section 419(e).

6.02. Code Section 402(g) Limit on Deferral Contributions. In no event shall the amount of Deferral Contributions made under the Plan for a calendar year, when aggregated with the "elective deferrals" made under any other plan maintained by the Employer or a Related Employer, exceed the dollar limitation contained in Code Section 402(g) in effect at the beginning of such calendar year.

A Participant may assign to the Plan any "excess deferrals" made during a calendar year by notifying the Administrator on or before March 15 following the calendar year in which the "excess deferrals" were made 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 those "elective deferrals" made to any other plan maintained by the Employer or a Related Employer. Notwithstanding any other provision of the Plan, "excess deferrals", plus any income and minus any loss allocable thereto, as determined under Section 6.09, shall be distributed no later than April 15 to any Participant to whose Account "excess deferrals" were so assigned for the preceding calendar year and who claims "excess deferrals" for such calendar year.

Any Matching Employer Contributions attributable to "excess deferrals", plus any income and minus any loss allocable thereto, as determined under Section 6.09, shall be forfeited and applied as provided in Section 11.09.

"Excess deferrals" shall be treated as "annual additions" under the Plan, unless such amounts are distributed no later than the first April 1 following the close of the calendar year in which the "excess deferrals" were made.

6.03. Additional Limit on Deferral Contributions ("ADP" Test). Notwithstanding any other provision of the Plan to the contrary, the Deferral Contributions made with respect to a Plan Year on behalf of Active Participants who are Highly Compensated Employees for such Plan Year may not result in an average "deferral ratio" for such Active Participants that exceeds the greater of:

(a) the average "deferral ratio" for the "testing year" of Active Participants who are Non-Highly Compensated Employees for the "testing year" multiplied by 1.25; or

(b) the average "deferral ratio" for the "testing year" of Active Participants who are Non-Highly Compensated Employees for the "testing year" multiplied by two, provided that the average "deferral ratio" for Active Participants who are Highly Compensated Employees for the Plan Year being tested does not exceed the average "deferral ratio" for Participants who are Non-Highly Compensated Employees for the "testing year" by more than two percentage points.

For the first Plan Year in which the Plan provides a cash or deferred arrangement, the average "deferral ratio" for Active Participants who are Non-Highly Compensated Employees used in determining the limits applicable under Subsections 6.03(a) and (b) shall be either three percent or the actual average "deferral ratio" for such Active Participants for such first Plan Year, as elected by the Employer in Section 1.06(b) of the Adoption Agreement.

The deferral ratios of Active Participants who are included in a unit of Employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement shall be disaggregated from the "deferral ratios" of other Active Participants and the provisions of this Section 6.03 shall be applied separately with respect to each group.

The "deferral ratio" for any Active Participant who is a Highly Compensated Employee for the Plan Year being tested and who is eligible to have "includable contributions" allocated to his accounts under two or more cash or deferred arrangements described in Code Section 401(k) that are maintained by the Employer or a Related Employer, shall be determined as if such "includable 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 Code Section 401(k).

If this Plan satisfies the requirements of Code Section 401(k), 401(a)(4), or 410(b) only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of such Code Sections only if aggregated with this Plan, then this Section 6.03 shall be applied by determining the "deferral ratios" of Employees as if all such plans were a single plan. Plans may be aggregated in order to satisfy Code Section 401(k) only if they have the same plan year.

The Employer shall maintain records sufficient to demonstrate satisfaction of the "ADP" test and the amount of Qualified Nonelective and/or Qualified Matching Employer Contributions used in such test.

6.04. Allocation and Distribution of "Excess Contributions". Notwithstanding any other provision of this Plan, the "excess contributions" allocable to the Account of a Participant, plus any income and minus any loss allocable thereto, as determined under Section 6.09, shall be distributed to the Participant no later than the last day of the Plan Year immediately following the Plan Year in which the "excess contributions" were made. If such excess amounts are distributed more than 2 1/2 months after the last day of the Plan Year in which the "excess contributions" were made, a ten percent excise tax shall be imposed on the Employer maintaining the Plan with respect to such amounts.

The "excess contributions" allocable to a Participant's Account shall be determined by reducing the "includable contributions" made for the Plan Year on behalf of Active Participants who are Highly Compensated Employees in order of the dollar amount of such "includable contributions", beginning with the highest such dollar amount.

"Excess contributions" shall be treated as "annual additions".

Any Matching Employer Contributions attributable to "excess contributions", plus any income and minus any loss allocable thereto, as determined under Section 6.09, shall be forfeited and applied as provided in Section 11.09.

6.05. Reductions in Deferral Contributions to Meet Code Requirements. If the Administrator anticipates that the Plan will not satisfy the "ADP" and/or "ACP" test for the year, the Administrator may objectively reduce the rate of Deferral Contributions of Participants who are Highly Compensated Employees to an amount determined by the Administrator to be necessary to satisfy the "ADP" and/or "ACP" test.

6.06. Limit on Matching Employer Contributions (and Employee Contributions made prior to the Effective Date) ("ACP" Test). The provisions of this Section 6.06 shall not apply to Active Participants who are 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.

Notwithstanding any other provision of the Plan to the contrary, Matching Employer Contributions and Employee Contributions (made prior to the Effective Date of this amendment and restatement) made with respect to a Plan Year by or on behalf of "eligible participants" who are Highly Compensated Employees for such Plan Year may not result in an average "contribution percentage" for such "eligible participants" that exceeds the greater of:

(a) the average "contribution percentage" for the "testing year" of "eligible participants" who are Non-Highly Compensated Employees for the "testing year" multiplied by 1.25; or

(b) the average "contribution percentage" for the "testing year" of "eligible participants" who are Non-Highly Compensated Employees for the "testing year" multiplied by two, provided that the average "contribution percentage" for the Plan Year being tested of "eligible participants" who are Highly Compensated Employees does not exceed the average "contribution percentage" for the "testing year" of "eligible participants" who are Non-Highly Compensated Employees for the "testing year" by more than two percentage points.

For the first Plan Year in which the Plan provides for "contribution percentage amounts" to be made, the "ACP" for "eligible participants" who are Non-Highly Compensated Employees used in determining the limits applicable under paragraphs (a) and (b) of this Section 6.06 shall be either three percent or the actual "ACP" of such eligible participants for such first Plan Year, as elected by the Employer in Section 1.06(b).

The "contribution percentage" for any "eligible participant" who is a Highly Compensated Employee for the Plan Year and who is eligible to have "contribution percentage amounts" allocated to his accounts under two or more plans described in Code Section 401(a) that are maintained by the Employer or a Related Employer, shall be determined as if such "contribution percentage amounts" were contributed under a single plan. If a Highly Compensated Employee participates in two or more such plans that have different plan years, all plans ending with or within the same calendar year shall be treated as a single plan. Notwithstanding the foregoing, certain plans shall be treated as separate if mandatorily disaggregated under Treasury Regulations issued under Code Section 401(m).

If this Plan satisfies the requirements of Code Section 401(m), 401(a)(4) or 410(b) only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of such Code Sections only if aggregated with this Plan, then this Section 6.06 shall be applied by determining the "contribution percentages" of Employees as if all such plans were a single plan. Plans may be aggregated in order to satisfy Code Section 401(m) only if they have the same plan year.

The Employer shall maintain records sufficient to demonstrate satisfaction of the "ACP" test and the amount of Deferral Contributions, Qualified Nonelective Employer Contributions, and/or Qualified Matching Employer Contributions used in such test.

6.07. Allocation, Distribution, and Forfeiture of "Excess Aggregate Contributions". Notwithstanding any other provision of the Plan, the "excess aggregate contributions" allocable to the Account of a Participant, plus any income and minus any loss allocable thereto, as determined under Section 6.09, shall be forfeited, if forfeitable, or if not forfeitable, distributed to the Participant no later than the last day of the Plan Year immediately following the Plan Year in which the "excess aggregate contributions" were made. If such excess amounts are distributed more than 1/2 months after the last day of the Plan Year in which such "excess aggregate contributions" were made, a ten percent excise tax shall be imposed on the Employer maintaining the Plan with respect to such amounts.

The "excess aggregate contributions" allocable to a Participant's Account shall be determined by reducing the "contribution percentage amounts" made for the Plan Year on behalf of "eligible participants" who are Highly Compensated Employees in order of the dollar amount of such "contribution percentage amounts", beginning with the highest such dollar amount.

"Excess aggregate contributions" shall be treated as "annual additions".

"Excess aggregate contributions" shall be forfeited or distributed from a Participant's Employee Contributions Account, Matching Employer Contributions Account and if applicable, the Participant's Deferral Contributions Account and/or Qualified Nonelective Employer Contributions Account in the order prescribed by the Employer, who shall direct the Trustee, and which order shall be uniform with respect to all Participants and non-discriminatory. Forfeitures of "excess aggregate contributions" shall be applied as provided in Section 11.09.

6.08. Aggregate Limit on "Contribution Percentage Amounts" and "Includable Contributions". The sum of the average "deferral ratio" and the average "contribution percentage" of those Active Participants who are Highly Compensated Employees during the Plan Year shall not exceed the "aggregate limit". The average "deferral ratio" and average "contribution percentage" of such Active Participants shall be determined after any corrections required to meet the "ADP" test, described in Section 6.03, and the "ACP" test, described in Section 6.06, have been made. Notwithstanding the foregoing, the "aggregate limit" shall not be exceeded if either the average "deferral ratio" or the average "contribution percentage" of such Active Participants for the Plan Year does not exceed 1.25 multiplied by the average "deferral ratio" or the average "contribution percentage", as applicable, for the "testing year" of the Active Participants who are Non-Highly Compensated Employees for the "testing year".

If the "aggregate limit" would be exceeded for any Plan Year, then the limit shall be met by reducing the "contribution percentage amounts" contributed for the Plan Year on behalf of the Active Participants who are Highly Compensated Employees for such Plan Year (in order of their "contribution percentages", beginning with the highest such "contribution percentage"). "Contribution percentage amounts" that are reduced as provided herein shall be treated as "excess aggregate contributions". If for any Plan Year in which the "ADP" test described in Section 6.03 is deemed satisfied pursuant to Section 6.10, the average "deferral ratio" of those Active Participants who are Highly Compensated Employees during the Plan Year does not meet the "aggregate limit" after reducing the "contribution percentage amounts" contributed on behalf of such Active Participants to zero, no further reduction shall be required under this Section 6.08.

6.09. Income or Loss on Distributable Contributions. The income or loss allocable to "excess deferrals", "excess contributions", and "excess aggregate contributions" shall be determined under one of the following methods:

(a) the income or loss for the "determination year" allocable to the Participant's Account to which such contributions were made multiplied by a fraction, the numerator of which is the amount of the distributable contributions and the denominator of which is the balance of the Participant's Account to which such contributions were made, determined without regard to any income or loss occurring during the "determination year"; or

(b) the income or loss for the "determination year" determined under any other reasonable method, provided that such method is used consistently for all Participants in determining the income or loss allocable to distributable contributions hereunder 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 "determination year" and the date of distribution shall be disregarded in determining income or loss.

6.10. Deemed Satisfaction of "ADP" Test. Notwithstanding any other provision of this Article 6 to the contrary, for any Plan Year beginning on or after January 1, 1999, if the Employer has elected one of the safe harbor contributions in Subsection 1.10(a)(3) or 1.11(a)(3) of the Adoption Agreement and complies with the notice requirements described herein for such Plan Year, the Plan shall be deemed to have satisfied the "ADP" test described in Section 6.03. The Employer shall provide a notice to each Active Participant during the Plan Year describing the following:

(a) the formula used for determining the amount of the safe harbor contribution to be made on behalf of Active Participants for the Plan Year or a statement that the Plan may be amended during the Plan Year to provide for a safe harbor Nonelective Employer Contribution for the Plan Year equal to at least three percent of each Active Participant's Compensation for the Plan Year;

(b) any other employer contributions provided under the Plan and any requirements that Active Participants must satisfy to be entitled to receive such employer contributions;

(c) the type and amount of Compensation that may be deferred under the Plan as Deferral Contributions;

(d) the procedures for making a cash or deferred election under the Plan and the periods during which such elections may be made or changed; and

(e) the withdrawal and vesting provisions applicable to contributions under the Plan.

The descriptions required in (b) through (e) may be provided by cross references to the relevant sections of an up to date summary plan description. Such notice shall be written in a manner calculated to be understood by the average Active Participant. The Employer shall provide the notice to each Active Participant within one of the following periods, whichever is applicable:

(f) if the employee is an Active Participant 90 days before the beginning of the Plan Year, within the period beginning 90 days and ending 30 days before the first day of the Plan Year; or

(g) if the employee becomes an Active Participant after the date described in paragraph (f) above, within the period beginning 90 days before and ending on the date he becomes an Active Participant; provided, however, that such notice shall not be required to be provided to an Active Participant earlier than is required under any guidance published by the Internal Revenue Service.

If an Employer that provides notice that the Plan may be amended to provide a safe harbor Nonelective Employer Contribution for the Plan Year does amend the Plan to provide such contribution, the Employer shall provide a supplemental notice to all Active Participants stating that a safe harbor Nonelective Employer Contribution in the specified amount shall be made for the Plan Year. Such supplemental notice shall be provided to Active Participants at least 30 days before the last day of the Plan Year.

6.11. Deemed Satisfaction of "ACP" Test With Respect to Matching Employer Contributions. A Plan that satisfies the requirements of Section 6.10 shall also be deemed to have satisfied the "ACP" test described in Section 6.06 with respect to Matching Employer Contributions, if Matching Employer Contributions to the Plan for the Plan Year meet all of the following requirements: (a) the percentage of Deferral Contributions matched does not increase as the percentage of Compensation contributed increases; (b) Highly Compensated Employees are not provided a greater percentage match than Non-Highly Compensated Employees; (c) Deferral Contributions matched do not exceed six percent of a Participant's Compensation; and (d) if the Employer elected in Subsection 1.10(a)(2) or 1.10(b) of the Adoption Agreement to provide discretionary Matching Employer Contributions, the Employer also elected in Subsection 1.10(a)(2)(A) or 1.10(b)(1) of the Adoption Agreement, as applicable, to limit the dollar

amount of such discretionary Matching Employer Contributions allocated to a Participant for the Plan Year to no more than four percent of such Participant's Compensation for the Plan Year.

6.12. Code Section 415 Limitations. Notwithstanding any other provisions of the Plan, the following limitations shall apply:

(a) Employer Maintains Single Plan: If the "415 employer" does not maintain any other qualified defined contribution plan or any "welfare benefit fund", "individual medical benefit account", or "simplified employee pension" in addition to the Plan, the provisions of this Subsection 6.12(a) shall apply.

(1) If a Participant does not participate in, and has never participated in any other qualified defined contribution plan, "welfare benefit fund", "individual medical benefit account", or "simplified employee pension" maintained by the "415 employer", which provides an "annual addition", the amount of "annual additions" to the Participant's Account for a Limitation Year shall not exceed the lesser of the "maximum permissible amount" or any other limitation contained in the Plan. If a 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 shall be reduced so that the "annual additions" for the Limitation Year shall equal the "maximum permissible amount".

(2) Prior to the determination of a 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 415 amounts" carried over from prior Limitation Years.

(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.

(4) If there is an "excess 415 amount" with respect to a Participant for a Limitation Year as a result of the estimation of the Participant's Compensation for the Limitation Year, the allocation of forfeitures to the Participant's Account, or a reasonable error in determining the amount of Deferral Contributions that may be made on behalf of the Participant under the limits of this Section 6.12, such "excess 415 amount" shall be disposed of as follows:

(A) Any Employee Contributions shall be reduced to the extent necessary to reduce the "excess 415 amount".

(B) If after application of Subsection 6.12(a)(4)(A) an "excess 415 amount" still exists, any Deferral Contributions that have not been matched shall be reduced to the extent necessary to reduce the "excess 415 amount".

(C) If after application of Subsection 6.12(a)(4)(B) an "excess 415 amount" still exists, any Deferral Contributions that have been matched and the Matching Employer Contributions attributable thereto shall be reduced to the extent necessary to reduce the "excess 415 amount".

(D) If after the application of Subsection 6.12(a)(4)(C) an "excess 415 amount" still exists, any Nonelective Employer Contributions shall be reduced to the extent necessary to reduce the "excess 415 amount".

(E) If after the application of Subsection 6.12(a)(4)(D) an "excess 415 amount" still exists, any Qualified Nonelective Employer Contributions shall be reduced to the extent necessary to reduce the "excess 415 amount".

Employee Contributions and Deferral Contributions that are reduced as provided above shall be returned to the Participant. Any income allocable to returned Employee Contributions or Deferral Contributions shall also be returned or shall be treated as additional "annual additions" for the Limitation Year in which the excess contributions to which they are allocable were made.

If Matching Employer, Nonelective Employer, or Qualified Nonelective Employer Contributions to a Participant's Account are reduced as an "excess 415 amount", as provided above, and the individual is still an Active Participant at the end of the Limitation Year, then such "excess 415 amount" shall be reapplied to reduce future Employer contributions under the Plan for the next Limitation Year (and for each succeeding Limitation Year, as necessary) for such Participant, so that in each such Limitation Year the sum of the actual Employer contributions made on behalf of such Participant plus the reapplied amount shall equal the amount of Employer contributions which would otherwise be made to such Participant's Account. If the individual is not an Active Participant at the end of a Limitation Year, then such "excess 415 amount" shall be held unallocated in a suspense account. The suspense account shall be applied to reduce future Employer contributions for all remaining Active Participants in the next Limitation Year and each succeeding Limitation Year if necessary.

If a suspense account is in existence at any time during the Limitation Year pursuant to this Subsection 6.12(a)(4), it shall 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 Active Participants before any Employer contribution may be made for the Limitation Year.

Except as otherwise specifically provided in this Subsection 6.12, "excess 415 amounts" may not be distributed to Participants.

(b) Employer Maintains Multiple Defined Contribution Type Plans: Unless the Employer specifies another method for limiting "annual additions" in the 415 Correction Addendum to the Adoption Agreement, if the "415 employer" maintains any other qualified defined contribution plan or any "welfare benefit fund", "individual medical benefit account", or "simplified employee pension" in addition to the Plan, the provisions of this Subsection 6.12(b) shall apply.

(1) If a Participant is covered under any other qualified defined contribution plan or any "welfare benefit fund", "individual medical benefit account", or "simplified employee pension" maintained by the "415 employer", that provides an "annual addition", the amount of "annual additions" to the 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 defined contribution plans and "welfare benefit funds", "individual medical benefit accounts", and "simplified employee pensions", or

(B) any other limitation contained in the Plan.

If the "annual additions" with respect to a Participant under other qualified defined contribution plans, "welfare benefit funds", "individual medical benefit accounts", and "simplified employee pensions" maintained by the "415 employer" are less than the "maximum permissible amount" and a contribution that would otherwise be contributed or allocated to the Participant's Account under the Plan would cause the

"annual additions" for the Limitation Year to exceed the "maximum permissible amount", the amount to be contributed or allocated shall be reduced so that the "annual additions" for the Limitation Year shall equal the "maximum permissible amount". If the "annual additions" with respect to the Participant under such other qualified defined contribution plans, "welfare benefit funds", "individual medical benefit accounts", and "simplified employee pensions" in the aggregate are equal to or greater than the "maximum permissible amount", no amount shall be contributed or allocated to the Participant's Account under the Plan for the Limitation Year.

(2) Prior to the determination of a Participant's actual Compensation for the Limitation Year, the amounts referred to in Subsection 6.12(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 415 amounts" carried over from prior Limitation Years.

(3) As soon as is administratively feasible after the end of the Limitation Year, the amounts referred to in Subsection 6.12(b)(1)(A) shall be determined on the basis of the Participant's actual Compensation for such Limitation Year.

(4) Notwithstanding the provisions of any other plan maintained by a "415 employer", if there is an "excess 415 amount" with respect to a Participant for a Limitation Year as a result of estimation of the Participant's Compensation for the Limitation Year, the allocation of forfeitures to the Participant's account under any qualified defined contribution plan maintained by the "415 employer", or a reasonable error in determining the amount of Deferral Contributions that may be made on behalf of the Participant to the Plan or any other qualified defined contribution plan maintained by the "415 employer" under the limits of this Subsection 6.12(b), such "excess 415 amount" shall be deemed to consist first of the "annual additions" allocated to this Plan and shall be reduced as provided in Subsection 6.12(a)(4); provided, however, that if the "415 employer" maintains both a profit sharing plan and a money purchase pension plan under this Basic Plan Document, "annual additions" to the money purchase pension plan shall be reduced only after all "annual additions" to the profit sharing plan have been reduced.

(c) Employer Maintains or Maintained Defined Benefit Plan: For Limitation Years beginning prior to January 1, 2000, if the "415 employer" maintains, or at any time maintained, a qualified defined benefit plan, the sum of any Participant's "defined benefit plan fraction" and "defined contribution plan fraction" shall not exceed the combined plan limitation of 1.00 in any such Limitation Year. The combined plan limitation shall be met by reducing "annual additions" under the Plan, unless otherwise provided in the qualified defined benefit plan.

(d) Adjustment to Compensation: Compensation for purposes of this Section 6.12 shall include amounts that are not includable in the gross income of the Participant under a salary reduction agreement by reason of the application of Code Section 125, 132(f)(4), 402(e)(3), 402(h), or 403(b).

Article 7. Participants' Accounts.

7.01. Individual Accounts. The Administrator shall establish and maintain an Account for each Participant that shall 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 shall 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. The Administrator shall notify the Trustee of all Accounts established and maintained under the Plan.

7.02. Valuation of Accounts. Participant Accounts shall 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 shall be allocated to such Account. Participants shall be furnished statements of their Account values at least once each Plan Year.

Article 8. Investment of Contributions.

8.01. Manner of Investment. All contributions made to the Accounts of Participants shall be held for investment by the Trustee. Except as otherwise specifically provided in Section 20.10, the Accounts of Participants shall be invested and reinvested only in Permissible Investments selected by the Employer and designated in the Service Agreement.

8.02. Investment Decisions. Investments shall be directed by each Participant. Pursuant to Section 20.04, the Trustee shall have no discretion or authority with respect to the investment of the Trust **Fund**; however, an affiliate of the Trustee may exercise investment management authority in accordance with Subsection (d) below.

(a) Each Participant shall direct the investment of his Account among the Permissible Investments designated in the Service Agreement. The Participant shall file initial investment instructions with the Administrator, on such form as the Administrator may provide, selecting the Permissible Investments in which amounts credited to his Account shall be invested.

(1) Except as provided in this Section 8.02, 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 Code Section 414(p), an alternate payee shall make investment decisions with respect to any segregated account established in the name of the alternate payee as provided in Section 18.04.

(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 most conservative Permissible Investment designated in the Service Agreement, until investment instructions have been received by the Trustee.

The Plan is intended to constitute a plan described in ERISA Section 404(c) and regulations issued thereunder. The fiduciaries of the Plan shall be relieved of liability for any losses that are the direct and necessary result of investment instructions given by the Participant, his Beneficiary, or an alternate payee under a qualified domestic relations order. The Employer shall not be relieved of fiduciary responsibility for the selection and monitoring of the Permissible Investments under the Plan.

(b) All dividends, interest, gains and distributions of any nature received in respect of Fund Shares shall be reinvested in additional shares of that Permissible Investment.

(c) Expenses attributable to the acquisition of investments shall be charged to the Account of the Participant for which such investment is made.

(d) The Employer may appoint an investment manager (which may be the Trustee or an affiliate) to determine the allocation of amounts held in Participants' Accounts among various investment options (the "Managed Account" option) for Participants who direct the Trustee to invest any portion of their accounts in the Managed Account option. The investment options utilized under the Managed Account option may be those

generally available under the Plan or may be as selected by the investment manager for use under the Managed Account option. Participation in the Managed Account option shall be subject to such conditions and limitations (including account minimums) as may be imposed by the investment manager.

8.03. Participant Directions to Trustee. The method and frequency for change of investments shall be determined under (a) the rules applicable to the Permissible Investments selected by the Employer and designated in the Service Agreement and (b) any additional rules of the Employer 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 9. Participant Loans.

9.01. Special Definitions. For purposes of this Article, the following special definitions shall apply:

(a) A "**participant**" is any Participant or Beneficiary, including an alternate payee under a qualified domestic relations order, as defined in Code Section 414(p), who is a party-in-interest (as determined under ERISA Section 3(14)) with respect to the Plan.

(b) An "**owner-employee**" is, if the Employer is a sole proprietorship for Federal income tax purposes (regardless of its characterization under state law), the individual who is the sole proprietor or sole member, as applicable; if the Employer is a partnership for Federal income tax purposes (regardless of its characterization under state law), a partner or member, as applicable, who owns more than 10 percent of either the capital interest or the profits interest of the partnership.

(c) A "**shareholder-employee**" is an employee or officer of an electing small business (Subchapter S) corporation who owns (or is considered as owning within the meaning of Code Section 318(a)(1)), on any day during the taxable year of such corporation, more than five percent of the outstanding stock of the corporation.

9.02. Participant Loans. If so provided by the Employer in Section 1.17 of the Adoption Agreement, the Administrator shall allow "participants" to apply for a loan from their Accounts under the Plan, subject to the provisions of this Article 9.

9.03. Separate Loan Procedures. All Plan loans shall be made and administered in accordance with separate loan procedures that are hereby incorporated into the Plan by reference.

9.04. Availability of Loans. Loans shall be made available to all "participants" on a reasonably equivalent basis. Notwithstanding the preceding sentence, no loans shall be made to (a) an Eligible Employee who makes a Rollover Contribution in accordance with Section 5.06, but who has not satisfied the requirements of Section 4.01 to become an Active Participant or (b) a "shareholder-employee" or "owner-employee".

Loans shall not be made available to "participants" who are Highly Compensated Employees in an amount greater than the amount made available to other "participants".

9.05. Limitation on Loan Amount. No loan to any "participant" shall be made to the extent that such loan when added to the outstanding balance of all other loans to the "participant" would exceed the lesser of (a) $50,000 reduced by the excess (if any) of the highest outstanding balance of plan loans during the one-year period ending on the day before the loan is made over the outstanding balance of plan loans on the date the loan is made, or (b) one-half the present value of the "participant's" vested interest in his Account. For purposes of the above limitation, plan loans include all loans from all plans maintained by the Employer and any Related Employer.

9.06. Interest Rate. 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.

9.07. Level Amortization. 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. Notwithstanding the foregoing, the amortization requirement may be waived for a period not exceeding one year during which a "participant" is on a leave of absence from employment with the Employer and any Related Employer either without pay or at a rate of pay which, after withholding for employment and income taxes, is less than the amount of the installment payments required under the terms of the loan. Installment payments must resume after such leave of absence ends or, if earlier, after the first year of such leave of absence, in an amount that is not less than the amount of the installment payments required under the terms of the original loan. No waiver of the amortization requirements shall extend the period of the loan beyond five years from the date of the loan, unless the loan is for purchase of the "participant's" primary residence.

9.08. Security. Loans must be secured by the "participant's" vested interest in his Account not to exceed 50 percent of such vested interest. If the provisions of Section 14.04 apply to a Participant, a Participant must obtain the consent of his or her spouse, if any, to use his vested interest in his Account as security for the loan. 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.

9.09. Transfer and Distribution of Loan Amounts from Permissible Investments. The Employer shall confirm the order in which the Permissible Investments shall be liquidated in order that the loan amount can be transferred and distributed.

9.10. Default. The Administrator shall treat a loan in default if

(a) any scheduled repayment remains unpaid at the end of the period specified in the separate loan procedures (unless payment is not made due to a waiver of the amortization schedule for a "participant" who is on a leave of absence, as described in Section 9.07), or

(b) there is an outstanding principal balance existing on a loan after the last scheduled repayment date.

Upon default, 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 interest in his 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 interest in his Account as soon as a distributable event occurs. The Trustee shall have no obligation to foreclose on the promissory note and offset the outstanding balance of the loan except as directed by the Administrator.

9.11. Effect of Termination Where Participant has Outstanding Loan Balance. If a Participant has an outstanding loan balance at the time his employment terminates, the entire outstanding principal and accrued interest shall be immediately due and payable. Any outstanding loan amounts that are immediately due and payable hereunder shall be treated in accordance with the provisions of Sections 9.10 and 9.12 as if the Participant had defaulted on the outstanding loan.

9.12. Deemed Distributions Under Code Section 72(p). Notwithstanding the provisions of Section 9.10, if a "participant's" loan is in default, the "participant" shall be treated as having received a taxable "deemed distribution" for purposes of Code Section 72(p), whether or not a distributable event has occurred. The amount of a loan that is a deemed distribution ceases to be an outstanding loan for purposes of Code Section 72, except as otherwise specifically provided herein, and a Participant shall not be treated as having received a taxable distribution when the Participant's Account is offset by the outstanding balance of the loan amount as provided in Section 9.10. In addition, interest that accrues on a loan after it is deemed distributed shall not be treated as an additional loan to the Participant and shall not be included in the income of the Participant as a deemed distribution. Notwithstanding the foregoing, unless a Participant repays a loan that has been deemed distributed, with interest thereon, the amount of such loan, with interest, shall be considered an outstanding loan under Code Section 72(p) for purposes of determining the applicable limitation on subsequent loans under Section 9.05.

If a Participant makes payments on a loan that has been deemed distributed, payments made on the loan after the date it was deemed distributed shall be treated as Employee Contributions to the Plan for purposes of increasing the Participant's tax basis in his Account, but shall not be treated as Employee Contributions for any other purpose under the Plan, including application of the "ACP" test described in Section 6.06 and application of the Code Section 415 limitations described in Section 6.12.

The provisions of this Section 9.12 regarding treatment of loans that are deemed distributed shall be effective as of

(a) the Effective Date, if the Plan is a new plan or is an amendment and restatement of a plan that administered loans in accordance with the provisions of Q & A 19 and 20 of Section 1.72(p)-1 of the Proposed Treasury Regulations immediately prior to the Effective Date or

(b) as of the January 1 coinciding with or immediately following the Effective Date, in any other case.

Any loan that was deemed distributed prior to the date the provisions of this Section 9.12 are effective shall be administered in accordance with the provisions of this Section 9.12 to the extent such administration is consistent with the transition rules in Q & A 21(c)(2) of Section 1.72(p)-1 of the Proposed Treasury Regulations.

9.13. Determination of Account Value Upon Distribution Where Plan Loan is Outstanding. Notwithstanding any other provision of the Plan, the portion of a "participant's" vested interest in his Account that is held by the Plan as security for a loan outstanding to the "participant" in accordance with the provisions of this Article shall reduce 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 percent of a "participant's" vested interest in his Account (determined without regard to the preceding sentence) is payable to the "participant's" surviving spouse or other Beneficiary, then the Account shall be adjusted by first reducing the "participant's" vested interest in his Account by the amount of the security used as repayment of the loan, and then determining the benefit payable to the surviving spouse or other Beneficiary.

Article 10. In-Service Withdrawals.

10.01. Availability of In-Service Withdrawals. Except as otherwise permitted under Section 11.02 with respect to Participants who continue in employment past Normal Retirement Age, or as required under Section 12.04 with respect to Participants who continue in employment past their Required Beginning Date, a Participant shall not be permitted to make a withdrawal from his Account under the Plan prior to retirement or termination of employment with the Employer and all Related Employers, if any, except as provided in this Article.

10.02. Withdrawal of Employee Contributions. A Participant may elect to withdraw, in cash, up to 100 percent of the amount then credited to his Employee Contributions Account. Such withdrawals may be made at any time.

10.03. Withdrawal of Rollover Contributions. A Participant may elect to withdraw, in cash, up to 100 percent of the amount then credited to his Rollover Contributions Account. Such withdrawals may be made at any time.

10.04. Age 59 1/2 Withdrawals. If so provided by the Employer in Subsection 1.18(b), a Participant who continues in employment as an Employee and who has attained the age of 591/2 is permitted to withdraw upon request all or any portion of the Accounts specified by the Employer in Subsection 1.18(b).

10.05. Hardship Withdrawals. If so provided by the Employer in Subsection 1.18(a) of the Adoption Agreement, a Participant who continues in employment as an Employee may apply to the Administrator for a hardship withdrawal of all or any portion of his Deferral Contributions Account (excluding any earnings thereon accrued after the later of December 31, 1988 or the last day of the last Plan Year ending before July 1, 1989). The minimum amount that a Participant may withdraw because of hardship is $500.

For purposes of this Section 10.05, a withdrawal is made on account of hardship if made on account of an immediate and heavy financial need of the Participant where such Participant 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:

(a) The following are the only financial needs considered immediate and heavy:

(1) expenses incurred or necessary for medical care (within the meaning of Code Section 213(d)) of the Participant, the Participant's spouse, children, or dependents;

(2) the purchase (excluding mortgage payments) of a principal residence for the Participant;

(3) payment of tuition, related educational fees, and room and board for the next 12 months of post-secondary education for the Participant, the Participant's spouse, children or dependents;

(4) the need to prevent the eviction of the Participant from, or a foreclosure on the mortgage of, the Participant's principal residence; or

(5) any other financial need determined to be immediate and heavy under rules and regulations issued by the Secretary of the Treasury or his delegate.

(b) A distribution shall be considered as necessary to satisfy an immediate and heavy financial need of the Participant only if:

(1) The Participant has obtained all distributions, other than the hardship withdrawal, and all nontaxable (at the time of the loan) loans currently available under all plans maintained by the Employer or any Related Employer;

(2) The Participant suspends Deferral Contributions to the Plan for the 12-month period following the date of his hardship withdrawal. 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 or any Related Employer, other than any mandatory employee 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);

(3) The withdrawal amount 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

(4) The Participant agrees to limit Deferral Contributions (and "elective deferrals", as defined in Subsection 6.01(i)) to the Plan and any other qualified plan maintained by the Employer or a Related Employer for the calendar year immediately following the calendar year in which the Participant received the hardship withdrawal to the applicable limit under Code Section 402(g) for such calendar year less the amount of the Participant's Deferral Contributions (and "elective deferrals") for the calendar year in which the Participant received the hardship withdrawal.

10.06. Preservation of Prior Plan In-Service Withdrawal Rules. As indicated by the Employer in Subsection 1.18(d) of the Adoption Agreement, to the extent required under Code Section 411(d)(6), in-service withdrawals that were available under a prior plan shall be available under the Plan.

(a) If the Plan is a profit sharing plan, the following provisions shall apply to preserve prior in-service withdrawal provisions.

(1) If the Plan is an amendment and restatement of a prior plan or is a transferee plan of a prior plan that provided for in-service withdrawals from a Participant's Matching Employer and/or Nonelective Employer Contributions Accounts of amounts that have been held in such Accounts for a specified period of time, a Participant shall be entitled to withdraw at any time prior to his termination of employment, any vested amounts held in such Accounts for the period of time specified by the Employer in Subsection 1.18(d)(1)(A) of the Adoption Agreement.

(2) If the Plan is an amendment and restatement of a prior plan or is a transferee plan of a prior plan that provided for in-service withdrawals from a Participant's Matching Employer and/or Nonelective Employer Contributions Accounts by Participants with at least 60 months of participation, a Participant with at least 60 months of participation shall be entitled to withdraw at any time prior to his termination of employment, any vested amounts held in such Accounts.

(3) If the Plan is an amendment and restatement of a prior plan or is a transferee plan of a prior plan that provided for in-service withdrawals from a Participant's Matching Employer and/or Nonelective Employer Contributions Accounts under any other circumstances, a Participant who has met any applicable requirements, as set forth in the Protected In-Service Withdrawals Addendum to the Adoption Agreement, shall be entitled to withdraw at any time prior to his termination of employment any vested amounts held in such Accounts.

(b) If the Plan is a money purchase pension plan that is an amendment and restatement of a prior profit sharing plan or is a transferee plan of a prior profit sharing plan that provided for in-service withdrawals from any portion of a Participant's Account other than his Employee Contributions and/or Rollover Contributions Accounts, a Participant who has met any applicable requirements, as set forth in the Protected In-Service Withdrawals Addendum to the Adoption Agreement, shall be entitled to withdraw at any time prior to his termination of employment his vested interest in amounts attributable to such prior profit sharing accounts.

10.07. Restrictions on In-Service Withdrawals. The following restrictions apply to any in-service withdrawal made from a Participant's Account under this Article:

(a) If the provisions of Section 14.04 apply to a Participant's Account, the Participant must obtain the consent of his spouse, if any, to obtain an in-service withdrawal.

(b) In-service withdrawals shall be made in a lump sum payment, except that if the provisions of Section 14.04 apply to a Participant's Account, the Participant may receive the in-service withdrawal in the form of a "qualified joint and survivor annuity", as defined in Subsection 14.01(a).

(c) Notwithstanding any other provision of the Plan to the contrary other than the provisions of Section 11.02, a Participant shall not be permitted to make an in-service withdrawal from his Account of amounts attributable to contributions made to a money purchase pension plan, except employee and/or rollover contributions that were held in a separate account(s) under such plan.

10.08. Distribution of Withdrawal Amounts. The Employer shall confirm the order in which the Permissible Investments shall be liquidated in order that the withdrawal amount can be distributed.

Article 11. Right to Benefits.

11.01. Normal or Early Retirement. Each Participant who continues in employment as an Employee until his Normal Retirement Age or, if so provided by the Employer in Subsection 1.13(b) of the Adoption Agreement, Early Retirement Age, shall have a vested interest in his Account of 100 percent regardless of any vesting schedule elected in Section 1.15 of the Adoption Agreement. If a Participant retires upon the attainment of Normal or Early Retirement Age, such retirement is referred to as a normal retirement.

11.02. Late Retirement. If a Participant continues in employment as an Employee after his Normal Retirement Age, he shall continue to have a 100 percent vested interest in his Account and shall 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.

11.03. Disability Retirement. If so provided by the Employer in Subsection 1.13(c) of the Adoption Agreement, a Participant who becomes disabled while employed as an Employee shall have a 100 percent vested interest in his Account regardless of any vesting schedule elected in Section 1.15 of the Adoption Agreement. An Employee is considered disabled if he satisfies any of the requirements for disability retirement selected by the Employer in Section 1.14 of the Adoption Agreement 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.

11.04. Death. If a Participant who is employed as an Employee dies, his Account shall become 100 percent vested and his designated Beneficiary shall be entitled to receive the balance of his Account, plus any amounts thereafter credited to his Account. If a Participant whose employment as an Employee has terminated dies, his designated Beneficiary shall be entitled to receive the Participant's vested interest in his Account.

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 shall 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.

Subject to the requirements of Section 14.04, a Participant may designate a Beneficiary, or change any prior designation of Beneficiary 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 14.06.

11.05. Other Termination of Employment. If a Participant terminates his employment with the Employer and all Related Employers, if any, for any reason other than death or normal, late, or disability retirement, he shall be

entitled to a termination benefit equal to the sum of (a) his vested interest in the balance of his Matching Employer and/or Nonelective Employer Contributions Account(s), other than the balance attributable to safe harbor Matching Employer and/or safe harbor Nonelective Employer Contributions elected by the Employer in Subsection 1.10(a)(3) or 1.11(a)(3) of the Adoption Agreement, such vested interest to be determined in accordance with the vesting schedule(s) selected by the Employer in Section 1.15 of the Adoption Agreement, and (b) the balance of his Deferral, Employee, Qualified Nonelective Employer, Qualified Matching Employer, and Rollover Contributions Accounts, and the balance of his Matching Employer or Nonelective Employer Contributions Account that is attributable to safe harbor Matching Employer and/or safe harbor Nonelective Employer Contributions.

11.06. Application for Distribution. Unless a Participant's Account is cashed out as provided in Section 13.02, a Participant (or his Beneficiary, if the Participant has died) who is entitled to a distribution hereunder must make application, in a form acceptable to the Administrator, for a distribution from his Account. No distribution shall be made hereunder without proper application therefor, except as otherwise provided in Section 13.02.

11.07. Application of Vesting Schedule Following Partial Distribution. If a distribution from a Participant's Matching Employer and/or Nonelective Employer Contributions Account has been made to him at a time when he is less than 100 percent vested in such Account balance, the vesting schedule(s) in Section 1.15 of the Adoption Agreement shall thereafter apply only to the balance of his Account attributable to Matching Employer and/or Nonelective Employer Contributions allocated after such distribution. The balance of the Account from which such distribution was made shall be transferred to a separate account immediately following such distribution.

At any relevant time prior to a forfeiture of any portion thereof under Section 11.08, a Participant's vested interest in such separate account shall be equal to P(AB + (RxD))-(RxD), where P is the Participant's vested interest at the relevant time determined under Section 11.05; 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 11.08 below, any balance in the Participant's separate account shall remain 100 percent vested.

11.08. Forfeitures. If a Participant terminates his employment with the Employer and all Related Employers before he is 100 percent vested in his Matching Employer and/or Nonelective Employer Contributions Accounts, the non-vested portion of his Account (including any amounts credited after his termination of employment) shall be forfeited by him as follows:

(a) If the Inactive Participant elects to receive distribution of his entire vested interest in his Account, the non-vested portion of his Account shall be forfeited upon the complete distribution of such vested interest, subject to the possibility of reinstatement as provided in Section 11.10. For purposes of this Subsection, if the value of an Employee's vested interest in his Account balance is zero, the Employee shall be deemed to have received a distribution of his vested interest immediately following termination of employment.

(b) If the Inactive Participant elects not to receive distribution of his vested interest in his Account following his termination of employment, the non-vested portion of his Account shall be forfeited after the Participant has incurred five consecutive Breaks in Vesting Service.

No forfeitures shall occur solely as a result of a Participant's withdrawal of Employee Contributions.

11.09. Application of Forfeitures. Any forfeitures occurring during a Plan Year shall be applied to reduce the contributions of the Employer. Notwithstanding any other provision of the Plan to the contrary, forfeitures may first be used to pay administrative expenses under the Plan, as directed by the Employer. To the extent that forfeitures are not used to reduce administrative expenses under the Plan, as directed by the Employer, forfeitures will be applied in accordance with this Section 11.09.

Pending application, forfeitures shall be held in the most conservative Permissible Investment designated by the Employer in the Service Agreement.

Notwithstanding any other provision of the Plan to the contrary, in no event may forfeitures be used to reduce the Employer's obligation to remit to the Trust (or other appropriate Plan funding vehicle) loan repayments made pursuant to Article 9, Deferral Contributions or Employee Contributions.

11.10. Reinstatement of Forfeitures. If a Participant forfeits any portion of his Account under Subsection 11.08(a) because of distribution of his complete vested interest in his Account, but again becomes an Employee, then the amount so forfeited, without any adjustment for the earnings, expenses, losses, or gains of the assets credited to his Account since the date forfeited, shall be recredited to his Account (or to a separate account as described in Section 11.07, if applicable) if he meets all of the following requirements:

(a) he again becomes an Employee before the date he incurs five-consecutive Breaks in Vesting Service following the date complete distribution of his vested interest was made to him; and

(b) he repays to the Plan the amount previously distributed to him, without interest, within five years of his Reemployment Date. If an Employee is deemed to have received distribution of his complete vested interest as provided in Section 11.08, the Employee shall be deemed to have repaid such distribution on his Reemployment Date.

Upon such an actual or deemed repayment, the provisions of the Plan (including Section 11.07) shall thereafter apply as if no forfeiture had occurred. The amount to be recredited pursuant to this paragraph shall be derived first from the forfeitures, if any, which as of the date of recrediting have yet to be applied as provided in Section 11.09 and, to the extent such forfeitures are insufficient, from a special contribution to be made by the Employer.

11.11. Adjustment for Investment Experience. If any distribution under this Article 11 is not made in a single payment, the amount retained by the Trustee after the distribution shall 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.

Article 12. Distributions.

12.01. Restrictions on Distributions. A Participant, or his Beneficiary, may not receive a distribution from his Deferral Contributions, Qualified Nonelective Employer Contributions, Qualified Matching Employer Contributions, safe harbor Matching Employer Contributions or safe harbor Nonelective Employer Contributions Accounts earlier than upon the Participant's separation from service with the Employer and all Related Employers, death, or disability, except as otherwise provided in Article 10, Section 11.02 or Section 12.04. Notwithstanding the foregoing, amounts may also be distributed from such Accounts, 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 Code Section 4975(e) or 409) or a simplified employee pension plan as defined in Code Section 408(k).

(b) The disposition by a corporation to an unrelated corporation of substantially all of the assets (within the meaning of Code Section 409(d)(2)) used in a trade or business of such corporation if such corporation continues to maintain the Plan after the disposition, but only with respect to former 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 Code Section 409(d)(3)) if such corporation continues to maintain this Plan, but only with respect to former Employees who continue employment with such subsidiary.

12.02. Timing of Distribution Following Retirement or Termination of Employment. The balance of a Participant's vested interest in his Account shall be distributable upon his termination of employment with the Employer and all Related Employers, if any, because of death, normal, early, or disability retirement (as permitted under the Plan), or other termination of employment. Notwithstanding the foregoing, a Participant whose vested interest in his Account exceeds $5,000 as determined under Section 13.02 (or such larger amount as may be specified in Code Section 417(e)(1)) may elect to postpone distribution of his Account until his Required Beginning Date. A Participant who elects to postpone distribution has a continuing election to receive such distribution prior to the date as of which distribution is required, unless such Participant is reemployed as an Employee.

12.03. Participant Consent to Distribution. If a Participant's vested interest in his Account exceeds $5,000 as determined under Section 13.02 (or such larger amount as may be specified in Code Section 417(e)(1)), no distribution shall be made to the Participant before he reaches his Normal Retirement Age (or age 62, if later), unless the consent of the Participant has been obtained. Such consent shall be made within the 90-day period ending on the Participant's Annuity Starting Date.

The consent of the Participant's spouse must also be obtained if the Participant's Account is subject to the provisions of Section 14.04, unless the distribution shall be made in the form of a "qualified joint and survivor annuity" as defined in Section 14.01. A spouse's consent to early distribution, if required, must satisfy the requirements of Section 14.06.

Neither the consent of the Participant nor the Participant's spouse shall be required to the extent that a distribution is required to satisfy Code Section 401(a)(9) or Code Section 415. 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 shall, 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 Code Section 4975(e)(7)) then the Participant's Account shall be transferred, without the Participant's consent, to the other plan if the Participant does not consent to an immediate distribution.

12.04. Required Commencement of Distribution to Participants. In no event shall distribution to a Participant commence later than the earlier of the dates described in (a) and (b) below:

(a) unless the Participant (and his spouse, if appropriate) elects otherwise, the 60th day after the close of the Plan Year in which occurs the latest of (i) the date on which the Participant attains Normal Retirement Age, or age 65, if earlier, (ii) the date on which the Participant's employment with the Employer and all Related Employers ceases, or (iii) the 10th anniversary of the year in which the Participant commenced participation in the Plan; and

(b) the Participant's Required Beginning Date.

Notwithstanding the provisions of Subsection 12.04(a) above, the failure of a Participant (and the Participant's spouse, if applicable) to consent to a distribution as required under Section 12.03, shall be deemed to be an election to defer commencement of payment as provided in Subsection 12.04(a) above.

12.05. Required Commencement of Distribution to Beneficiaries. If a Participant dies before his Annuity Starting Date, the Participant's Beneficiary shall receive distribution of the Participant's vested interest in his

Account in the form provided under Article 13 or 14, as applicable, beginning as soon as reasonably practicable following the date the Beneficiary's application for distribution is filed with the Administrator. Unless distribution is to be made over the life or over a period certain not greater than the life expectancy of the Beneficiary, distribution of the Participant's entire vested interest shall be made to the Beneficiary no later than the end of the fifth calendar year beginning after the Participant's death. If distribution is to be made over the life or over a period certain no greater than the life expectancy of the Beneficiary, distribution shall commence no later than:

(a) If the Beneficiary is not the Participant's spouse, the end of the first calendar year beginning after the Participant's death; or

(b) If the Beneficiary is the Participant's spouse, the later of (i) the end of the first calendar year beginning after the Participant's death or (ii) the end of the calendar year in which the Participant would have attained age 70[1/2].

If distribution is to be made to a Participant's spouse, it shall be made available within a reasonable period of time after the Participant's death that is no less favorable than the period of time applicable to other distributions. In the event such spouse dies prior to the date distribution commences, he shall be treated for purposes of this Section 12.05 (other than Subsection 12.05(b) above) as if he were the Participant. Any amount paid to a child of the Participant shall 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.

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.

If a Participant dies on or after his Annuity Starting Date, but before his entire vested interest in his Account is distributed, his Beneficiary shall receive distribution of the remainder of the Participant's vested interest in his Account beginning as soon as reasonably practicable following the Participant's date of death in a form that provides for distribution at least as rapidly as under the form in which the Participant was receiving distribution.

12.06. Whereabouts of Participants and Beneficiaries. The Administrator shall at all times be responsible for determining the whereabouts of each Participant or Beneficiary who may be entitled to benefits under the Plan and shall at all times be responsible for instructing the Trustee in writing as to the current address of each such Participant or Beneficiary. The Trustee shall be entitled to rely on the latest written statement received from the Administrator as to such addresses. The Trustee shall 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 distributee, the time when the distribution is to occur, and the form which the distribution shall 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 shall notify the Administrator of such situation and thereafter the Trustee shall be under no duty to make any further distributions to such distributee until it receives further written instructions from the Administrator.

If the Administrator is unable after diligent attempts to locate a Participant or Beneficiary who is entitled to a benefit under the Plan, the benefit otherwise payable to such Participant or Beneficiary shall be forfeited and applied as provided in Section 11.09. If a benefit is forfeited because the Administrator determines that the Participant or Beneficiary cannot be found, such benefit shall be reinstated by the Employer if a claim is filed by the Participant or Beneficiary with the Administrator and the Administrator confirms the claim to the Employer. Notwithstanding the above, forfeiture of a Participant's or Beneficiary's benefit may occur only if a distribution

could be made to the Participant or Beneficiary without obtaining the Participant's or Beneficiary's consent in accordance with the requirements of Section 1.411(a)-11 of the Treasury Regulations.

Article 13. Form of Distribution.

13.01. Normal Form of Distribution Under Profit Sharing Plan. Unless the Plan is a money purchase pension plan subject to the requirements of Article 14, or a Participant's Account is otherwise subject to the requirements of Section 14.03 or 14.04, distributions to a Participant or to the Beneficiary of the Participant shall be made in a lump sum in cash or, if elected by the Participant (or the Participant's Beneficiary, if applicable) and provided by the Employer in Section 1.19 of the Adoption Agreement, under a systematic withdrawal plan (installments). A Participant (or the Participant's Beneficiary, if applicable) who is receiving distribution under a systematic withdrawal plan may elect to accelerate installment payments or to receive a lump sum distribution of the remainder of his Account balance. Distribution may also be made hereunder in any non-annuity form that is a protected benefit and is provided by the Employer in Section 1.19(d) of the Adoption Agreement.

Notwithstanding anything herein to the contrary, if distribution to a Participant commences on the Participant's Required Beginning Date as determined under Subsection 2.01(ss), the Participant may elect to receive distributions under a systematic withdrawal plan that provides the minimum distributions required under Code Section 401(a)(9).

Distributions shall be made in cash, except that distributions may be made in Fund Shares of marketable securities (as defined in Code Section 731(c)(2)), at the election of the Participant, pursuant to the qualifying rollover of such distribution to a Fidelity Investments7 individual retirement account.

13.02. Cash Out Of Small Accounts. Notwithstanding any other provision of the Plan to the contrary, if a Participant's vested interest in his Account is $5,000 (or such larger amount as may be specified in Code Section 417(e)(1)) or less, the Participant's vested interest in his Account shall be distributed in a lump sum as soon as practicable following the Participant's termination of employment because of retirement, disability, death or other termination of employment. For purposes of this Section, until final Treasury Regulations are issued to the contrary, if either (a) a Participant has commenced distribution of his Account under a systematic withdrawal plan or (b) his Account is subject to the provisions of Section 14.04 and the Participant's Annuity Starting Date has occurred with respect to amounts currently held in his Account, the Participant's vested interest in his Account shall be deemed to exceed $5,000 (or such larger amount as may be specified in Code Section 417(e)(1)) if the Participant's vested interest in such amounts exceeded such dollar amount on the Participant's Annuity Starting Date.

Notwithstanding the provisions of this Section 13.02, the Employer may determine not to cash out Participant Accounts in accordance with the foregoing provisions, provided that such determination is uniform with respect to all Participants and non-discriminatory.

13.03. Minimum Distributions. This Section applies to distributions under a systematic withdrawal plan that are made on or after a Participant's Required Beginning Date or his date of death, if earlier. This Section shall be interpreted and applied in accordance with the regulations under Code Section 401(a)(9), including the minimum distribution incidental benefit requirement of Section 1.401(a)(9)-2 of the Proposed Treasury Regulations, or any successor regulations of similar import.

Distribution 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 or joint life expectancies of the Participant and his Beneficiary or, if the Participant dies prior to the commencement of distributions from his Account, the life expectancy of the Participant's Beneficiary. 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. 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 (a) the applicable life expectancy, or (b) 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 (a) above, without regard to Section 1.401(a)(9)-2 of such regulations. For purposes of this Section 13.03, 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 Treasury Regulations.

For purposes of this Section 13.03, the life expectancy of a Participant or a Beneficiary who is the Participant's surviving spouse shall be recalculated annually unless the Participant or the Participant's spouse 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.

If the Participant dies after distribution of his benefits has begun, distributions to the Participant's Beneficiary shall be made at least as rapidly as under the method of distribution being used as of the date of the Participant's death.

A Participant's interest in his Account for purposes of this Section 13.03 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.

The Administrator shall notify the Trustee in writing whenever a distribution is necessary in order to comply with the minimum distribution rules set forth in this Section 13.03.

13.04. Direct Rollovers. Notwithstanding any other provision of the Plan to the contrary, a "distributee" may elect, at the time and in the manner prescribed by the Administrator, to have any portion or all of an "eligible rollover distribution" paid directly to an "eligible retirement plan" specified by the "distributee" in a direct rollover; provided, however, that this provision shall not apply if the total "eligible rollover distribution" that the "distributee" is reasonably expected to receive for the calendar year is less than $200 and that a "distributee" may not elect a direct rollover with respect to a portion of an "eligible rollover distribution" if such portion totals less than $500. For purposes of this Section 13.04, the following definitions shall apply:

(a) "Distributee" means a Participant, the Participant's surviving spouse, and the Participant's spouse or former spouse who is the alternate payee under a qualified domestic relations order, who is entitled to receive a distribution from the Participant's vested interest in his Account.

(b) "Eligible retirement plan" means an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), an annuity plan described in Code Section 403(a), or a qualified trust described in Code Section 401(a), that accepts "eligible rollover distributions". However, in the case of an "eligible rollover distribution" to a surviving spouse, an "eligible retirement plan" means an individual retirement account or individual retirement annuity.

(c) "Eligible rollover distribution" means 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 the following:

(1) 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;

(2) any distribution to the extent such distribution is required under Code Section 401(a)(9);

(3) 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);

(4) any hardship withdrawal of Deferral Contributions made in accordance with the provisions of Section 10.05.

13.05. Notice Regarding Timing and Form of Distribution. Within the period beginning 90 days before a Participant's Annuity Starting Date and ending 30 days before such date, the Administrator shall provide such Participant with written notice containing a general description of the material features and an explanation of the relative values of the forms of benefit available under the Plan and informing the Participant of his right to defer receipt of the distribution until his Required Beginning Date and his right to make a direct rollover.

Distribution may commence fewer than 30 days after such notice is given, provided that:

(a) the Administrator clearly informs the Participant that the Participant 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);

(b) the Participant, after receiving the notice, affirmatively elects a distribution, with his spouse's written consent, if necessary;

(c) if the Participant's Account is subject to the requirements of Section 14.04, the following additional requirements apply:

(1) the Participant is permitted to revoke his affirmative distribution election at any time prior to the later of (A) his Annuity Starting Date or (B) the expiration of the seven-day period beginning the day after such notice is provided to him; and

(2) distribution does not begin to such Participant until such revocation period ends.

13.06. Determination of Method of Distribution. Subject to Section 13.02, the Participant shall determine the method of distribution of benefits to himself and may determine the method of distribution to his Beneficiary. Such determination shall 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, shall 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 12.05 or, if earlier, the close of the calendar year in which the fifth anniversary of the death of the Participant occurs.

13.07. Notice to Trustee. The Administrator shall notify the Trustee in any medium acceptable to the Trustee, which may be specified in the Service Agreement, whenever any Participant or Beneficiary is entitled to receive benefits under the Plan. The Administrator's notice shall indicate the form of payment of benefits that such Participant or Beneficiary shall receive, (in the case of distributions to a Participant) the name of any designated Beneficiary or Beneficiaries, and such other information as the Trustee shall require.

Article 14. Superseding Annuity Distribution Provisions.

14.01. Special Definitions. For purposes of this Article, the following special definitions shall apply:

(a) "**Qualified joint and survivor annuity**" means (1) if the Participant is not married on his Annuity Starting Date, an immediate annuity payable for the life of the Participant or (2) if the Participant is married on his Annuity Starting Date, an immediate annuity for the life of the Participant with a survivor annuity for the life of the Participant's spouse (to whom the Participant was married on the Annuity Starting Date) which is equal to at least 50 percent of the amount of the annuity which is payable during the joint lives of the Participant and such spouse, provided that the survivor annuity shall not be payable to a Participant's spouse if such spouse is not the same spouse to whom the Participant was married on his Annuity Starting Date.

(b) "**Qualified preretirement survivor annuity**" means an annuity purchased with at least 50 percent of a Participant's vested interest in his Account that is payable for the life of a Participant's surviving spouse. The Employer shall specify that portion of a Participant's vested interest in his Account that is to be used to purchase the "qualified preretirement survivor annuity" in Section 1.19 of the Adoption Agreement.

14.02. Applicability. The provisions of this Article shall apply to a Participant's Account if:

(a) the Plan is a money purchase pension plan;

(b) the Plan is an amendment and restatement of a plan that provided an annuity form of payment and such form of payment has not been eliminated pursuant to Subsection 1.19(e) and the Forms of Payment Addendum to the Adoption Agreement;

(c) the Participant's Account contains assets attributable to amounts directly or indirectly transferred from a plan that provided an annuity form of payment and such form of payment has not been eliminated pursuant to Subsection 1.19(e) and the Forms of Payment Addendum to the Adoption Agreement.

14.03. Annuity Form of Payment. To the extent provided in Subsection 1.19 of the Adoption Agreement, a Participant may elect distributions made in whole or in part in the form of an annuity contract. Any annuity contract distributed under the Plan shall be subject to the provisions of this Section 14.03 and, to the extent provided therein, Sections 14.04 through 14.09.

(a) At the direction of the Administrator, the Trustee shall purchase the annuity contract on behalf of a Participant or Beneficiary from an insurance company. Such annuity contract shall be nontransferable.

(b) The terms of the annuity contract shall comply with the requirements of the Plan and distributions under such contract shall be made in accordance with Code Section 401(a)(9) and the regulations thereunder.

(c) The annuity contract may provide for payment over the life of the Participant and, upon the death of the Participant, may provide a survivor annuity continuing for the life of the Participant's designated Beneficiary. Such an annuity may provide for an annuity certain feature for a period not exceeding the life expectancy of the Participant 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 his Annuity Starting Date, the annuity contract distributed to the Participant's Beneficiary may provide for payment over the life of the Beneficiary, and may provide for an annuity certain feature for a period not exceeding the life expectancy of the Beneficiary. The types of annuity contracts provided under the Plan shall be limited to the types of annuities described in Section 1.19 and the Forms of Payment Addendum to the Adoption Agreement.

(d) The annuity contract must provide for nonincreasing payments.

14.04. "Qualified Joint and Survivor Annuity" and "Qualified Preretirement Survivor Annuity" Requirements. The requirements of this Section 14.04 apply to a Participant's Account if:

(a) the Plan is a money purchase pension plan;

(b) the Plan is a profit sharing plan and the Employer has selected distribution in the form of a life annuity as the normal form of distribution with respect to such Participant's Account in Subsection 1.19(c)(2)(B) of the Adoption Agreement; or

(c) the Plan is a profit sharing plan and the Employer has specified distribution in the form of a life annuity as the normal form of distribution in Subsection (c)(2)(B) of the Forms of Payment Addendum to the Adoption Agreement and the Participant's Annuity Starting Date occurs prior to the date specified in Subsection (c)(4) of the Forms of Payment Addendum to the Adoption Agreement;

(d) the Participant is permitted to elect and has elected distribution in the form of an annuity contract payable over the life of the Participant.

If a Participant's Account is subject to the requirements of this Section 14.04, distribution shall be made to the Participant in the form of a "qualified joint and survivor annuity" (with a survivor annuity in the percentage amount specified by the Employer in Subsection 1.19 of the Adoption Agreement), unless the Participant waives the "qualified joint and survivor annuity" as provided in Section 14.05. If the Participant dies prior to his Annuity Starting Date, distribution shall be made to the Participant's surviving spouse, if any, in the form of a "qualified preretirement survivor annuity", unless the Participant waives the "qualified preretirement survivor annuity" as provided in Section 14.05, or the Participant's surviving spouse elects in writing to receive distribution in one of the other forms of payment provided under the Plan. If the Employer has specified in Section 1.19 of the Adoption Agreement that less than 100 percent of a Participant's Account shall be used to purchase the "qualified preretirement survivor annuity", distribution of the balance of the Participant's vested interest in his Account that is not used to purchase the "qualified preretirement survivor annuity" shall be distributed to the Participant's designated Beneficiary in accordance with the provisions of Sections 11.04 and 12.05.

14.05. Waiver of the "Qualified Joint and Survivor Annuity" and/or "Qualified Preretirement Survivor Annuity" Rights. A Participant may waive the "qualified joint and survivor annuity" described in Section 14.04 and elect another form of distribution permitted under the Plan at any time during the 90-day period ending on his Annuity Starting Date; provided, however, that if the Participant is married, his spouse must consent in writing to such election as provided in Section 14.06. Spousal consent is not required if the Participant elects distribution in the form of a different "qualified joint and survivor annuity".

A Participant may waive the "qualified preretirement survivor annuity" and designate a non-spouse Beneficiary at any time during the "applicable election period"; provided, however, that the Participant's spouse must consent in writing to such election as provided in Section 14.06. The "applicable election period" begins on the later of (1) the date the Participant's Account becomes subject to the requirements of Section 14.04 or (2) the first day of the Plan Year in which the Participant attains age 35 or, if he terminates employment prior to such date, the date he terminates employment with the Employer and all Related Employers. The "applicable election period" ends on the earlier of the Participant's Annuity Starting Date or the date of the Participant's death. A Participant whose employment has not terminated may elect to waive the "qualified preretirement survivor annuity" prior to the Plan Year in which he attains age 35, provided that any such waiver shall cease to be effective as of the first day of the Plan Year in which the Participant attains age 35.

If the Employer has specified in Section 1.19 of the Adoption Agreement that less than 100 percent of a Participant's Account shall be used to purchase the "qualified preretirement survivor annuity", the Participant may designate a non-spouse Beneficiary for the balance of the Participant's vested interest in his Account that is not used

to purchase the "qualified preretirement survivor annuity". Such designation shall not be subject to the spousal consent requirements of Section 14.06.

14.06. Spouse's Consent to Waiver. A spouse's written consent to a Participant's waiver of the "qualified joint and survivor annuity" or "qualified preretirement survivor annuity" forms of distribution must acknowledge the effect of the Participant's election and must be witnessed by a Plan representative or a notary public. In addition, the spouse's written consent must either (a) specify the form of distribution elected instead of the "qualified joint and survivor annuity", if applicable, and that such form may not be changed (except to a "qualified joint and survivor annuity") without written spousal consent and specify any non-spouse Beneficiary designated by the Participant, if applicable, and that such designation may not be changed without written spousal consent or (b) acknowledge that the spouse has the right to limit consent as provided in clause (a) above, but permit the Participant to change the form of distribution elected or the designated Beneficiary without the spouse's further consent.

A Participant's spouse shall be deemed to have given written consent to a Participant's waiver if the Participant establishes to the satisfaction of a Plan representative that spousal consent cannot be obtained because the spouse cannot be located or because of other circumstances set forth in Code Section 401(a)(11) and Treasury Regulations issued thereunder.

Any written consent given or deemed to have been given by a Participant's spouse hereunder shall be irrevocable and shall be effective only with respect to such spouse and not with respect to any subsequent spouse.

A spouse's consent to a Participant's waiver shall be valid only if the applicable notice described in Section 14.07 or 14.08 has been provided to the Participant.

14.07. Notice Regarding "Qualified Joint and Survivor Annuity". The notice provided to a Participant under Section 14.05 shall include a written explanation of (a) the terms and conditions of the "qualified joint and survivor annuity" provided herein, (b) the Participant's right to make, and the effect of, an election to waive the "qualified joint and survivor annuity", (c) the rights of the Participant's spouse under Section 14.06, and (d) the Participant's right to revoke an election to waive the "qualified joint and survivor annuity" prior to his Annuity Starting Date.

14.08. Notice Regarding "Qualified Preretirement Survivor Annuity". If a Participant's Account is subject to the requirements of Section 14.04, the Administrator shall provide the Participant with a written explanation of the "qualified preretirement survivor annuity" comparable to the written explanation provided with respect to the "qualified joint and survivor annuity", as described in Section 14.07. Such explanation shall be furnished within whichever of the following periods ends last:

(a) 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;

(b) a reasonable period ending after the Employee becomes an Active Participant;

(c) a reasonable period ending after Section 14.04 first becomes applicable to the Participant's Account; or

(d) in the case of a Participant who separates from service before age 35, a reasonable period ending after such 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 Subsection 14.08(b), (c) or (d) above, 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 Subsection 14.08(d) above and subsequently recommences employment with the Employer, the applicable period for such Participant shall be redetermined in accordance with this Section 14.08.

14.09. Former Spouse. For purposes of this Article, a former spouse of a Participant shall be treated as the spouse or surviving spouse of the Participant, and a current spouse shall not be so treated, to the extent required under a qualified domestic relations order, as defined in Code Section 414(p).

Article 15. Top-Heavy Provisions.

15.01. Definitions. For purposes of this Article, the following special definitions shall apply:

(a) "**Determination date**" means, for any Plan Year subsequent to the first Plan Year, the last day of the preceding Plan Year. For the first Plan Year of the Plan, "determination date" means the last day of that Plan Year.

(b) "**Determination period**" means the Plan Year containing the "determination date" and the four preceding Plan Years.

(c) "**Key employee**" means any Employee or former Employee (and the Beneficiary of any such Employee) who at any time during the "determination period" was (1) an officer of the Employer or a Related Employer whose annual Compensation exceeds 50 percent of the dollar limitation under Code Section 415(b)(1)(A), (2) one of the ten Employees whose annual Compensation from the Employer or a Related Employer exceeds the dollar limitation under Code Section 415(c)(1)(A) and who owns (or is considered as owning under Code Section 318) one of the largest interests in the Employer and all Related Employers, (3) a five percent owner of the Employer and all Related Employers, or (4) a one percent owner of the Employer and all Related Employers whose annual Compensation exceeds $150,000. The determination of who is a "key employee" shall be made in accordance with Code Section 416(i)(1) and regulations issued thereunder.

(d) "**Permissive aggregation group**" means 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 Code Sections 401(a)(4) and 410.

(e) "**Required aggregation group**" means:

(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 Subsection 15.01(e)(1) above to meet the requirements of Code Section 401(a)(4) or 410.

(f) "**Top-heavy plan**" means a plan in which 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.

(g) "Top-heavy ratio" means:

(1) With respect to the 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, as defined in Code Section 408(k)), 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 during the five-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 during the five-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 Code Section 416, 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 five-year period ending on the "determination date", has covered or could cover an Active Participant in the Plan, 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 during the five-year period ending on the "determination date" and any contribution due but unpaid as of the "determination date".

For purposes of Subsections 15.01(g)(1) and (2) above, the value of accounts and the present value of accrued benefits shall be determined as of the most recent "determination date", except as provided in Code Section 416 and the regulations issued thereunder for the first and second plan years of a defined benefit plan. 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. The present value of accrued benefits shall be determined using the interest rate and mortality table specified in Subsection 1.21(b) of the Adoption Agreement.

The accounts and accrued benefits of a Participant who is not a "key employee" but who was a "key employee" in a prior year, or who has not performed services for the Employer or any Related Employer at any time during the five-year period ending on the "determination date", shall 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 Code Section 416 and the regulations issued thereunder. Deductible employee contributions shall not be taken into account for purposes of computing the "top-heavy ratio".

For purposes of determining if the Plan, or any other plan included in a "required aggregation group" of which the 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 the method, if any, that uniformly applies for accrual purposes under all plans maintained by the Employer or a Related Employer, or, 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 Code Section 411(b)(1)(C).

15.02. Application. If the Plan is or becomes a "top-heavy plan" in any Plan Year or is automatically deemed to be a "top-heavy plan" in accordance with the Employer's selection in Subsection 1.21(a)(1) of the Adoption Agreement, the provisions of this Article shall apply and shall supersede any conflicting provision in the Plan.

15.03. Minimum Contribution. Except as otherwise specifically provided in this Section 15.03, the Nonelective Employer Contributions made for the Plan Year on behalf of any Active Participant who is not a "key employee"

shall not be less than the lesser of three percent (or such other percentage selected by the Employer in Subsection 1.21(c) of the Adoption Agreement) of such Participant's Compensation for the Plan Year or, in the case where neither the Employer nor any Related Employer maintains a defined benefit plan which uses the Plan to satisfy Code Section 401(a)(4) or 410, the largest percentage of Employer contributions made on behalf of any "key employee" for the Plan Year, expressed as a percentage of the "key employee's" Compensation for the Plan Year, unless the Employer has provided in Subsection 1.21(c) of the Adoption Agreement that the minimum contribution requirement shall be met under the other plan or plans of the Employer.

The minimum contribution required under this Section 15.03 shall be made to the Account of an Active Participant even though, under other Plan provisions, the Active Participant would not otherwise be entitled to receive a contribution, or would have received a lesser contribution for the Plan Year, because (a) the Active Participant failed to complete the Hours of Service requirement selected by the Employer in Subsection 1.10(d) or 1.11(c) of the Adoption Agreement, or (b) the Participant's Compensation was less than a stated amount; provided, however, that no minimum contribution shall be made for a Plan Year to the Account of an Active Participant who is not employed by the Employer or a Related Employer on the last day of the Plan Year.

The minimum contribution for the Plan Year made on behalf of each Active Participant who is not a "key employee" and who is a participant in a defined benefit plan maintained by the Employer or a Related Employer shall not be less than five percent of such Participant's Compensation for the Plan Year, unless the Employer has provided in Subsection 1.21(c) of the Adoption Agreement that the minimum contribution requirement shall be met under the other plan or plans of the Employer.

That portion of a Participant's Account that is attributable to minimum contributions required under this Section 15.03, to the extent required to be nonforfeitable under Code Section 416(b), may not be forfeited under Code Section 411(a)(3)(B).

Notwithstanding any other provision of the Plan to the contrary, for purposes of this Article, Compensation shall include amounts that are not includable in the gross income of the Participant under a salary reduction agreement by reason of the application of Code Section 125, 132(f)(4), 402(e)(3), 402(h), or 403(b). Compensation shall generally be based on the amount actually paid to the Eligible Employee during the Plan Year or during that portion of the Plan Year during which the Eligible Employee is an Active Participant, as elected by the Employer in Subsection 1.05(c) of the Adoption Agreement.

15.04. Modification of Allocation Provisions to Meet Minimum Contribution Requirements. If the Employer elected a discretionary Nonelective Employer Contribution in Subsection 1.11(b) of the Adoption Agreement, the provisions for allocating Nonelective Employer Contributions described in Subsection 5.10(b) shall be modified as provided herein to meet the minimum contribution requirements of Section 15.03.

(a) If the Employer selected the non-integrated formula in Subsection 1.11(b)(1) of the Adoption Agreement, Nonelective Employer Contributions shall be allocated as follows:

(1) Nonelective Employer Contributions shall be allocated to each eligible Active Participant, as determined under this Section 15.04, who is not a "key employee" in the same ratio that the eligible Active Participant's Compensation for the Plan Year bears to the total Compensation of all such eligible Active Participants for the Plan Year; provided, however that such ratio shall not exceed three percent of a Participant's Compensation for the Plan Year (or such other percentage selected by the Employer in Subsection 1.21(c) of the Adoption Agreement).

(2) If any Nonelective Employer Contributions remain after the allocation in Subsection 15.04(a)(1) above, the remaining Nonelective Employer Contributions shall be allocated to each eligible Active Participant, as determined under this Section 15.04, who is a "key employee" in the same ratio that the

eligible Active Participant's Compensation for the Plan Year bears to the total Compensation of all such eligible Active Participants for the Plan Year; provided, however that such ratio shall not exceed three percent of a Participant's Compensation for the Plan Year (or such other percentage selected by the Employer in Subsection 1.21(c) of the Adoption Agreement).

(3) If any Nonelective Employer Contributions remain after the allocation in Subsection 15.04(a)(2) above, the remaining Nonelective Employer Contributions shall be allocated to each eligible Active Participant, as determined under this Section 15.04, in the same ratio that the eligible Active Participant's Compensation for the Plan Year bears to the total Compensation of all such eligible Active Participants for the Plan Year.

(b) If the Employer selected the integrated formula in Subsection 1.11(b)(2) of the Adoption Agreement, the "permitted disparity limit", as defined in Subsection 1.11(b)(2) of the Adoption Agreement, shall be reduced by the percentage allocated under Subsection 15.04(b)(1) or (2) below, and the allocation steps in Subsection 5.10(b)(2) shall be preceded by the following steps:

(1) Nonelective Employer Contributions shall be allocated to each eligible Active Participant, as determined under this Section 15.04, who is not a "key employee" in the same ratio that the eligible Active Participant's Compensation for the Plan Year bears to the total Compensation of all such eligible Active Participants for the Plan Year; provided, however that such ratio shall not exceed three percent of a Participant's Compensation for the Plan Year (or such other percentage selected by the Employer in Subsection 1.21(c) of the Adoption Agreement).

(2) If any Nonelective Employer Contributions remain after the allocation in Subsection 15.04(b)(1) above, the remaining Nonelective Employer Contributions shall be allocated to each eligible Active Participant, as determined under this Section 15.04, who is a "key employee" in the same ratio that the eligible Active Participant's Compensation for the Plan Year bears to the total Compensation of all such eligible Active Participants for the Plan Year; provided, however that such ratio shall not exceed three percent of a Participant's Compensation for the Plan Year (or such other percentage selected by the Employer in Subsection 1.21(c) of the Adoption Agreement).

(3) If any Nonelective Employer Contributions remain after the allocation in Subsection 15.04(b)(2) above, the remaining Nonelective Employer Contributions shall be allocated to each eligible Active Participant in the same ratio that the eligible Active Participant's Excess Compensation for the Plan Year bears to the total Excess Compensation of all eligible Participants for the Plan Year; provided, however, that such ratio shall not exceed three percent (or such other percentage selected by the Employer in Subsection 1.21(c) of the Adoption Agreement).

15.05. Adjustment to the Limitation on Contributions and Benefits. For Limitation Years beginning prior to January 1, 2000, if the Plan is a "top-heavy plan", the number 100 shall be substituted for the number 125 in determining the "defined benefit fraction", as defined in Subsection 6.01(f) and the "defined contribution fraction", as defined in Subsection 6.01(g). However, this substitution shall not take effect with respect to the 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 eligible Active Participant, as determined under Section 15.03, who is not a "key employee" and who is a participant in a defined benefit plan maintained by the Employer or a Related Employer is not less than 7 1/2 percent of such eligible Active Participant's Compensation.

(b) The "top-heavy ratio" for the Plan (or the "required aggregation group" or "permissible aggregation group", as applicable) does not exceed 90 percent.

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 the Limitation Year.

15.06. Accelerated Vesting. For any Plan Year in which the Plan is or is deemed to be a "top-heavy plan" and all Plan Years thereafter, if the Employer has selected Subsection 1.15(a)(1)(A) of the Adoption Agreement, the top-heavy vesting schedule selected by the Employer in Subsection 1.21(d) of the Adoption Agreement shall automatically apply to the Plan. The top-heavy vesting schedule applies to all benefits within the meaning of Code Section 411(a)(7) except those already subject to a vesting schedule which vests at least as rapidly in all cases as the schedule elected in Subsection 1.21(d) of the Adoption Agreement, including benefits accrued before the Plan becomes a "top-heavy plan". Notwithstanding the foregoing provisions of this Section 15.06, the top-heavy vesting schedule does not apply to the Account of any Participant who does not have an Hour of Service after the Plan initially becomes or is deemed to have become a "top-heavy plan" and such Employee's Account attributable to Employer Contributions shall be determined without regard to this Section 15.06.

15.07. Exclusion of Collectively-Bargained Employees. Notwithstanding any other provision of this Article 15, Employees who are included in a unit covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and one or more employers shall not be included in determining whether or not the Plan is a "top-heavy plan". In addition, such Employees shall not be entitled to a minimum contribution under Section 15.03 or accelerated vesting under Section 15.06, unless otherwise provided in the collective bargaining agreement.

Article 16. Amendment and Termination.

16.01. Amendments by the Employer that do Not Affect Prototype Status. The Employer reserves the authority through a board of directors' resolution or similar action, subject to the provisions of Article 1 and Section 16.04, to amend the Plan as provided herein, and such amendment shall not affect the status of the Plan as a prototype plan.

(a) The Employer may amend the Adoption Agreement to make a change or changes in the provisions previously elected by it. Such amendment may be made either by (1) completing an amended Adoption Agreement on which the Employer has indicated the change or changes, or (2) adopting an amendment, executed by the Employer only, in the form provided by the Prototype Sponsor, that provides replacement pages to be inserted into the Adoption Agreement, which pages include the change or changes. Any such amendment must be filed with the Trustee.

(b) The Employer may make a separate amendment to the Plan as necessary to satisfy Code Section 415 or 416 because of the required aggregation of multiple plans by completely overriding the Basic Plan Document provisions.

(c) The Employer may adopt certain model amendments published by the Internal Revenue Service which specifically provide that their adoption shall not cause the Plan to be treated as an individually designed plan.

16.02. Amendments by the Employer that Affect Prototype Status. The Employer reserves the authority through a board of directors' resolution or similar action, subject to the provisions of Section 16.04, to amend the Plan in a manner other than that provided in Section 16.01. However, upon making such amendment, including, if the Plan is a money purchase pension plan, a waiver of the minimum funding requirement under Code Section 412(d), the Employer may no longer participate in this prototype plan arrangement and shall 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 shall be a qualified trust under the Code.

16.03. Amendment by the Mass Submitter Sponsor and the Prototype Sponsor. The Mass Submitter Sponsor may in its discretion amend the mass submitter prototype plan at any time, subject to the provisions of Article 1 and Section 16.04, and provided that the Mass Submitter Sponsor mails a copy of such amendment to each Prototype Sponsor that maintains the prototype plan or a minor modifier of the prototype plan. Each Prototype Sponsor shall provide a copy of such amendment to each Employer adopting its prototype plan at the Employer's last known address as shown on the books maintained by the Prototype Sponsor or its affiliates.

The Prototype Sponsor may, in its discretion, amend the Plan or the Adoption Agreement, subject to the provisions of Article 1 and Section 16.04, and provided that such amendment does not change the Plan's status as a word for word adoption of the mass submitter prototype plan or a minor modifier of the mass submitter prototype plan, unless such Prototype Sponsor elects no longer to be a sponsoring organization with respect to the mass submitter prototype plan. The Prototype Sponsor shall provide a copy of such amendment to each Employer adopting its prototype plan at the Employer's last known address as shown on the books maintained by the Prototype Sponsor or its affiliates.

16.04. Amendments Affecting Vested and/or Accrued Benefits. Except as permitted by Section 16.05, Section 1.19(e) and the Forms of Payment Addendum to the Adoption Agreement, and/or Code Section 411(d)(6) and regulations issued thereunder, 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, shall not be less than the Participant's nonforfeitable interest in his Account determined without regard to such amendment.

If the Plan is a money purchase pension plan, no amendment to the Plan that provides for a significant reduction in contributions to the Plan shall be made unless notice has been furnished to Participants and alternate payees under a qualified domestic relations order as provided in ERISA Section 204(h).

If the Plan's vesting schedule is amended because of a change to "top-heavy plan" status, as described in Subsection 15.01(f), the accelerated vesting provisions of Section 15.06 shall continue to apply for all Plan Years thereafter, regardless of whether the Plan is a "top-heavy plan" for such Plan Year.

If the Plan's vesting schedule is amended and an Employee's vested interest, as calculated by using the amended vesting schedule, is less in any year than the Employee's vested interest calculated under the Plan's vesting schedule immediately prior to the amendment, the amended vesting schedule shall apply only to Employees hired on or after the effective date of the change in vesting schedule.

16.05. Retroactive Amendments made by Mass Submitter or Prototype Sponsor. An amendment made by the Mass Submitter Sponsor or Prototype Sponsor in accordance with Section 16.03 may be made effective on a date prior to the first day of the Plan Year in which it is adopted if, in published guidance, the Internal Revenue Service either permits or requires such an amendment to be made to enable the Plan and Trust to satisfy the applicable requirements of the Code and all requirements for the retroactive amendment are satisfied.

16.06. Termination. The Employer has adopted the Plan with the intention and expectation that contributions shall be continued indefinitely. However, said Employer has no obligation or liability whatsoever to maintain the Plan for any length of time and may amend the Plan to discontinue contributions under the Plan or terminate the Plan at any time without any liability hereunder for any such discontinuance or termination. The Employer may terminate the Plan by written notice delivered to the Trustee.

16.07. 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 shall have a vested interest in his Account of 100 percent. Subject to Section 12.01 and Article 14, upon receipt of written instructions from the Administrator, the Trustee shall 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 shall notify the Administrator of such situation and the Trustee shall 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 shall terminate, the Trustee shall be relieved from all liability under the Trust, and no Participant or other person shall have any claims thereunder, except as required by applicable law.

If distribution is to be made to a Participant or Beneficiary who cannot be located, the Administrator shall give written instructions to the Trustee to (a) escheat the distributable amount to the State or Commonwealth of the distributee's last known address or (b) draw a check in the distributable amount and mail it to the distributee's last known address. In the absence of such instructions, the Trustee shall make distribution to the distributee by drawing a check in the distributable amount and mailing it to the distributee's last known address.

16.08. 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 17. Amendment and Continuation of Prior Plan; Transfer of Funds to or from Other Qualified Plans.

17.01. Amendment and Continuation of Prior Plan. In the event the Employer has previously established a plan (the "prior 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 Code Section 401(a), the Employer may, in accordance with the provisions of the prior plan, amend and restate the prior 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 in the prior plan immediately prior to the effective date of such amendment and restatement shall become a Participant in the Plan.

(b) Except as provided in Section 16.04, 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 restatement.

(c) No amendment to the Plan shall decrease a Participant's accrued benefit or eliminate an optional form of benefit, except as permitted under Section 1.19(e) and the Forms of Payment Addendum to the Adoption Agreement.

(d) The amounts standing to the credit of a Participant's account immediately prior to such amendment and restatement which represent the amounts properly attributable to (1) contributions by the Participant and (2) contributions by the Employer and forfeitures shall constitute the opening balance of his Account or Accounts under the Plan.

(e) Amounts being paid to an Inactive Participant or to a Beneficiary in accordance with the provisions of the prior plan shall continue to be paid in accordance with such provisions.

(f) Any election and waiver of the "qualified preretirement survivor annuity", as defined in Section 14.01, in effect after August 23, 1984, under the prior plan immediately before such amendment and restatement shall be deemed a valid election and waiver of Beneficiary under Section 14.04 if such designation satisfies the requirements of Sections 14.05 and 14.06, unless and until the Participant revokes such election and waiver under the Plan.

(g) Unless the Employer and the Trustee agree otherwise, all assets of the predecessor trust shall be deemed to be assets of the Trust as of the effective date of such amendment. Such assets shall be invested by the Trustee as soon as reasonably practicable pursuant to Article 8. 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.

17.02. 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 shall become assets of the Trust as of the date they are received by the Trustee. Such transferred assets shall be credited to Participants' Accounts 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 or which were transferred to the Plan in a manner intended to satisfy the requirements of subsection (b) of this Section 17.02 shall be fully vested and nonforfeitable at all times. A Participant's interest under the Plan in transferred assets which were transferred to the Plan in a manner intended to satisfy the requirements of subsection (a) of this Section 17.02 shall be determined in accordance with the terms of the Plan unless the transferor plan's vesting schedule was more favorable, in which case the Participant's vested interest in such transferred assets shall be 100 percent. Such transferred assets shall be invested by the Trustee in accordance with the provisions of Subsection 17.01(g) as if such assets were transferred from a prior plan. Except as otherwise provided below, no transfer of assets in accordance with this Section 17.02 may cause a loss of an accrued or optional form of benefit protected by Code Section 411(d)(6).

Effective for transfers made on or after January 1, 2002, the terms of the Plan as in effect at the time of the transfer shall apply to the amounts transferred regardless of whether such application would have the effect of eliminating or reducing an optional form of benefit protected by Code Section 411(d)(6) which was previously available with respect to any amount transferred to the Plan pursuant to this Section 17.02, provided that such transfer satisfies the requirements set forth in either (a) or (b):

(a) (1) The transfer is conditioned upon a voluntary, fully informed election by the Participant to transfer his entire account balance to the Plan. As an alternative to the transfer, the Participant is offered the opportunity to retain the form of benefit previously available to him (or, if the transferor plan is terminated, to receive any optional form of benefit for which the participant is eligible under the transferor plan as required by Code Section 411(d)(6));

(2) If the defined contribution plan from which the transfer is made is a money purchase pension plan, the Plan is a money purchase plan or, if the defined contribution plan from which the transfer is made includes a qualified cash or deferred arrangement, the Plan includes a cash or deferred arrangement; and

(3) The transfer is made either in connection with an asset or stock acquisition, merger or other similar transaction involving a change in employer of the employees of a trade or business (i.e., an acquisition or disposition within the meaning of Section 1.410(b)-2(f)) or in connection with the participant's change in employment status such that the participant is not entitled to additional allocations under the transferor plan.

(b) (1) The transfer satisfies the requirements of subsection (a)(1) of this Section 17.02;

(2) The transfer occurs at a time when the Participant is eligible, under the terms of the transferor plan, to receive an immediate distribution of his account;

(3) If the transfer occurs on or after January 1, 2002, the transfer occurs at a time when the participant is not eligible to receive an immediate distribution of his entire nonforfeitable account balance in a single sum distribution that would consist entirely of an eligible rollover distribution within the meaning of Code Section 401(a)(31)(C); and

(4) The amount transferred, together with the amount of any contemporaneous Code Section 401(a)(31) direct rollover to the Plan, equals the entire nonforfeitable account of the participant whose account is being transferred.

It is the Employer's obligation to ensure that all assets of the Plan, other than those maintained in a separate trust or fund pursuant to the provisions of Section 20.10, are transferred to the Trustee. The Trustee shall have no liability for and no duty to inquire into the administration of such transferred assets for periods prior to the transfer.

17.03. **Acceptance of Assets by Trustee**. The Trustee shall not accept assets which are not either in a medium proper for investment under the Plan, as set forth in the Plan and the Service Agreement, or in cash. Such assets shall be accompanied by instructions in writing (or such other medium as may be acceptable to the Trustee) showing separately the respective contributions by the prior employer and by the Participant, 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 8, 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.

17.04. **Transfer of Assets from Trust**. Effective on or after January 1, 2002, 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 an Inactive Participant or Participants, provided that the Trustee has received evidence satisfactory to it that such other plan meets all applicable requirements of the Code, subject to the following:

The assets so transferred shall be accompanied by instructions in writing (or such other medium as may be acceptable to the Trustee) 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 Inactive Participant, if any, and identifying the assets attributable to the various contributions. The Trustee shall not transfer assets hereunder until all applicable filing requirements are met. The Trustee shall have no further liabilities with respect to assets so transferred.

(b) A transfer of assets made pursuant to this Section 17.04 may result in the elimination or reduction of an optional form of benefit protected by Code Section 411(d)(6), provided that the transfer satisfies the requirements set forth in either (1) or (2):

(1) (i) The transfer is conditioned upon a voluntary, fully informed election by the Participant to transfer his entire Account to the other defined contribution plan. As an alternative to the transfer, the Participant is offered the opportunity to retain the form of benefit previously available to him (or, if the Plan is terminated, to receive any optional form of benefit for which the Participant is eligible under the Plan as required by Code Section 411(d)(6));

(ii) If the Plan is a money purchase pension plan, the defined contribution plan to which the transfer is made must be a money purchase pension plan and if the Plan includes a qualified cash or deferred arrangement under Code Section 401(k), the defined contribution plan to which the transfer is made must include a qualified cash or deferred arrangement; and

(iii) The transfer is made either in connection with an asset or stock acquisition, merger or other similar transaction involving a change in employer of the employees of a trade or business (i.e., an acquisition or disposition within the meaning of Section 1.410(b)-2(f)) or in connection with the Participant's change in employment status such that the Participant becomes an Inactive Participant.

(2) (i) The transfer satisfies the requirements of subsection (1)(i) of this Section 17.04;

(ii) The transfer occurs at a time when the Participant is eligible, under the terms of the Plan, to receive an immediate distribution of his benefit;

(iii) If the transfer occurs on or after January 1, 2002, the transfer occurs at a time when the Participant is not eligible to receive an immediate distribution of his entire nonforfeitable Account in a single sum distribution that would consist entirely of an eligible rollover distribution within the meaning of Code Section 401(a)(31)(C);

(iv) The Participant is fully vested in the transferred amount in the transferee plan; and

(v) The amount transferred, together with the amount of any contemporaneous Code Section 401(a)(31) direct rollover to the transferee plan, equals the entire nonforfeitable Account of the Participant whose Account is being transferred.

Article 18. Miscellaneous.

18.01. Communication to Participants. The Plan shall be communicated to all Eligible Employees by the Employer promptly after the Plan is adopted.

18.02. 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, shall 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 shall 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 shall look solely to the assets held in the Trust for the payment of any benefit to which he is entitled under the Plan.

18.03. Nonalienability of Benefits. Except as provided in Code Sections 401(a)(13)(C) and (D) (relating to offsets ordered or required under a criminal conviction involving the Plan, a civil judgment in connection with a violation or alleged violation of fiduciary responsibilities under ERISA, or a settlement agreement between the Participant and the Department of Labor in connection with a violation or alleged violation of fiduciary responsibilities under ERISA), Section 1.401(a)-13(b)(2) of the Treasury Regulations (relating to Federal tax levies), or as otherwise required by law, the benefits provided hereunder shall 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 shall not be recognized. 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 Administrator to be a qualified domestic relations order, as defined in Code Section 414(p), or any domestic relations order entered before January 1, 1985.

18.04. Qualified Domestic Relations Orders Procedures. The Administrator must establish reasonable procedures to determine the qualified status of a domestic relations order. Upon receiving a domestic relations order, the Administrator shall 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 shall provide such notice 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 shall 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 shall direct the Trustee to distribute the payable amounts in the manner the Plan would distribute if the order did not exist and shall apply the order prospectively if the Administrator later determines the order is a qualified domestic relations order.

The Trustee shall set up segregated accounts for each alternate payee when properly notified by the Administrator.

A domestic relations order shall 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 Code Section 414(p)) under the Plan. A distribution to an alternate payee prior to the Participant's attainment of the earliest retirement age is available only if (a) the order specifies distribution at that time and (b) if the present value of the alternate payee's benefits under the Plan exceeds $5,000 as determined under Section 13.02 (or such larger amount as may be specified in Code Section 417(e)(1)), and the order requires, and the alternate payee consents to, a distribution occurring prior to the Participant's attainment of earliest retirement age.

18.05. Additional Rules for Paired Plans. If the Employer has adopted both a money purchase pension plan and a profit sharing plan under this Basic Plan Document which are to be considered paired plans, the elections in Section 1.04 of the Adoption Agreement must be identical with respect to both plans. When the paired plans are "top-heavy plans", as defined in Subsection 15.01(f), or are deemed to be "top-heavy plans", the money purchase pension plan shall provide the minimum contribution required under Section 15.03, unless contributions under the money purchase pension plan are frozen.

18.06. Application of Plan Provisions in Multiple Employer Plans. Notwithstanding any other provision of the Plan to the contrary, if one of the Employers designated in Subsection 1.02(b) of the Adoption Agreement is not a Related Employer, the Prototype Sponsor reserves the right to take any or all of the following actions:

(a) treat the Plan as a multiple employer plan;

(b) permit the Employer to amend the Plan to exclude the un-Related Employer from participation in the Plan; or

(c) treat the Employer as having amended the Plan in the manner described in Section 16.02 such that the Employer may no longer participate in this prototype plan arrangement.

For the period, if any, that the Prototype Sponsor elects to treat the Plan as a multiple employer plan, each un-Related Employer shall be treated as a separate Employer for purposes of contributions, application of the "ADP" and "ACP" tests described in Sections 6.03 and 6.06, application of the Code Section 415 limitations described in Section 6.12, top-heavy determinations and application of the top-heavy requirements under Article 15, and application of such other Plan provisions as the Employers determine to be appropriate. For any such period, the Prototype Sponsor shall continue to treat the Employer as participating in this prototype plan arrangement for purposes of Plan administration, notices or other communications in connection with the Plan, and other Plan-related services; provided, however, that if the Employer applies to the Internal Revenue Service for a determination letter, the multiple employer plan shall be filed on the form appropriate for multiple employer plans. The Administrator shall be responsible for administering the Plan as a multiple employer plan.

18.07. Veterans Reemployment Rights. Notwithstanding any other provision of the Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service shall be provided in accordance with Code Section 414(u). The Administrator shall notify the Trustee of any Participant with respect to whom additional contributions are made because of qualified military service.

18.08. 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.

18.09. 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 Department of Labor thereunder.

18.10. 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 shall be deemed to have an individually designed plan.

18.11. Directions, Notices and Disclosure. 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, and, if to the Employer, to the attention of the contact specified in Subsection 1.02(a) of the Adoption Agreement;

(b) If to the Trustee, to it at the address set forth in Subsection 1.03(a) [of] 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 addressor's then effective notice address.

Any direction, notice or other communication provided to the Employer, the Administrator or the Trustee by another party which is stipulated to be in written form under the provisions of this Plan may also be provided in any medium which is permitted under applicable law or regulation. Any written communication or disclosure to Participants required under the provisions of this Plan may be provided in any other medium (electronic, telephone or otherwise) that is permitted under applicable law or regulation.

18.12. Governing Law. The Plan and the accompanying Adoption Agreement shall be construed, administered and enforced according to ERISA, and to the extent not preempted thereby, the laws of the Commonwealth of Massachusetts.

Nothing contained in Sections 8.02, 19.01 or 19.05 or this Section 18.12 shall be construed in a manner which subjects a governmental plan (as defined in Code Section 414(d)) or a non-electing church plan (as described in Code Section 410(d)) to the fiduciary provisions of Title I of ERISA.

Article 19. Plan Administration.

19.01. 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. In addition to the powers and authorities expressly conferred upon it in the Plan, the Administrator shall have all such powers and authorities as may be necessary to carry out the provisions of the Plan, including the discretionary power and authority to interpret and construe the provisions of the Plan, such interpretation to be final and conclusive on all persons claiming benefits under the Plan; to make benefit determinations; to utilize the correction programs or systems established by the Internal Revenue Service (such as the Employee Plans Compliance and Resolution System) or the Department of Labor; and to resolve any disputes arising under the Plan. The Administrator may, by written instrument, allocate and delegate its fiduciary responsibilities in accordance with ERISA Section 405, including allocation of such responsibilities to an administrative committee formed to administer the Plan.

19.02. 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 shall receive substantially the same treatment.

19.03. Claims and Review Procedures. Except to the extent that the provisions of any collective-bargaining agreement provide another method of resolving claims for benefits under the Plan, the provisions of this Section 19.03 shall control with respect to the resolution of such claims; provided, however, that the Employer may institute alternative claims procedures that are more restrictive on the Employer and more generous with respect to persons claiming a benefit under the Plan.

(a) Claims Procedure. Whenever a request for benefits under the Plan is wholly or partially denied, the Administrator shall notify the person claiming such benefits of its decision in writing. Such notification shall contain (1) specific reasons for the denial of the claim, (2) specific reference to pertinent Plan provisions, (3) 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 (4) information as to the steps to be taken if the person wishes to submit a request for review. Such notification shall 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 shall 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 (1) file a written request with the Administrator for a review of his denied claim and of pertinent documents and (2) submit written issues and comments to the Administrator. The Administrator shall notify such person of its decision in writing. Such notification shall be written in a manner calculated to be understood by such person and shall contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The decision on review shall 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 shall be considered denied.

19.04. Named Fiduciary. The Administrator is a "named fiduciary" for purposes of ERISA Section 402(a)(1) and has the powers and responsibilities with respect to the management and operation of the Plan described herein.

19.05. 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 may be paid from the forfeitures (if any) resulting under Section 11.08, or from the remaining Trust Fund. All such costs and expenses paid from the Trust Fund shall, unless allocable to the Accounts of particular Participants, be charged against the Accounts of all Participants on a pro rata basis or in such other reasonable manner as may be directed by the Employer and accepted by the Trustee.

Article 20. Trust Agreement.

20.01. Acceptance of Trust Responsibilities. By executing the Adoption Agreement, the Employer establishes a trust to hold the assets of the Plan that are invested in Permissible Investments. By executing the Adoption Agreement, the Trustee agrees to accept the rights, duties and responsibilities set forth in this Article. If the Plan is an amendment and restatement of a prior plan, the Trustee shall have no liability for and no duty to inquire into the administration of the assets of the Plan for periods prior to the date such assets are transferred to the Trust.

20.02. Establishment of Trust Fund. A trust is hereby established under the Plan. The Trustee shall open and maintain a trust account for the Plan and, as part thereof, Accounts for such individuals as the Employer shall from time to time notify the Trustee are Participants in the Plan. The Trustee shall 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 20.10.

The Trust is intended to qualify as a domestic trust in accordance with Code Section 7701(a)(30)(E) and any regulations issued thereunder. Accordingly, only United States persons (as defined in Code Section 7701(a)(30) may have the authority to control all substantial decisions regarding the Trust (including decisions to appoint, retain or replace the Trustee), unless the Plan filed a domestic trust election pursuant to Treasury Regulation Section 301.7701-7(f) or any subsequent guidance issued by the Internal Revenue Service, or except as otherwise provided in applicable regulation or legislation.

20.03. 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.

20.04. 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 shall 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 Permissible Investments, without regard to the law of any state regarding proper investment;

(b) to transfer to and invest all or any part of the Trust in any collective investment trust which is then maintained by a bank or trust company (or any affiliate) and which is tax-exempt pursuant to Code Section 501(a) and Rev. Rul. 81-100; provided that such collective investment trust is a Permissible Investment; and provided, further, that the instrument establishing such collective investment trust, as amended from time to time, shall govern any investment therein, and is hereby made a part of the Plan and this Trust Agreement to the extent of such investment therein;

(c) to retain uninvested such cash as it may deem necessary or advisable, without liability for interest thereon, for the administration of the Trust;

(d) to sell, lease, convert, redeem, exchange, or otherwise dispose of all or any part of the assets constituting the Trust Fund;

(e) 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;

(f) 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;

(g) to compromise, adjust and settle any and all claims against or in favor of it or the Trust;

(h) 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;

(i) to apply for or purchase annuity contracts in accordance with Article 14;

(j) to hold securities unregistered, or to register them in its own name or in the name of nominees;

(k) 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;

(l) to make, execute, acknowledge and deliver any and all instruments that it deems necessary or appropriate to carry out the powers herein granted;

(m) generally to exercise any of the powers of an owner with respect to all or any part of the Trust Fund; and

(n) to take all such actions as may be necessary under the Trust Agreement, to the extent consistent with applicable law.

The Employer specifically acknowledges and authorizes that affiliates of the Trustee may act as its agent in the performance of ministerial, nonfiduciary 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.

20.05. Accounts. The Trustee shall keep full accounts of all receipts and disbursements and other transactions hereunder. Within 120 days after the close of each Plan Year, within 90 days after termination of the Trust, and at such other times as may be appropriate, the Trustee shall 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 shall 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.

20.06. Approval of Accounts. To the extent permitted by law, the written approval of any account by the Employer or Administrator shall 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 months after the receipt of any account of its objection to the account shall, to the extent permitted by law, be the equivalent of written approval. If the Employer or Administrator files any objections within such six 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 shall have the right to have such questions settled by judicial proceedings. Nothing herein contained shall 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 shall be the Trustee, the Employer and the Administrator.

20.07. Distribution from Trust Fund. The Trustee shall make such distributions from the Trust Fund as the Employer or Administrator may direct (in writing or such other medium as may be acceptable to the Trustee), consistent with the terms of the Plan and either for the exclusive benefit of Participants or their Beneficiaries, or for the payment of expenses of administering the Plan.

20.08. Transfer of Amounts from Qualified Plan. If amounts are to be transferred to the Plan from another qualified plan or trust under Code Section 401(a), 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 shall only accept assets which are in a medium proper for investment under this Trust Agreement or in cash, and that are accompanied in a timely manner, as agreed to by the Administrator and the Trustee, by instructions in writing (or such other medium as may be acceptable to the Trustee) showing separately the respective contributions by the prior employer and the transferring Employee, the records relating to such contributions, and identifying the assets attributable to such contributions. The Trustee shall hold such assets for investment in accordance with the provisions of this Trust Agreement.

20.09. 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 an Inactive 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.

20.10. Separate Trust or Fund for Existing Plan Assets. With the consent of the Trustee, the Employer may maintain a trust or fund under this prototype plan document separate from the Trust Fund for guaranteed investment contracts/funds purchased prior to the adoption of this prototype plan document which are not Permissible Investments listed in the Service Agreement. The Trustee shall have no authority and no responsibility for the Plan assets held in such separate trust or fund. The Employer shall be responsible for assuring that such separate trust or fund is maintained pursuant to a separate trust agreement signed by the Employer and the trustee. The duties and responsibilities of the trustee of a separate trust shall be provided by the separate trust agreement, between the Employer and the trustee.

Notwithstanding the preceding paragraph, the Trustee or an affiliate of the Trustee may agree in writing to provide ministerial recordkeeping services for guaranteed investment contracts/funds held in the separate trust or fund. The guaranteed investment contract(s) shall be valued as directed by the Employer or the trustee of the separate trust.

20.11. Voting; Delivery of Information. The Trustee shall deliver, or cause to be executed and delivered, to the Employer or Administrator all notices, prospectuses, financial statements, proxies and proxy soliciting materials received by the Trustee relating to securities held by 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 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, Beneficiaries, or the Employer.

20.12. Compensation and Expenses of Trustee. The Trustee's fee for performing its duties hereunder shall be such reasonable amounts as the Trustee may from time to time specify in the Service Agreement or any other written agreement with the Employer. Such fee, any taxes of any kind which may be levied or assessed upon or with respect to 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 shall, unless some or all have been paid by said Employer, be paid either from forfeitures resulting under Section 11.08, or from the remaining Trust Fund and shall, 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.

20.13. Reliance by Trustee on Other Persons. The Trustee may rely upon and act upon any writing from any person authorized by the Employer or the Administrator pursuant to the Service Agreement or any other written direction to give instructions concerning the Plan and may conclusively rely upon and be protected in acting upon any written order from the Employer or the 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 the Administrator.

The Trustee shall be entitled to rely on the latest certificate it has received from the Employer or the Administrator as to any person or persons authorized to act for the Employer or the Administrator hereunder and to sign on behalf of the Employer or the Administrator any directions or instructions, until it receives from the Employer or the Administrator written notice that such authority has been revoked.

Notwithstanding any provision contained herein, the Trustee shall 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 the Administrator furnishes the Trustee with written instructions on a form acceptable to the Trustee, and the Trustee agrees thereto in writing. The Trustee shall not be liable for any action taken pursuant to the Employer's or the

Administrator's written instructions (nor for the collection of contributions under the Plan, nor the purpose or propriety of any distribution made thereunder).

20.14. Indemnification by Employer. The Employer shall indemnify and save harmless the Trustee, and all affiliates, employees, agents and sub-contractors of the Trustee, from and against any and all liability or expense (including reasonable attorneys' fees) to which the Trustee, or such other individuals or entities, may be subjected by reason of any act or conduct being taken in the performance of any Plan-related duties, including those described in this Trust Agreement and the Service Agreement, unless such liability or expense results from the Trustee's, or such other individuals' or entities', negligence or willful misconduct.

20.15. 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 shall, to the extent permitted by law, be full 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.

20.16. Persons Dealing with the Trustee. No person dealing with the Trustee shall 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.

20.17. 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 or such shorter period as may be mutually agreed upon by the Employer and the Trustee.

Except in the case of Plan termination, upon resignation or removal of the Trustee, the Employer shall appoint a successor trustee. Any such successor trustee shall, 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 shall no longer participate in this prototype plan and shall 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 shall 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 shall 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.

20.18. Fiscal Year of the Trust. The fiscal year of the Trust shall coincide with the Plan Year.

20.19. 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 the interests of Participants and their Beneficiaries in accordance with the requirements of ERISA.

20.20. 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 20.03.

20.21. Plan Termination. Upon termination or partial termination of the Plan or complete discontinuance of contributions thereunder, the Trustee shall 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 shall notify the Employer or Administrator of such situation and the Trustee shall 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 shall terminate, the Trustee shall be relieved from all liability under the Trust, and no Participant or other person shall have any claims thereunder, except as required by applicable law.

20.22. Permitted Reversion of Funds to Employer. If it is determined by the Internal Revenue Service that the Plan does not initially qualify under Code Section 401, all assets then held under the Plan shall 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 shall be made within one year after the date the initial qualification is denied. Upon such distribution the Plan shall be considered to be rescinded and to be of no force or effect.

Contributions under the Plan are conditioned upon their deductibility under Code Section 404. In the event the deduction of a contribution made by the Employer is disallowed under Code Section 404, 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.

20.23. Governing Law. This Trust Agreement shall be construed, administered and enforced according to ERISA and, to the extent not preempted thereby, the laws of the Commonwealth of Massachusetts.

Nothing contained in Sections 20.04 or 20.19 or this Section 20.23 shall be construed in a manner which subjects a governmental plan (as defined in Code Section 414(d)) or a non-electing church plan (as described in Code Section 410(d)) to the fiduciary provisions of Title I of ERISA.

The CORPORATEplan for Retirement℠100
ADDENDUM
Re: Economic Growth and Tax Relief Reconciliation Act of 2001
("EGTRRA")
Amendments for Fidelity Basic Plan Document No. 10

PREAMBLE

Adoption and Effective Date of Amendment. This amendment of the Plan is adopted to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). This amendment is intended as good faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided below, this amendment shall be effective as of the first day of the first plan year beginning after December 31, 2001.

Supersession of Inconsistent Provisions. This amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this amendment.

1. Section 2.01(j), "Compensation," is hereby amended by adding the following paragraph to the end thereof:

   Notwithstanding anything herein to the contrary, the annual Compensation of each Participant taken into account in determining allocations for any Plan Year beginning after December 31, 2001, shall not exceed $200,000, as adjusted for cost-of-living increases in accordance with Code Section 401(a)(17)(B). Annual Compensation means Compensation during the Plan Year or such other consecutive 12-month period over which Compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual Compensation for the determination period that begins with or within such calendar year.

2. Section 2.01(l), "Deferral Contribution," is hereby amended by replacing the period with a semicolon and adding the following to the end thereof:

   provided, however, that the term 'Deferral Contribution' shall exclude all catch-up contributions as described in Section 5.03(b)(1) for purposes of Matching Employer Contributions as described in Section 1.10 of the Adoption Agreement, unless otherwise elected by the Employer in Section (c) of the EGTRRA Amendments Addendum to the Adoption Agreement.

3. Section 2.01(tt) "Rollover Contribution" is hereby amended as follows:

   'Rollover Contribution' means any distribution from an eligible retirement plan as defined in Section 5.06 that an Employee elects to contribute to the Plan in accordance with the terms of such Section 5.06.

4. The existing text of Section 5.03 is hereby redesignated as Section 5.03(a), and a new Section 5.03(b) is hereby added to read as follows

   (b) **Catch-up Contributions**.

   (1) If elected by the Employer in Section (a) of the EGTRRA Amendments Addendum to the Adoption Agreement, all Participants who are eligible to make Deferral Contributions under the Plan and who are projected to attain age 50 before the close of the calendar year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, Code Section 414(v). Such catch-up contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Code Sections 402(g) and 415. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Code

Section 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416, as applicable, by reason of the making of such catch-up contributions.

(2) Unless otherwise elected by the Employer in Section (b) of the EGTRRA Amendments Addendum to the Adoption Agreement, if the Plan permits catch-up contributions, as described in paragraph (1) above on April 1, 2002, then, notwithstanding anything herein to the contrary, effective April 1, 2002, the limit on Deferral Contributions, as otherwise provided in Section 1.07(a)(1) (the "Plan Limit") shall be 60% of Compensation for the payroll period in question, provided, however, that this Section 5.03(b)(2) shall be inapplicable if the Plan's Section 1.01(g)(2)(B) Amendment Effective Date is after April 1, 2002.

(3) In the event that the Plan Limit is changed during the Plan Year, for purposes of determining catch-up contributions for the Plan Year, as described in paragraph (1) above, the Plan Limit shall be determined pursuant to the time-weighted average method described in Proposed Income Tax Regulation Section 1.414(v)-1(b)(2)(i).

5. Section 5.06 is hereby amended to add the following paragraph to the end thereof:

Unless otherwise elected by the Employer in Section (d) of the EGTRRA Amendments Addendum to the Adoption Agreement, the Plan will accept Participant Rollover Contributions and/or direct rollovers of distributions made after December 31, 2001 (including Rollover Contributions received by the Participant as a surviving spouse, or a spouse or former spouse who is an alternate payee under a qualified domestic relations order), from the following types of plans:

(a) a qualified plan described in Code Section 401(a) or 403(a), including after-tax employee contributions (provided, however, that any such after-tax employee contributions must be contributed in a direct rollover);

(b) an annuity contract described in Code Section 403(b), excluding after-tax employee contributions;

(c) an eligible plan under Code Section 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; and

(d) Participant Rollover Contributions of the portion of a distribution from an individual retirement account or annuity described in Code Section 408(a) or 408(b) that is eligible to be rolled over and would otherwise be includible in gross income, provided, however, that the Plan will in no event accept a rollover contribution consisting of nondeductible individual retirement account or annuity contributions.

6. The first paragraph of Section 6.02 is hereby amended by replacing the first sentence thereof with the following:

In no event shall the amount of Deferral Contributions made under the Plan for a calendar year, when aggregated with the 'elective deferrals' made under any other plan maintained by the Employer or a Related Employer, exceed the dollar limitation contained in Code Section 402(g) in effect at the beginning of such calendar year, except to the extent permitted under Section 5.03(b)(1) and Code Section 414(v), if applicable.

7. Section 6.08 is hereby amended by adding the following sentence to the end thereof:

Notwithstanding anything herein to the contrary, the multiple use test described in Treasury Regulation Section 1.401(m)-2 and this Section 6.08 shall not apply for Plan Years beginning after December 31, 2001.

8. Section 6.12 is hereby amended by adding a new subsection 6.12(e) thereto as follows:

(e) Maximum Annual Additions for Limitation Years Beginning After December 31, 2001. Notwithstanding anything herein to the contrary, this subsection (e) shall be effective for Limitation Years beginning after December 31, 2001. Except to the extent permitted under Section 5.03(b)(1) and Code Section 414(v), if applicable, the 'annual additions' that may be contributed or allocated to a Participant's Account under the Plan for any Limitation Year shall not exceed the lesser of:

(1) $40,000, as adjusted for increases in the cost-of-living under Code Section 415(d), or

(2) 100 percent of the Participant's compensation, within the meaning of Code Section 415(c)(3), for the Limitation Year.

The compensation limit referred to in (2) shall not apply to any contribution for medical benefits after separation from service (within the meaning of Code Section 401(h) or 419A(f)(2)) that is otherwise treated as an 'annual addition.'

9. Section 9.04 is hereby amended by replacing the final period in the first paragraph with a semi-colon and adding the following to the end thereof:

provided, however, that notwithstanding anything herein to the contrary, effective for Plan loans made after December 31, 2001, Plan provisions prohibiting loans to any 'owner-employee' or 'shareholder-employee' shall cease to apply.

10. Section 10.05(b)(2) is hereby amended by replacing the semicolon with a period and adding the following to the end thereof:

Notwithstanding anything herein to the contrary, the rule in this Section 10.05(b)(2) shall be applied to a Participant who receives a distribution after December 31, 2001 on account of hardship, by substituting the phrase 'the 6-month period' for the phrase 'the 12-month period'.

11. Section 10.05(b)(4) is hereby amended by adding the following phrase to the beginning thereof:

(b) Effective for calendar years beginning before January 1, 2002, for a Participant who received a hardship distribution before January 1, 2001,

12. The existing text of Section 12.01 is hereby redesignated as Section 12.01(a), current subsections (a), (b), and (c) thereof are redesignated as paragraphs (1), (2), and (3), respectively, and the first sentence thereof is replaced with the following:

Subject to the application of Section 12.01(b), a Participant, or his Beneficiary, may not receive a distribution from his Deferral Contributions, Qualified Nonelective Employer Contributions, Qualified Matching Employer Contributions, safe harbor Matching Employer Contributions or safe harbor Nonelective Employer Contributions Accounts earlier than upon the Participant's separation from service with the Employer and all Related Employers, death, or disability, except as otherwise provided in Article 10 or Section 12.04.

13. Section 12.01 is hereby amended by adding a new subsection (b) to the end thereof:

(b) If elected by the Employer in Section (e) of the EGTRRA Amendments Addendum to the Adoption Agreement, notwithstanding subsection (a) of this Section 12.01, a Participant, or his Beneficiary, may receive a distribution after December 31, 2001 (or such later date as specified therein), from his Deferral Contributions, Qualified Nonelective Employer Contributions, Qualified Matching Employer Contributions, safe harbor Matching Employer Contributions or safe harbor Nonelective Employer Contributions Accounts on account of the Participant's

severance from employment occurring after the dates specified in Section (e) of the EGTRRA Amendments Addendum to the Adoption Agreement.

14. Section 13.04 is hereby amended by adding the following paragraph to the end thereof:

Notwithstanding anything herein to the contrary, the following provisions shall apply to distributions made after December 31, 2001:

(i) Modification of definition of eligible retirement plan. For purposes of this Section 13.04, an 'eligible retirement plan' shall also mean an annuity contract described in Code Section 403(b) and an eligible deferred compensation plan under Code Section 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of 'eligible retirement plan' shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p).

(ii) Modification of definition of eligible rollover distribution to exclude hardship distributions. For purposes of this Section 13.04, any amount that is distributed on account of hardship shall not be an 'eligible rollover distribution' and the 'distributee' may not elect to have any portion of such a distribution paid directly to an 'eligible retirement plan'.

(iii) Modification of definition of eligible rollover distribution to include after-tax Employee Contributions. For purposes of this Section 13.04, a portion of a distribution shall not fail to be an "eligible rollover distribution" merely because the portion consists of after-tax Employee Contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Code Section 408(a) or (b), or to a qualified defined contribution plan described in Code Section 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

15. Article 15 is hereby amended by adding a new Section 15.08 at the end thereof as follows:

15.08. Modification of Top-Heavy Provisions. Notwithstanding anything herein to the contrary, this Section 15.08 shall apply for purposes of determining whether the Plan is a top-heavy plan under Code Section 416(g) for Plan Years beginning after December 31, 2001, and whether the Plan satisfies the minimum benefits requirements of Code Section 416(c) for such years. This Section modifies the rules in this Article 15 of the Plan for Plan Years beginning after December 31, 2001.

(a) Determination of top-heavy status.

(1) Key employee. Key employee means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the Employer having annual compensation greater than $130,000 (as adjusted under Code Section 416(i)(1) for Plan Years beginning after December 31, 2002), a 5-percent owner of the Employer, or a 1-percent owner of the Employer having annual compensation of more than $150,000. For this purpose, annual compensation means compensation within the meaning of Code Section 415(c)(3). The determination of who is a key employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.

(2) Determination of present values and amounts. This Section 15.08(a)(2) shall apply for purposes of determining the present values of accrued benefits and the amounts of account balances of Employees as of the determination date.

(A) Distributions during year ending on the determination date. The present values of accrued benefits and the amounts of account balances of an Employee as of the determination date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under Code Section 416(g)(2) during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Code Section 416(g)(2)(A)(i). In the case of a distribution made for a reason other than separation from service, death, or disability, this provision shall be applied by substituting the phrase "5-year period" for the phrase "1-year period".

(B) Employees not performing services during year ending on the determination date. The accrued benefits and accounts of any individual who has not performed services for the Employer during the 1-year period ending on the determination date shall not be taken into account.

(b) Minimum benefits.

(1) Matching contributions. Matching Employer Contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Code Section 416(c)(2) and the Plan. The preceding sentence shall apply with respect to Matching Employer Contributions under the Plan or, if the Plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Matching Employer Contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of Code Section 401(m).

(2) Contributions under other plans. The Employer may provide in the Adoption Agreement that the minimum benefit requirement shall be met in another plan (including another plan that consists solely of a cash or deferred arrangement which meets the requirements of Code Section 401(k)(12) and matching contributions with respect to which the requirements of Code Section 401(m)(11) are met).

(c) Other Modifications. The top-heavy requirements of Code Section 416 and this Article 15 shall not apply in any year beginning after December 31, 2001, in which the Plan consists solely of a cash or deferred arrangement which meets the requirements of Code Section 401(k)(12) and Matching Employer Contributions with respect to which the requirements of Code Section 401(m)(11) are met.

The CORPORATEplan for Retirement[SM]100

ADDENDUM

**IRS Model Amendment for Proposed Regulations Under Section 401(a)(9)
of the Internal Revenue Code**

Distributions for Calendar Years Beginning on or After 2002. With respect to distributions under the Plan for calendar years beginning on or after January 1, 2002, the Plan will apply the minimum distribution requirements of section 401(a)(9) of the Internal Revenue Code in accordance with the regulations under section 401(a)(9) that were proposed on January 17, 2001, notwithstanding any provision of the Plan to the contrary. This amendment shall continue in effect until the end of the last calendar year beginning before the effective date of final regulations under section 401(a)(9) or such other date as may be specified in guidance published by the Internal Revenue Service.

The CORPORATEplan for Retirement℠100

ADDENDUM

IRS Model Amendment for Final and Temporary Regulations
Under Internal Revenue Code Section 401(a)(9)

Section 1. General Rules

1.1 Effective Date. The provisions of this addendum will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.

1.2 Precedence. The requirements of this addendum will take precedence over any inconsistent provisions of the Plan.

1.3 Requirements of Treasury Regulations Incorporated. All distributions required under this addendum will be determined and made in accordance with the Treasury regulations under section 401(a)(9) of the Internal Revenue Code.

1.4 TEFRA Section 242(b)(2) Elections. Notwithstanding the other provisions of this addendum, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the Plan that relate to section 242(b)(2) of TEFRA.

Section 2. Time and Manner of Distribution.

2.1 Required Beginning Date. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.

2.2 Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(a) If the Participant's surviving spouse is the Participant's sole designated Beneficiary, then, except as otherwise elected under section 6, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70 ½, if later.

(b) If the Participant's surviving spouse is not the Participant's sole designated Beneficiary, then, except as otherwise elected under section 6, distributions to the designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(c) If there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(d) If the Participant's surviving spouse is the Participant's sole designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this section 2.2, other than section 2.2(a), will apply as if the surviving spouse were the Participant.

For purposes of this section 2.2 and section 4, unless section 2.2(d) applies, distributions are considered to begin on the Participant's Required Beginning Date. If section 2.2(d) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under section 2.2(a). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's Required Beginning Date (or to the Participant's surviving spouse before the date distributions are required to begin

to the surviving spouse under section 2.2(a)), the date distributions are considered to begin is the date distributions actually commence.

2.3 Forms of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the Required Beginning Date, as of the first distribution calendar year distributions will be made in accordance with sections 3 and 4 of this addendum. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of section 401(a)(9) of the Code and the Treasury regulations.

Section 3. Required Minimum Distributions During Participant's Lifetime.

3.1 Amount of Required Minimum Distribution For Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(a) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's age as of the Participant's birthday in the distribution calendar year; or

(b) if the Participant's sole designated Beneficiary for the distribution calendar year is the Participant's spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table set forth in section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the distribution calendar year.

3.2 Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this section 3 beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

Section 4. Required Minimum Distributions After Participant's Death.

4.1 Death On or After Date Distributions Begin.

(a) Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated Beneficiary, determined as follows:

(1) The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) If the Participant's surviving spouse is the Participant's sole designated Beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

(3) If the Participant's surviving spouse is not the Participant's sole designated Beneficiary, the designated Beneficiary's remaining life expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(b) No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount

that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

4.2 Death Before Date Distributions Begin.

(a) Participant Survived by Designated Beneficiary. Except as otherwise elected under section 6, if the Participant dies before the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated Beneficiary, determined as provided in section 4.1.

(b) No Designated Beneficiary. If the Participant dies before the date distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(c) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole designated Beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under section 2.2(a), this section 4.2 will apply as if the surviving spouse were the Participant.

Section 5. Definitions.

5.1 Designated Beneficiary. The individual who is the designated Beneficiary, as such term is defined under section 2.01 of the Plan, and is the designated Beneficiary under section 401(a)(9) of the Internal Revenue Code and section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.

5.2 Distribution calendar year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under section 2.2. The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that distribution calendar year.

5.3 Life expectancy. Life expectancy as computed by use of the Single Life Table in section 1.401(a)(9)-9 of the Treasury regulations.

5.4 Participant's account balance. The account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

5.5 Required Beginning Date. The Required Beginning Date, as such term is defined in section 2.01 of the Plan.

Section 6. Elections.

(a) Participants or Beneficiaries May Elect 5-Year Rule. Participants or Beneficiaries may elect on an individual basis whether the 5-year rule or the life expectancy rule in sections 2.2 and 4.2 of this addendum applies

to distributions after the death of a Participant who has a designated Beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under section 2.2 of this addendum, or by September 30 of the calendar year which contains the fifth anniversary of the Participant's (or, if applicable, the surviving spouse's) death. If neither the Participant nor the Beneficiary makes an election under this section 6, distributions will be made in accordance with sections 2.2 and 4.2 of this addendum.

(b) Designated Beneficiary Receiving Distributions Under 5-Year Rule May Elect Life Expectancy Distributions. A designated Beneficiary who is receiving payments under the 5-year rule may make a new election to receive payments under the life expectancy rule until December 31, 2003, provided that all amounts that would have been required to be distributed under the life expectancy rule for all distribution calendar years before 2004 are distributed by the earlier of December 31, 2003 or the end of the 5-year period.

Exhibit 10.9

February 1, 2001

Robert E. Davis
13272 Glencliff Way
San Diego, California 92130

Dear Bob:

We are pleased to offer you the position of Executive Vice President of Drug Discovery and Development with ACADIA Pharmaceuticals Inc. We firmly believe that with your joining our team, ACADIA will have the potential to flourish and we believe our professional association with you will be mutually rewarding. The terms of our offer are summarized below:

1. Your salary will be $210,000 per year to be paid semi-monthly. Your salary will be reviewed annually in accordance with the standard practice of the Company. As discussed, you will be a key member of the senior management team and you will be involved in important decisions on the strategy of the Company. You will agree to devote all of your business time, attention and energies to the business of the Company. You will report to me.

2. The Company will also provide you with a sign-on bonus of $50,000 payable immediately after your beginning employment with the Company. You agree to return such bonus to the Company if you voluntarily terminate your employment within 24 months of the start date of your employment.

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.

4. You will also participate in the Company's employee stock option plan. You will receive stock options that will vest during the period of your employment as follows: 25% on November 13, 2001 with additional vesting of 1/48th of the shares after each additional month of employment beyond November 13, 2001 through the 48th month of employment beyond November 13, 2000. 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 121,500 shares of common stock of the Company. The exercise price of these options will be equal to the fair market value of the common shares of the Company as determined by our Board of Directors at the date of grant of the options. 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.

5. Upon commencement of your employment under the terms of this offer letter, you agree that the nonstatutory stock options granted to you under the agreements dated December 4, 2000 and May 15, 2000 are canceled.

6. In the event the Company terminates your employment or causes a material reduction in your responsibilities, in each case 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) and a cash payment for your accrued vacation balance, if any, as of the date of termination. In addition, 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 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, prorated for the days worked in the current year up to the date of 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.

7. You will receive the Company's standard paid benefits, which includes health, dental, life, accidental death and dismemberment and short and long-term disability insurance coverage. You will also be able to utilize a Flexible Spending Arrangement that allows employees the opportunity to pay for certain childcare and medical/vision/dental costs with pretax dollars. Note that the health and dental insurance coverage for new employees is effective as of the 1st of the month following your employment start date.

8. You will also receive 20 vacation days each year, accrued monthly, and paid holidays in accordance with the Company's annual holiday schedule.

9. You will have the opportunity to participate in the Company's 401(k) plan. The plan provides for the Company to match, on a dollar for dollar basis, the employee contributions to the plan up to 5% of the employee's annual compensation, subject to IRS limitations. The plan is managed by Fidelity Investments and provides for enrollment on the first day of each quarter.

10. You will be required to sign the Inventions and Non-Disclosure Agreement, attached to this letter, as a condition of your employment. For purposes of federal immigration law, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided within three (3) business days of your date of hire, or our employment relationship with you may be terminated.

11. The start date for your employment with ACADIA will be immediate. Both you and the Company acknowledge that they are parties to the Consulting Agreement dated November 13, 2000 and the Scientific Advisory Board Consulting Agreement dated May 5, 2000 and both parties mutually agree that these agreements are terminated immediately upon your commencement of employment under the terms of this offer letter. Any notices of termination clauses in these consulting agreements are mutually waived by both parties.

The agreement in this letter sets forth our entire understanding regarding your employment and supersedes any other negotiations, written or oral.

Bob, we are very confident that your joining the ACADIA team will prove extremely beneficial to both you and the Company and its stockholders. If you have any questions, please do not hesitate to discuss them with me.

Please indicate your agreement with the above terms by signing below and returning to me.

Sincerely,

/s/ MARK R. BRANN

Mark R. Brann
President and Chief Scientific Officer

Accepted and agreed:

/s/ ROBERT E. DAVIS — February 1, 2001

Robert E. Davis — Date

Attachments: Invention and Non-Disclosure Agreement

January 3, 2001

Douglas E. Richards
San Diego, California

Dear Douglas:

We are pleased to offer you the position of Vice President of Business Development with ACADIA Pharmaceuticals Inc. We firmly believe that with your joining our team, ACADIA will have the potential to flourish and we believe our professional association with you will be mutually rewarding. Subject to review and approval by ACADIA's Board of Directors, the terms of our offer are summarized below:

1. Your salary will be $200,000 per year to be paid semi-monthly. Your salary will be reviewed annually in accordance with the standard practice of the Company. As discussed, you will be a key member of the senior management team and you will be involved in important decisions on the strategy and future business development activities of the Company. You will agree to devote all of your business time, attention and energies to the business of the Company. You will report to me.
2. 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.
3. The Company will also provide you a signing bonus of $15,000 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 twelve months of the start date of your employment.
4. You will also participate in the Company's employee stock option plan. You will receive stock options that will vest 25% 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 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 100,000 shares of common stock of the Company. The exercise price of these options will be equal to the fair market value of the common shares of the Company as determined by our Board of Directors at the date of grant of the options. 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.

5. 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 a nine month 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.

6. You will receive the Company's standard paid benefits, which includes health, dental, life, accidental death and dismemberment and short and long-term disability insurance coverage. You will also be able to utilize a Flexible Spending Arrangement that allows employees the opportunity to pay for certain childcare and medical/vision/dental costs with pretax dollars. Note that the health and dental insurance coverage for new employees is effective as of the 1st of the month following your employment start date.

7. You will also receive 20 vacation days each year, accrued monthly, and paid holidays in accordance with the Company's annual holiday schedule.

8. You will have the opportunity to participate in the Company's 401(k) plan. The plan provides for the Company to match, on a dollar for dollar basis, the employee contributions to the plan up to 5% of the employee's annual compensation, subject to IRS limitations. The plan is managed by Fidelity Investments and provides for enrollment on the first day of each quarter.

9. You will be required to sign the Inventions and Non-Disclosure Agreement, attached to this letter, as a condition of your employment. For purposes of federal immigration law, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided within three (3) business days of your date of hire, or our employment relationship with you may be terminated.

10. The start date for your employment with ACADIA will be January 9, 2001 or other date as mutually agreed upon between you and I.

The agreement in this letter sets forth our entire understanding regarding your employment and supersedes any other negotiations, written or oral.

Doug, we are 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. We would appreciate receiving your response to this offer by January 8, 2001.

Please indicate your agreement with the above terms by signing below and returning to me.

Sincerely,

/s/ ULI HACKSELL

Uli Hacksell
Chief Executive Officer

Accepted and agreed:

/s/ DOUGLAS E. RICHARDS 1/4/01

Douglas E. Richards Date

Attachments: Invention and Non-Disclosure Agreement

November 21st, 2000

The following

MANAGING DIRECTOR CONTRACT

Has been concluded between

ACADIA Pharmaceuticals A/S
Fabriksparken 58
2600 Glostrup
- hereinafter referred to as the “Company”

and

Bo-Ragnar Tolf
V. Långgatan 29
S-619 35 Trosa
Sweden

- hereinafter referred to as the “Director”

with effect as from January 1st 2001.

1. ASSIGNMENTS AND TASKS

1.1 The Director is employed as managing Director of the Company and registered as such with the Danish Commerce and Companies Agency.

1.2 Management restrictions provided for by the law, Company bylaws, Company rules and regulations or by this Contract are to be observed by the Director. Shareholders resolutions are also to be followed.

2. OBLIGATIONS AND RESPONSIBILITY

2.1 The Director shall in conformity with the rules of the Danish Companies act and the guidelines established by the Board of Directors be responsible for the day-to-day management of the Company's total activities. The Director shall manage the Company with the due diligence of a prudent businessman and fulfil exactly all obligations assigned to him by law and by contract. In particular the Director shall ensure that the Company's book-keeping is in compliance with the provisions of the law, and that the administration of assets takes place in an appropriate manner.

2.2 The Director 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. The Director shall not engage in any other business activity or service in any industry, trade, professional, governmental or academic position during the term of his contract which is competitive with the business of the Company or which would otherwise be detrimental to, or have an adverse effect on, the Company. The Director shall not without the written approval from the Chairman of the Board of Directors accept any other position during the term of his employment with the Company.

2.3 The Director is not bound to any set working hours. Any and all overtime is covered by his salary, see paragraph 4.

3. BUSINESS ACTIVITIES REQUIRING APPROVAL

3.1 The Director must obtain approval by the Board of Directors for any and all business activities that go beyond the scope of normal company business. Such activities include in particular:

- Acquisition, disposal or encumbrance of real-estate property or of rights to real-estate-property;
- Encumbrance of company assets;
- Acquisitions, disposal or encumbrance of company rights or holdings;
- Opening or closing of bank accounts;
- Granting of securities, conclusion of contracts or other assumptions of obligation, insofar as such transactions are outside the range of Company's regular business activities – and in all cases whenever the individual or total

sum of such transactions exceeds DKK 500,000 (or any other amount determined in writing by the Board of Directors);

- Entering into loan agreements and other forms of credit or similar assumptions of obligation, especially the acceptance of promissory notes;
- Hiring and dismissal of employees on management level;
- Opening and closing down of branch offices and other facilities;
- Issuance of fixed quotations, participation in invitations to tenders, conclusion of contracts that would commit the Company to amounts higher than DKK 500,000.

4. SALARY AND BENEFITS

4.1 The annual salary of the Director amounts to DKK 1,370,000, which shall be payable by 1/12 per month in arrears not later than the 25th of each month. The annual salary may be adjusted at the discretion of the Board of Directors on January 1.

4.2 The Director shall be entitled to participate in a bonus plan for the company as approved by the board of Directors. This plan shall make the Director eligible to a bonus, dependent, however, upon individual and company performance.

5. TRAVEL EXPENSES

5.1 The Director shall use the means of transportation that are the most economical to the Company and him.

5.2 The Director is entitled to recover all properly incurred business travel expenses, entertainment costs and other appropriate costs, against documentation of the incurrence of such expenses, in accordance with the Company's policies for reimbursement of such expenses.

6. PENSION AND INSURANCE

6.1 The Company will pay an amount equal to 10% of the annual salary, of. paragraph 4.1, into a company pension scheme for the Director.

6.2 All tax implications, if any, to the Director of the Company's contributions to the Director's pension scheme shall be for the Director's own account and shall not be reimbursed by the Company.

7 VACATION

7.1 The Director is entitled to 5 weeks' vacation (25 working days), continuous or divided, within each calendar year.

7.2 Subject to the prior notice from the Director to the Chairman of the Board of Directors the Director decides the time of the vacation, always provided, however, that this vacation shall be taken at a time which is convenient for the operation of the Company.

7.3 The Director shall not be covered by the provisions of the Danish Holiday with Pay Act (Ferieloven).

8. SECRECY OBLIGATIONS

8.1 The Director shall be obliged during his employment as well as after termination – irrespective of the cause – to observe secrecy with regard to all information of a confidential or proprietary nature concerning the Company and its shareholders that he has acquired during the duration of the contract.

8.2 On termination of the Contract – irrespective of the cause – the Director shall return all assets and material including all copies belonging to the Company. The Director shall have no lien on such assets and material for any claims towards the Company

9. TERMINATION AND DURATION OF CONTRACT

9.1 This employment contract replaces all prior contracts concluded between the parties.

9.2 This employment contract is effective as of January 1, 2001 and shall continue to be in effect through November 30, 2003 after which date the employment contract shall be terminated without further notice.

The employment contract may be extended by agreement between the parties for one year at a time. The employment contract may under no circumstances be extended beyond November 30, 2007, at which time the employment contract shall be terminated without further notice.

9.3 As of any first day of a month the contract may be terminated by the Company subject to a six months notice. In the event that the Company at any time during the notice period definitively suspends the Director from his working obligations then the Director shall be entitled within 30 days after such suspension to request that the Company in full settlement of all the Company's obligations to the Director hereunder pay an amount equal to two thirds of the aggregate of the salary and benefits, cf. paragraph 4, and the contribution to the Directors pensions scheme, cf. paragraph 6.1, for the remaining notice period.

9.4 If the Director has been continuously prevented by illness from discharging his obligations for an aggregate period of more than four months within a six months period, or if he is suffering from an infirmity which for an aggregate period of more than four months within a six months period makes him unsuited for the work required by his position, he may be dismissed from his position at three months' notice on the first day of a month.

9.5 If the Director deceases during his employment, the Company shall pay his salary to the end of the month in which the death occurred. In addition, the Company shall pay

six months post-service salary and value of benefits, cf. paragraph 4, to the Directors widow, if any, or to his children under the age of 21 years.

9.6 If the Director is in material breach of any of his obligations in accordance with the terms of his employment, the Board of Directors can dismiss him without notice to retire immediately or at any time fixed by the Board of Directors. In accordance with Danish law he is liable to compensate the Company for any losses it may have incurred as a consequence of breach of his obligations.

9.7 Termination of the contract must occur in writing in order to be valid.

10. PROHIBITION OF COMPETITION

10.1 As long as the Director is employed by the Company and for a period of 12 months after the Director has retired, the following non-competition clause applies worldwide.

10.2 In case the Director retires, except he is given notice by the Company without reasonable cause, or except if the Director himself retires and the Company has given reasonable cause for such retirement, the Director is not entitled to be engaged in activities competing with the interest of the Company or any affiliate thereof.

10.3 Violation of the non-competition clause can be countered by provisional injunction without security and violation triggers payment by the Director of DKK 500,000 each time a violation takes place. If the violation is of continuing nature it shall be considered that one violation has occurred for each beginning of a calendar month on which violation is continuing. Payment of the agreed penalty does not result in the termination of the non-competition clause. If the direct or indirect loss of the Company exceeds the agreed penalty the Director is obliged to pay compensation in full to the Company.

11. LAW AND VENUE

11.1 This Contract shall be governed by Danish law. However, the provisions of the Danish Salaried Employees Act (Funktionærloven) do not apply to the Contract.

11.2 Any dispute concerning contractual matters or the understanding of this Contract shall, provided the parties fail to agree, be decided by the Maritime and Commercial Court in Copenhagen with access to a court of appeal.

12. FINAL PROVISIONS

12.1 The parties attest to the fact that no oral agreements outside this Contract have been made. Any alterations of or supplements to this Contract must be in written form in order to be valid. Alteration of this provision is likewise required to be in written form.

12.2 Should any single provision within this Contract be invalid, that shall have no effect upon the validity of the remaining provisions. The parties shall be responsible for

replacing the invalid provision with a valid one that comes as close as possible to achieving the desired economic aim.

13. SIGNATURE

13.1 The Contract is drawn in two copies, the original to be kept by the Company and the duplicate to be kept by the Director signed by the Company.

Date: Dec. 13, 2000

/s/ BO-RAGNAR TOLF

Bo-Ragnar Tolf

Date:
for ACADLA Pharmaceuticals A/S

/s/ ULI HACKSELL

Uli Hacksell

Confidential Treatment Requested
Under 17 C.F.R. Sections 200.80(b)(4),
200.83 and 230.406

AMENDMENT TO COLLABORATIVE RESEARCH, DEVELOPMENT AND LICENSE AGREEMENT

THIS AMENDMENT TO COLLABORATIVE RESEARCH, DEVELOPMENT AND LICENSE AGREEMENT (the ***"Amendment"***) is entered into as of March 27, 2003 (the ***"Amendment Effective Date"***) by and between **ACADIA PHARMACEUTICALS INC.**, a Delaware corporation (**"ACADIA"**) with offices at 3911 Sorrento Valley Blvd., San Diego, CA 92121, and **ALLERGAN SALES LLC** a Delaware limited liability company, as successor in interest of **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 Allergan.

RECITALS

WHEREAS, the parties previously entered into that certain Collaborative Research, Development and License Agreement, dated September 24, 1997 (the ***"1997 Agreement"***), pursuant to which the parties conducted collaborative research regarding, among other things, receptor selective compounds with the goal of establishing drug discovery programs related to such receptor selective compounds; and

WHEREAS, this Amendment provides for further research on […***…] receptors pursuant to the terms of the 1997 Agreement and the terms set forth below (the **"**[…***…] ***Research Program"***); and

WHEREAS, ACADIA and Allergan, Inc. are concurrently entering into a new Collaborative Research, Development and License Agreement, dated of even date herewith (the ***"2003 Agreement"***), which shall govern certain aspects of this Amendment as set forth below.

NOW THEREFORE, in consideration of the foregoing and the covenants and premises contained in this Agreement, the parties hereby amend the 1997 Agreement as follows:

1. […***…] **RESEARCH PROGRAM.** The parties agree to continue their efforts under the 1997 Agreement, as amended hereby, with respect only to […***…] receptors and, in that regard, to conduct the […***…] Research Program in accordance with the research plan currently in effect under the 1997 Agreement, as may be updated from time to time by the Joint Research Committee pursuant to Section 3.2 of the 2003 Agreement (the **"**[…***…] ***Research Plan"***) during the Research Term (as defined in the 2003 Agreement). From and after the Amendment Effective Date, no further work with respect to any receptors or receptor subtypes shall be conducted under the Collaboration (as defined in the 1997 Agreement), other than work with respect to […***…] receptors pursuant to the […***…] Research Program, and all of Allergan's rights under the 1997 Agreement with respect to such receptors and receptor subtypes (other than […***…] receptors) shall expire upon expiration of the Research Term under the 1997 Agreement, subject to surviving obligations under Section 11.4 of the 1997 Agreement. In addition, all of ACADIA's rights to any ACADIA Designated Use shall expire as of the date of this Amendment.

Except as specifically provided in this Amendment, the work conducted under and results of the […***…] Research Program shall be subject to the terms of the 1997 Agreement, as amended hereby, and, to the extent appropriate for such purpose, references in the 1997 Agreement to "Research Plan" shall include the […***…] Research Plan and references in the 1997 Agreement to "Research Term" shall include the Research Term (as defined in the 2003 Agreement) with respect to the […***…] Research Program.

2. **RESEARCH MANAGEMENT.** The […***…] Research Program shall be managed by the Joint Research Committee as set forth in Section 2 of the 2003 Agreement.

3. **RESEARCH FUNDING.** Research efforts and funding for the […***…] Research Program shall be as provided in Section 8.4 of the 2003 Agreement.

4. **EXCLUSION OF CERTAIN PROVISIONS OF THE 1997 AGREEMENT.** Sections 5.3 and 14.8 of the 1997 Agreement are hereby terminated and shall be of no further force and effect.

5. **FULL FORCE AND EFFECT.** Except as specifically amended by this Amendment, the 1997 Agreement shall remain in full force and effect. If there is any inconsistency or conflict between any provision in this Amendment and any provision in the 1997 Agreement, the provision in this Amendment shall control.

6. **MISCELLANEOUS.** This Amendment may be signed in counterparts, each of which shall be deemed an original, all of which taken together shall be deemed one instrument. This Amendment 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.

*** Confidential Treatment Requested**

IN WITNESS WHEREOF, the parties hereto have duly executed this **AMENDMENT TO COLLABORATIVE RESEARCH, DEVELOPMENT AND LICENSE AGREEMENT.**

ACADIA PHARMACEUTICALS INC.

By: /s/ ULI HACKSELL

Name: Uli Hacksell

Title: CEO

ALLERGAN SALES LLC, a Delaware limited liability company, as successor in interest of
VISION PHARMACEUTICALS L.P.,
A Texas limited partnership, dba Allergan,
by Allergan General, Inc.,
its general partner

By: /s/ JL EDWARDS

Name: JL Edwards

Title: VP

Guarantee of performance by:

ALLERGAN, INC.

By: /s/ LESTER J. KAPLAN

Name: Lester J. Kaplan

Title: Corp V.P

Exhibit 10.15

Confidential Treatment Requested
Under 17 C.F.R. Sections 200.80(b)(4),
200.83 and 230.406

COLLABORATIVE RESEARCH, DEVELOPMENT AND LICENSE AGREEMENT

By and Among

ACADIA PHARMACEUTICALS INC.,

ALLERGAN, INC.

and

ALLERGAN SALES, LLC

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***Confidential Treatment Requested**

COLLABORATIVE RESEARCH, DEVELOPMENT AND LICENSE AGREEMENT

THIS COLLABORATIVE RESEARCH, DEVELOPMENT AND LICENSE AGREEMENT (this ***"Agreement"***), entered into as of March 27, 2003 (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, Inc., a Delaware corporation, and Allergan Sales, LLC, a Delaware limited liability company (collectively ***"Allergan"***), both having offices at 2525 Dupont Drive, Irvine, California 92612.

W I T N E S S E T H:

WHEREAS, ACADIA possesses proprietary chemical-genomics technologies, including Targets (as defined below) and related chemistries, for use in research, discovery and development of pharmaceutical products;

WHEREAS, Allergan is engaged in the research, development, marketing, manufacture and sale of pharmaceutical products;

WHEREAS, ACADIA, Allergan and Vision Pharmaceuticals L.P. are parties to that certain Collaborative Research, Development and License Agreement, dated as of September 24, 1997, as amended by the Amendment (as defined below) (the ***"1997 Agreement"***);

WHEREAS, Allergan desires to have broad access to ACADIA's chemical-genomics assets and discovery and development capabilities for purposes of discovering and developing compounds primarily for eye care applications; and

WHEREAS, ACADIA and Allergan desire to enter into a collaborative relationship for research, discovery and development activities using ACADIA's proprietary chemical-genomics technologies and development and commercialization of compounds resulting from such activities primarily for eye care applications.

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 Know-How" shall mean, to the extent useful for the purposes of the Collaboration or any subsequent commercialization of Allergan Products, 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 pertaining to any of the Collaboration Target/Chemistries, including any assay developed by ACADIA for a Target within the Collaboration Target/Chemistries, or otherwise necessary or useful for the

practice of the ACADIA Patents which are not generally publicly known and are Controlled by ACADIA as of the Effective Date or during the Term, including any replication or any part of such information or material, but excluding any ACADIA Patents or Collaboration Technology.

1.2 "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 Term; and (b) patents issuing from patent applications that are pending as of the Effective Date or during the 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, in each case, which pertain to any of the Collaboration Target/Chemistries and are Controlled by ACADIA. ACADIA Patents existing as of the Effective Date will be listed in **Exhibit A** within ten (10) days of the Effective Date.

1.3 "ACADIA Product" shall mean an ACADIA Reversion Product or ACADIA Royalty-Free Product, as applicable.

1.4 "ACADIA Reversion Product" shall mean any product containing, incorporating, discovered or identified, or the utility of which is discovered or identified, using any Licensed Target/Chemistry, which product receives Regulatory Approval for commercial marketing and sale for use in the Field and is commercialized by ACADIA, its Affiliates or its sublicensees, including all formulations, line extensions and modes of administration thereof.

1.5 "ACADIA Royalty-Free Product" shall mean: (a) any product containing, incorporating or discovered or identified, or the utility of which is discovered or identified, using any Licensed Target/Chemistry, which product receives Regulatory Approval for commercial marketing and sale for use outside the Field and is commercialized outside the Field by ACADIA or its Affiliates or sublicensees, including all formulations, line extensions and modes of administration thereof; and/or (b) any product containing, incorporating or discovered or identified or the utility of which is discovered or identified using any Target/Chemistry that was previously a Selected Target/Chemistry, which product receives Regulatory Approval for commercial marketing and sale for use in any field of use and is commercialized in any field of use by ACADIA or its Affiliates or 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 Compound" shall mean a small molecule that specifically inhibits, stimulates or otherwise alters the production or activity of a Target.

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 or entity of which greater than fifty percent (50%) of the voting stock or participating profit interest of which is owned or controlled, directly or indirectly, by a party, and any company or entity which owns or controls, directly or indirectly, greater than fifty percent (50%) of the voting stock of a party.

1.9 "Allergan Know-How" shall mean, to the extent useful for the purposes of the Collaboration or any subsequent commercialization of ACADIA Products, 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 pertaining to any of the Collaboration Target/Chemistries or otherwise necessary or useful for the practice of the Allergan Patents, which are not generally publicly known and are Controlled by Allergan during the Term, including any replication or any part of such information or material, but excluding any Allergan Patents or Collaboration Technology.

1.10 "Allergan Patents" shall mean, to the extent useful for the purposes of the Collaboration and any subsequent commercialization of ACADIA Products, all foreign and domestic: (a) patents issued during the Term; and (b) patents issuing from patent applications that are pending during the 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, in each case, which pertain to any of the Collaboration Target/Chemistries and are Controlled by Allergan.

1.11 "Allergan Product" shall mean any product containing or incorporating a Chemistry within a Licensed Target/Chemistry or a Designated Target/Chemistry or discovered or identified, or the utility of which is discovered or identified, using a Licensed Target/Chemistry or Designated Target/Chemistry, which product receives Regulatory Approval for commercial marketing and sale and is commercialized, including all formulations, line extensions and modes of administration thereof.

1.12 "Allergan Technology" shall mean the Allergan Patents and Allergan Know-How.

1.13 "Alpha Adrenergic Research Plan" shall mean the plan for conducting research with respect to alpha adrenergic receptors as currently in effect under the 1997 Agreement as may be updated from time to time by the Joint Research Committee pursuant to Section 3.2.

1.14 "Alpha Adrenergic Research Program" shall mean the collaborative research program between the parties with respect to alpha adrenergic receptors conducted under the 1997 Agreement during the Research Term pursuant to the Alpha Adrenergic Research Plan.

1.15 "Amendment" shall mean the amendment entered into among ACADIA, Allergan and Vision Pharmaceuticals L.P. regarding the Alpha Adrenergic Research Program.

1.16 "Chemical-Genomics Asset List" shall mean the list of ACADIA's chemical-genomics assets, identifying Targets that are not Excluded Targets, assays and Chemistries as provided to Allergan on a bi-monthly basis pursuant to Section 4.1.

1.17 "Chemical-Genomics Project" shall mean the program of collaborative research with respect to Selected Target/Chemistries and Licensed Target/Chemistries conducted during the Research Term pursuant to the Research Plan.

1.18 "Chemistry" shall mean those Active Compounds identified by or on behalf of ACADIA or Allergan with respect to a specific Target pursuant to or as a result of the Collaboration.

1.19 "Collaboration" shall mean the programs of collaborative research and development with respect to Collaboration Target/Chemistries under this Agreement.

1.20 "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 are (a) useful for purposes of the Collaboration and/or that relates to any Collaboration Target/Chemistry (including any Target/Chemistry that was formerly a Selected Target/Chemistry), Allergan Product or ACADIA Product and (b) derived from or developed pursuant to activities undertaken by either party, including their consultants or collaborators, in the conduct of the Collaboration, including, in each case, any replication or any part of such information or material.

1.21 "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.

1.22 "Collaboration Target/Chemistry" shall mean any Selected Target/Chemistry, Licensed Target/Chemistry and/or Designated Target/Chemistry, as applicable.

1.23 "Collaboration Technology" shall mean the Collaboration Patents and the Collaboration Know-How.

1.24 "Confidential Information" shall mean all information 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.

1.25 "Control" shall mean possession of the ability to grant a license or sublicense without violating the terms of any agreement or other arrangement with any Third Party.

1.26 "Designated Target" shall mean any Target that is a specific G-protein coupled receptor or nuclear receptor, which is selected by Allergan by written notice to ACADIA pursuant to Section 5.3 and, as of the date of such notice is not listed on the Chemical-Genomics Asset List as having a Chemistry identified with respect to such Target.

1.27 "Designated Target/Chemistry" shall mean a Designated Target and/or the Chemistry identified with respect to such Designated Target.

1.28 "Designated Target Project" shall mean the program of collaborative research with respect to Designated Targets conducted during the Research Term pursuant to the Research Plan.

1.29 "Development Candidate" shall mean any Active Compound within a Licensed Target/Chemistry for which GLP research or GMP production has been initiated.

1.30 "Excluded Targets" shall mean Targets which meet any one of the following criteria as of the applicable time of determination: [***].

1.31 "Expanded Field" shall mean all fields of use.

1.32 "Field" shall mean (a) with respect to a Selected Target/Chemistry or Licensed Target/Chemistry, all therapeutic, prophylactic and diagnostic uses related to eye care; [***].

1.33 "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 ACADIA Reversion 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 Reversion Product.

1.34 "FDA" shall mean the United States Food and Drug Administration or any successor agency thereto having the administrative authority to regulate the marketing of

human pharmaceutical products or biological therapeutic products, delivery systems and devices in the United States of America.

1.35 "FTE" shall mean full-time equivalent scientific personnel.

1.36 "Good Laboratory Practices" or **"GLP"** shall mean current good laboratory practices under FDA rules and regulations.

1.37 "Good Manufacturing Practices" or **"GMP"** shall mean current good manufacturing practices under FDA rules and regulations.

1.38 "IND" shall mean an Investigational New Drug Application filed with the FDA, or the equivalent application or filing necessary to commence human clinical trials in another country, as applicable.

1.39 "Joint Research Committee" or **"JRC"** shall mean the committee formed pursuant to Section 3.1.

1.40 "Licensed Target/Chemistry" shall mean any Selected Target/Chemistry as to which Allergan has exercised its Option pursuant to Section 5.2.

1.41 "Major Market" shall mean [***].

1.42 "NDA" shall mean a New Drug Application, Product License Application or equivalent application filed with the FDA, or the equivalent community application filed in the European Union, or the equivalent application filed as a national application in Japan, the United Kingdom, France, Germany, Italy or Spain.

1.43 "Net Sales" with respect to any Allergan Product or ACADIA Reversion Product for which royalties are payable hereunder means, with respect to a given period of time, gross sales invoiced by Allergan or ACADIA, as applicable, and its Affiliates and sublicensees during such period, less the following deductions from such gross amounts which are actually incurred, allowed, accrued or specifically allocated:

(a) credits or allowances actually granted for damaged products, returns or rejections of product, price adjustments and billing errors;

(b) governmental and other rebates (or equivalents thereof) granted to managed health care organizations, pharmacy benefit managers (or equivalents thereof), federal, state/provincial, local and other governments, their agencies and purchasers and reimbursers or to trade customers;

(c) normal and customary trade, and quantity discounts, allowances and credits actually allowed or paid;

(d) commissions actually paid to Third Party distributors, brokers or agents (excluding sales personnel, sales representatives and sales agents that are employees or

consultants of Allergan or ACADIA, as applicable, or its Affiliates or sublicensees) in countries outside the United States in which such commissions are paid by deducting such commissions from the gross sales invoiced for sales to such Third Parties;

(e) transportation costs, including insurance, for outbound freight related to delivery of the product;

(f) sales taxes, VAT taxes and other taxes directly linked to the sales of the product; and

(g) sales between or among Allergan and its Affiliates and sublicensees or ACADIA and its Affiliates and sublicensees shall be excluded from the computation of Net Sales, but the subsequent final sales to Third Parties by such Affiliates or sublicensees shall be included with Net Sales; *provided however*, that if such Affiliates or sublicensees are the end users of such Allergan Product or ACADIA Reversion Product, the amount billed therefore 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.

In the event an Allergan Product or ACADIA Reversion Product is sold in combination with one or more other active ingredients (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 Reversion 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 Reversion Product and D is the fully allocated cost of the other products in the Combination.

1.44 [***]

1.45 [***]

1.46 "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.

1.47 "Research Plan" shall mean the plan for conducting the Research Program, as amended from time to time by the JRC.

1.48 "Research Program" shall mean, collectively, the Designated Target Project and the Chemical-Genomics Project.

1.49 "Research Term" shall mean the three (3) years following the Effective Date, as may be extended for additional, consecutive [***] periods by written agreement of the parties.

1.50 "Royalty Term" shall mean, in the case of each Allergan Product or ACADIA Reversion Product in any country, the period of time commencing on the First Commercial Sale and ending upon the later of (a) [***], or (b) [***].

1.51 "Selected Target/Chemistry" shall mean each of the up to three (3) Target/Chemistries selected from the Chemical-Genomics Asset List at any specific point in time during the Research Term pursuant to Section 5.1.

1.52 "Target" shall mean [***].

1.53 "Target/Chemistry" shall mean a Target and/or any Chemistry identified with respect to such Target.

1.54 "Term" shall have the meaning set forth in Section 13.1.

1.55 "Third Party" shall mean any entity other than Allergan or ACADIA or an Affiliate of Allergan or ACADIA.

1.56 "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 or which has not been admitted to be invalid or unenforceable through reexamination, reissue, disclaimer, or otherwise.

2. CONDUCT OF COLLABORATION; RESPONSIBILITIES; EXCLUSIVITY.

2.1 Conduct of Collaboration. During the Research Term, the parties shall use commercially reasonable efforts to conduct the Research Program in accordance with the Research Plan and the terms of this Agreement. The initial Research Plan for conducting the Research Program will be completed and approved by the JRC within thirty (30) days of the Effective Date. Any amendments or revisions to the Research Plan shall be in writing and shall require unanimous approval of the JRC. Pursuant to the Research Program, the parties will collaborate in identifying and testing Collaboration Target/Chemistries for development and commercialization.

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2.2 Research Program Responsibilities.

(a) ACADIA and Allergan will be responsible for such activities under the Research Plan related to the Chemical-Genomics Project [***] as assigned to each such party by the JRC.

(b) ACADIA will be responsible for high-throughput screening of chemical libraries and determination of potency and selectivity of hits in the Designated Target Project pursuant to the Research Plan, and Allergan will be responsible for all other activities under the Research Plan related to the Designated Target Project.

(c) Each of ACADIA and Allergan will provide to the JRC quarterly reports setting forth such party's results and plans under the Research Program.

2.3 [***]

3. GOVERNANCE.

3.1 Joint Research Committee. Promptly after the Effective Date, the parties will form a Joint Research Committee (***"JRC"***) comprised of three (3) representatives of each of ACADIA and Allergan. One (1) member of the JRC shall be selected to act as the chairperson of the JRC, with each chairperson acting for a term of twelve (12) months. The chairperson shall be selected alternately by Allergan and ACADIA, and ACADIA shall designate the first chairperson. The JRC shall determine the specific goals for the Collaboration and the Alpha Adrenergic Research Program, shall manage the ongoing research conducted under the Collaboration and the Alpha Adrenergic Research Program, and shall monitor the progress and results of such work. All decisions of the JRC shall require unanimous approval. The JRC shall meet on a quarterly basis or at such other frequency as the JRC agrees. The parties shall agree upon the time and place of meetings. Within thirty (30) days after each meeting, the JRC chairperson will provide the parties with a written report describing, in reasonable detail, the status of the Collaboration and the Alpha Adrenergic Research Program, 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 JRC in a non-voting capacity.

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3.2 Joint Research Committee Functions And Powers. The JRC shall encourage and facilitate ongoing cooperation between the parties, establish, update, review and approve the Research Plan and the Alpha Adrenergic Research Plan and any amendments to such plans, allocate tasks and coordinate activities pursuant to the Research Plan and the Alpha Adrenergic Research Plan, monitor progress of activities under the Research Plan and the Alpha Adrenergic Research Plan 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 parties will discuss proposed patent applications for inventions discovered in the course of the Collaboration and the Alpha Adrenergic Research Program and publication of matters arising under the Collaboration and the Alpha Adrenergic Research Program at JRC meetings. The JRC shall also be responsible for establishing and approving annual research funding for activities to be performed by the parties pursuant to the Research Plan and the Alpha Adrenergic Research Plan for each year of the Research Term (including any renewal or extension thereof), subject to the minimum funding levels provided in Section 8.4 and the additional funding required under Section 8.2(a), if applicable. Such funding shall be provided by Allergan to ACADIA based on the number of FTEs required for ACADIA to perform its activities under the Research Plan and the Alpha Adrenergic Research Plan. The JRC shall also maintain and update a list of the Selected Target/Chemistries, Licensed Target/Chemistries and Designated Target/Chemistries as in effect from time to time.

3.3 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 Research Plan and the Alpha Adrenergic Research Plan prior to and in preparation for JRC meetings, in the form and format to be designated by the JRC. For purposes of clarification, Allergan will not be obligated to share pursuant to this Section 3 structure activity relationship information or other data which is not specifically necessary to share in order to achieve the goals of the Research Plan, unless otherwise agreed to by the parties as part of a further collaborative relationship pursuant to Section 5.2(a)(ii).

3.4 JRC Dispute Resolution. If the JRC 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 thirty (30) days of commencing such negotiations then the issue shall be resolved as provided in Section 15.2.

4. TECHNOLOGY TRANSFER.

4.1 Transfer of ACADIA Technology. Promptly following the Effective Date and thereafter on a bi-monthly basis during the Research Term, ACADIA will provide to Allergan the then current Chemical-Genomics Asset List. Commencing promptly after the Effective Date and from time to time thereafter, ACADIA will disclose to Allergan such of the ACADIA Technology and relevant information with respect to Collaboration Target/Chemistries 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, 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 B** with respect to such materials.

4.2 Transfer of Allergan Technology. Commencing promptly after the Effective Date and from time to time thereafter, Allergan will 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. During the Term, 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 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 B** with respect to such materials.

5. DESIGNATION OF SELECTED TARGET/CHEMISTRIES, LICENSED TARGET/CHEMISTRIES, AND DESIGNATED TARGET/CHEMISTRIES.

5.1 Designation of Selected Target/Chemistries.

(a) Upon the Effective Date, the parties shall agree in writing to the selection of up to three (3) Target/Chemistries on the Chemical-Genomics Asset List as Selected Target/Chemistries. At any time during the Research Term, Allergan may, by prior written notice to ACADIA and the JRC, propose that one (1) or more of the Selected Target/Chemistries be replaced with an alternative Target/Chemistry from the Chemical-Genomics Asset List or that a Target/Chemistry from the Chemical-Genomics Asset List be added as a Selected Target/Chemistry; *provided however,* that at no time shall there be more than a total of three (3) Selected Target/Chemistries. ACADIA will notify Allergan within ten (10) days after receipt of such proposal if the proposed Selected Target/Chemistry has become an Excluded Target since Allergan's receipt of the most current Chemical-Genomics Asset List and is therefore not available for selection, including the reason for such determination. When a Target/Chemistry becomes a Selected Target/Chemistry in accordance with this Section 5.1, it shall be added to the list of Selected Target/Chemistries maintained by the JRC, and, if applicable, the Selected Target/Chemistry that Allergan has elected to replace with such new Selected Target/Chemistry shall thereupon cease to be a Selected Target/Chemistry for all purposes under this Agreement and shall be deleted from the list of Selected Target/Chemistries maintained by the JRC. As soon as practicable after designation of a Target/Chemistry as a Selected Target/Chemistry, ACADIA shall deliver to Allergan the quantity of the Chemistry associated with such Selected Target/Chemistry specified by the JRC.

(b) In the event that Allergan designates a Selected Target/Chemistry pursuant to this Section 5.1, conducts tests [***] within such Selected Target/Chemistry and determines that the Chemistry included in such Selected Target/Chemistry does not apply [***], then Allergan may continue to test such Selected Target/Chemistry to determine whether to [***]

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[***], replace such Selected Target/Chemistry in accordance with the procedures set forth in Section 5.1(a), or redesignate such [***] within such Selected Target/Chemistry as a Designated Target in accordance with Section 5.3. If Allergan redesignates such [***] within such Selected Target/Chemistry as a Designated Target, (i) such Target/Chemistry shall cease to be a Selected Target/Chemistry for all purposes under this Agreement and shall be deleted from the list of Selected Target/Chemistries maintained by the JRC, (ii) all rights to such former Selected Target/Chemistry and to all ACADIA Technology and ACADIA's interest in Collaboration Technology with respect to such former Selected Target/Chemistry shall revert to ACADIA, except to the extent of rights granted with respect to such [***] within such Selected Target/Chemistry as a Designated Target in accordance with this Agreement, and (iii) Allergan shall grant ACADIA the license set forth in Section 7.3(b) with respect to such former Selected Target/Chemistry, excluding such [***] within such former Selected Target/Chemistry.

5.2 [***]

[***]

5.3 Designation of Designated Targets. At any time during the Research Term, Allergan may propose the designation of up to [***] Designated Targets for development by prior written notice to ACADIA and the JRC; *provided however,* that Allergan shall not designate [***] Designated Targets within [***] period during the Research Term. After receipt of such proposal, ACADIA will promptly notify Allergan if the proposed Selected Target/Chemistry is an Excluded Target. The Designated Target shall be added to the list of Designated Target/Chemistries maintained by the JRC. ACADIA will enable the Designated Target, if necessary, and conduct high-throughput screening of libraries as determined by the JRC to identify Chemistries with respect to such Designated Target.

5.4 [***]

5.5 [***]

[***]

6. PRODUCT DEVELOPMENT, MANUFACTURING AND SUPPLY.

6.1 Research and Development Efforts. Allergan shall use commercially reasonable efforts to conduct, at its own expense, all preclinical testing and investigations necessary for Allergan to select appropriate Licensed Target/Chemistries and Designated Target/Chemistries for further development in the Field. Such further development may include, but not be limited to, [***] necessary to prepare and file an IND and [***] necessary to file a NDA. Allergan will provide a report on a biannual basis to the JRC summarizing the results of work it performs pursuant to this Section 6.1 in a manner sufficient to inform ACADIA of general research and development progress and compliance with Section 7.5(a).

6.2 Development Candidates. After the designation of a Development Candidate, Allergan shall prepare and deliver to ACADIA within a reasonable period, such period not to exceed [***] the projected timing of the activities necessary to obtain Regulatory Approval for such Development Candidate. Thereafter, Allergan shall regularly (on at least a semi-annual basis) provide ACADIA with an update describing of the progress made to date towards obtaining Regulatory Approval of such Development Candidate and the plans for achieving Regulatory Approval in the future. Allergan shall have the sole responsibility for conducting preclinical and clinical development of such Development Candidate in accordance with a development plan prepared by Allergan in a manner consistent with its then existing internal criteria. Allergan agrees to use commercially reasonable efforts to fund and perform development of its Development Candidate pursuant to such development plan in Major Markets. For purposes of clarification, Allergan shall not be required under Section 6.1 or this Section 6.2 to provided detailed data or results to ACADIA.

6.3 [***]

7. LICENSE GRANTS; DILIGENCE OBLIGATIONS.

7.1 License Grants for Research Program. Subject to the terms of this Agreement:

(a) with respect to each Selected Target/Chemistry and Designated Target/Chemistry, during [***], ACADIA hereby grants to Allergan an exclusive (except as to ACADIA), royalty-free license, with no right to sublicense, under the ACADIA Technology and ACADIA's interest in the Collaboration Technology to make and use such Selected Target/Chemistry or Designated Target/Chemistry solely for internal research purposes pursuant to the Research Program in order to determine whether Allergan will exercise its option with respect to such Selected Target/Chemistry or Designated Target/Chemistry pursuant to Section 5.2 or 5.4, as applicable;

(b) during the Research Term, ACADIA grants to Allergan an exclusive (except as to ACADIA), royalty-free license, with no right to sublicense, under the ACADIA Technology and ACADIA's interest in the Collaboration Technology solely for internal research purposes to the extent necessary or appropriate to carry out Allergan's research responsibilities under the Research Program. 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; and

(c) during the Research Term, Allergan grants to ACADIA a non-exclusive, royalty-free license, with no right to sublicense, under the Allergan Technology and Allergan's interest in the Collaboration Technology solely for internal research purposes to the extent necessary or appropriate to carry out ACADIA's research responsibilities under the Research Program.

7.2 License Grants to Allergan for Development and Commercialization. Subject to the terms of this Agreement:

(a) ACADIA hereby grants to Allergan, effective upon the exercise of the Option pursuant to which a Selected Target/Chemistry becomes a Licensed Target/Chemistry and payment of the license fee under Section 8.2(a)(i), an exclusive, worldwide, royalty bearing license under the ACADIA Technology and ACADIA's interest in the Collaboration Technology to make, have made and use such Licensed Target/Chemistry for research and development of such Licensed Target/Chemistry in the Field and to make, have made, use, sell, offer for sale and import Allegan Products based on such Licensed Target/Chemistry in the Field; and

(b) ACADIA hereby grants to Allergan, effective upon the exercise of the option with respect to the applicable Designated Target/Chemistry and payment of the license fee under Section 8.2(b), an exclusive, worldwide, royalty bearing license under the ACADIA Technology and ACADIA's interest in the Collaboration Technology to make, have made and use such Designated Target/Chemistry for research and development of such Designated Target/Chemistry in the Field and to make, have made, use, sell, offer for sale and import Allergan Products based on such Designated Target/Chemistry in the Field.

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7.3 License Grant to ACADIA for Development and Commercialization.

(a) Effective upon the grant of a license to a Licensed Target/Chemistry to Allergan under Section 7.2(a), Allergan hereby grants to ACADIA an exclusive, worldwide, royalty-free license under the Allergan Technology and Allergan's interest in the Collaboration Technology to make, have made and use such Licensed Target/Chemistry outside the Field and to make, have made, use, sell, offer for sale and import ACADIA Royalty-Free Products based on such Licensed Target/Chemistry outside the Field.

(b) Effective upon the expiration without exercise of an Option with respect to a Selected Target/Chemistry pursuant to Section 5.2 or as otherwise provided in Section 5.1(b), Allergan hereby grants to ACADIA an exclusive, worldwide, royalty-free license under the Allergan Technology and Allergan's interest in the Collaboration Technology to make, have made and use such Target/Chemistry in all fields of use and to make, have made, use, sell, offer for sale and import ACADIA Royalty-Free Products based on such Target/Chemistry in all fields of use.

7.4 Sublicensing Rights. Allergan shall have the right to sublicense, through multiple tiers of sublicense, the rights granted to it pursuant to Section 7.2, and ACADIA shall have the right to sublicense, through multiple ties of sublicense, the rights granted to it pursuant to Section 7.3 and Section 7.5(b), if applicable.

7.5 Diligence Obligations; License for ACADIA Reversion Products.

(a) Diligence Obligations. Each party's development and commercialization rights will be subject to development, manufacturing and commercial diligence obligations consistent with such party's practice for products with similar commercial potential. [***].

(b) [***]

8. FEES AND PAYMENTS.

8.1 [***]

8.2 License Fees.

(a) Licensed Target/Chemistries. For each Licensed Target/Chemistry for which a license is granted under Section 7.2(a) Allergan shall pay to ACADIA the following: (i) [***] after Allergan's exercise of its Option with respect to such Licensed Target/Chemistry]; and (ii) research funding for [***] ACADIA FTEs to be devoted solely to the research and development of such Licensed Target/Chemistry [***], such funding to be provided at the rate and upon the payment terms set forth in Section 8.4. All research funding pursuant to this Section 8.2, shall be in addition to the minimum research funding required under Section 8.4; *provided however,* that Allergan may, in its sole discretion, satisfy the obligation to fund [***] FTEs under this Section 8.2 for the first Licensed Target/Chemistry only by applying [***] FTEs from the FTE Pool to research and development of such Licensed Target/Chemistry.

(b) Designated Target/Chemistries. For each Designated Target/Chemistry for which a license is granted under Section 7.2(b), Allergan shall pay to ACADIA [***] after Allergan's exercise of its option with respect to such Designated Target/Chemistry.

8.3 Expanded Field Fee. In consideration of the rights granted to Allergan pursuant to Section 5.5, Allergan shall pay to ACADIA a fee of [***]; *provided that* ACADIA has provided to Allergan the Chemical-Genomics Asset List on a bi-monthly basis in accordance with Section 4.1 in order to allow Allergan to designate the Expanded Field with respect to a Selected Target/Chemistry selected from such list. [***]

8.4 Research Funding.

(a) During the first year of the Research Term, Allergan agrees to pay ACADIA research funding payments [***] during the first year of the Research Term. Thereafter, such rate per ACADIA FTE will be increased each year of the Research Term after the first year by [***]

[***]. Such funding shall be in such amounts as are set forth in the Research Plan and the Alpha Adrenergic Research Plan, which shall provide for a total of at least: (i) [***]. The FTE Pool shall be allocated between the Chemical-Genomics Project, the Designated Target Project and the Alpha Adrenergic Research Program as deemed appropriate by the JRC.

(b) It is intended that, as determined by the JRC, Allergan will provide sufficient research funding to ACADIA during the Research Term (and any renewal or extension thereof) to support the number of ACADIA FTEs required to pursue the activities set forth in the Research Plan and the Alpha Adrenergic Research Plan, as the Research Plan and the Alpha Adrenergic Research Plan are developed and approved by the JRC, in accordance with the research budget developed and approved by the JRC as described in Section 3.2, and subject to the limitations, including the minimum funding levels, set forth under this Section 8.4.

(c) All research funding payments under this Section 8.4 and Section 8.2(a) shall be made [***].

8.5 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 Licensed Target/Chemistry, Allergan shall pay ACADIA the following non-refundable milestones (*provided, however,* that if Allergan abandons development of a Development Candidate with respect to a Licensed Target/Chemistry and replaces it with development of another Development Candidate with respect to such Licensed Target/Chemistry, no duplicate milestone payments shall be due for the replacement compound if such milestone payment was made with respect to the compound it replaced):

[***]

[***]

(b) Within ten (10) days after first approval of an NDA for each Active Compound within each Designated Target/Chemistry in a Major Market by Allergan, its Affiliates, sublicensees, partners, collaborators or other Third Parties designated by Allergan, Allergan shall pay ACADIA [***].

8.6 Royalties.

(a) Royalty Payments on Allergan Products Based on Licensed Target/Chemistries in the Field. Allergan shall pay to ACADIA the following royalties on annual Net Sales of Allergan Products based on Licensed Target/Chemistries: [***].

(b) Royalty Payments on Allergan Products Based on Designated Target/Chemistries. Allergan shall pay to ACADIA a royalty of [***].

(c) Royalty Payments to Allergan. If rights with respect to a Licensed Target/Chemistry in the Field are conveyed to ACADIA pursuant to Section 7.5(b): (i) in the event ACADIA develops or commercializes in collaboration with a Third Party licensee ACADIA Reversion Products based on such Licensed Target/Chemistry in the Field using Allergan Technology or Allergan's interest in the Collaboration Technology licensed to ACADIA pursuant to Section 7.5(b), then ACADIA shall pay to Allergan the following percentage of all royalties, upfront fees and milestones (excluding equity investments) received by ACADIA from such Third Party licensee with respect to an ACADIA Reversion Product: [***]

[***]

(d) Royalty Term; Loss of Market Exclusivity. Royalties for sales of each Allergan Product or ACADIA Reversion Product in a given country shall be paid for a period equal to the Royalty Term for such Allergan Product or ACADIA Reversion Product in such country; [***].

(e) Credit for Third Party Royalties. In the event that a party obligated to pay royalties under this Agreement must obtain a license to Third Party patents in order to practice any license granted to it under this Agreement with respect to a product, then such party may reduce the royalty otherwise owing on Net Sales of such product [***] of any 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 [***]; *provided further,* that such credit shall not apply to royalty payments made by Allergan pursuant to Section 8.6(b).

9. PAYMENTS; RECORDS; AUDITS.

9.1 Payment; Reports. Royalty payments and reports for the sale of Allergan Products and ACADIA Reversion Products shall be calculated and reported for each calendar quarter. [***] Each payment of royalties shall be accompanied by a report of Net Sales of Allergan Products or ACADIA Reversion 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 Reversion Product sold, the gross sales and Net Sales of each Allergan Product or ACADIA Reversion Product in U.S. Dollars, the royalties payable, the exchange rates used and any other information necessary to determine the appropriate amount of royalties due. Each party will keep complete and accurate records pertaining to the development of Allergan Products or ACADIA Reversion Products and the sale or other disposition of Allergan Products or ACADIA Reversion Products in sufficient detail to permit the other party to confirm the accuracy of all payments due hereunder.

9.2 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, the Net Sales used for computing the royalties payable shall be computed in U.S. Dollars, and any sales denominated in other than U.S. Dollars shall be translated into U.S. Dollars in accordance with U.S. generally accepted accounting principles consistently applied

using the monthly average rates of exchange during the calendar quarter in which Net Sales are made. The rates of exchange shall be those rates as published by *The Wall Street Journal*, Western U.S. Edition, during the calendar quarter for which Net Sales are made. 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.

9.3 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 allowed by law. 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.

9.4 Records and Audits. On [***] prior written notice, each party shall have the right to have an independent certified public accountant, inspect the books and records of the other party and/or its Affiliates and/or its sublicensees, no more than once per fiscal year during usual business hours for the sole purpose of and only to the extent necessary to verify the completeness and accuracy of the records and payments made under this Agreement. Such examination with respect to any fiscal year shall not take place later than [***] following the end of such fiscal year. The accountant shall inform the auditing party only if there has been an underpayment or an overpayment, and if so, the amount thereof and whether the books and records have been kept in a manner consistent with good accounting practices. The expense of any such inspection shall be borne by the auditing party; *provided, however,* that, if the inspection discloses an underpayment in excess of [***] percent [***] then the audited party shall pay the out of pocket costs of such audit.

9.5 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.

9.6 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 Reversion 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.

10. INTELLECTUAL PROPERTY.

10.1 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 any of its employees or agents in the course of the Collaboration, and the parties shall own jointly all inventions jointly made by any employee or agent of ACADIA and any employee or agent of Allergan in the course of the Collaboration.

10.2 Patent Prosecution. It is the intention of the parties to secure broad patent protection for discoveries and inventions made in the course of the Collaboration.

(a) Allergan shall be responsible for the filing, prosecution and maintenance at Allergan's sole cost of (i) all Allergan Patents, unless such Allergan Patents are then subject to an exclusive license granted to ACADIA under Section 7.5(b), and (ii) all Collaboration Patents or ACADIA Patents to which Allergan then has an exclusive license under Section 7.2, to the extent the claims in such Collaboration Patents or ACADIA Patents are limited to Licensed Target/Chemistries or Designated Target/Chemistries in the Field.

(b) Except for those patents or patent applications described in Section 10.2(a), ACADIA shall be responsible for the filing, prosecution and maintenance at ACADIA's sole cost, except as provided in Section 10.2(c), of (i) all ACADIA Patents and all Collaboration Patents and (ii) all Allergan Patents to which ACADIA then has an exclusive license under Section 7.5(b).

(c) [***]

(d) Each party that is responsible for filing, prosecution and maintenance under this Section 10.2 of patent rights that are owned by, or subject to an exclusive license granted under this Agreement to such party shall (i) consider in good faith the requests and suggestions of such other party with respect to strategies for filing, prosecuting and maintaining such patent rights that are subject to this Section 10.2, and (ii) keep such other party informed of progress with regard to the filing, prosecution and maintenance of such patent applications and patents that are subject to this Section 10.2. In the event a party is responsible for the filing, prosecution and maintenance of patent applications or patents hereunder that are owned by, or are subject to an exclusive license granted under this Agreement and elects, other than as provided above, not to do so (other than because such party has determined in good faith not to file a patent application with respect to an invention but to maintain such invention as a trade secret), it shall inform the other party at least sixty (60) days 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 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 to prosecute and maintain such patent applications and patents shall assign to the other party its rights in such patent applications and patents or terminate the license under such patent applications and patents granted to it by the other party.

10.3 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 10.1 above and to enable the owning 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.

10.4 Infringement by Third Parties.

(a) 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. In the event any alleged or threatened infringement of any patent included in the Allergan Patents, ACADIA Patents or Collaboration Patents by a Third Party cannot be terminated without litigation, the provisions of Section 10.4(b) or (c), as applicable, and Section 10.4(d) shall apply.

(b) Allergan shall have the first right, but not the obligation, to bring and control any action or proceeding, at its own expense and by counsel of its own choice, with respect to infringement of a patent (i) included in the Allergan Patents, unless such Allergan Patents are then subject to an exclusive license granted to ACADIA under Section 7.5(b), or (ii) included in the Collaboration Patents or ACADIA Patents to which Allergan then has an exclusive license under Section 7.2, to the extent the claims in such Collaboration Patents or ACADIA Patents are limited to Licensed Target/Chemistries or Designated Target/Chemistries in the Field.

(c) Except as provided in Section 10.4(b), ACADIA shall have the first right to bring and control any action or proceeding with respect to infringements of a patent (i) included in the ACADIA Patents or the Collaboration Patents or (ii) included in the Allergan Patents to which ACADIA then has an exclusive license under Section 7.5(b).

(d) The party not bringing the action shall have the right, at its own expense and by counsel of its own choice, to be represented in any action involving any patent owned solely by such party or jointly by the parties. If a party fails to bring an action or proceeding with respect to a patent that is owned by, or is subject to an exclusive license granted under this Agreement to, the other party within: (i) sixty (60) days following the notice of alleged infringement; or (ii) ten (10) days before the time limit, if any, set forth in the appropriate laws and regulations for the filing of such actions, whichever comes first, such 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 and by counsel of its own choice, to be represented in any such action. 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 action under this Section 10.4 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 action, after reimbursement of any out-of-pocket expenses of Allergan and ACADIA in connection with such action, shall be divided between the parties in accordance with their relative economic interests as directly related to the royalty payments described in Section 8.6 hereof.

10.5 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 infringement action under this Section 10.5 in a manner that diminishes the rights or interests of the other party without the consent of such party.

10.6 Trademarks. Allergan and ACADIA shall each obtain, own and enforce its own trademarks with respect to Allergan Products or ACADIA Reversion Products, respectively, that each commercializes hereunder.

10.7 Patent Labeling. Each party shall mark all products or their containers that are manufactured used or sold under the terms of this Agreement in accordance with the appropriate patent markings laws.

11. REPRESENTATIONS AND WARRANTIES.

11.1 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 and 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, 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 in accordance with the terms of this Agreement; and

(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 or ACADIA Patents.

11.2 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; [***]

(c) 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 pursuant to this Agreement infringe or may infringe any Third Party patent(s) or other intellectual property rights; and

(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.

11.3 Allergan Representations and Warranties. Allergan represents and warrants that as of the Effective Date:

(a) Allergan owns the Allergan Technology and has sufficient rights and power to grant the licenses to ACADIA which it purports to grant herein; and

(b) 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 Technology infringe or may infringe any third party patent(s) or other intellectual property rights.

11.4 Disclaimer Concerning Technology. EXCEPT AS SPECIFICALLY SET FORTH HEREIN, THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS PROVIDED BY EACH PARTY HEREUNDER ARE 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.

12. CONFIDENTIALITY; PUBLICATION.

12.1 Confidentiality. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the parties, the parties agree that, during the Term and for the [***] immediately following the Term, each party (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, or otherwise belonging to, the other party (the ***"Disclosing Party"***) pursuant to this Agreement. Each party may use Confidential Information of the other party only to the extent required to accomplish the purposes of this Agreement. The Receiving 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 such proprietary or confidential information. Each party will promptly notify the other upon discovery of any unauthorized use or disclosure of the other party's Confidential Information.

12.2 Exceptions. The obligations of confidentiality and non-use contained in Section 12.1 will not apply to the extent it can be established by the Receiving Party by competent proof that such Confidential Information:

(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, other than under confidentiality, 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.

12.3 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 or financing efforts to investors and lenders and potential investors and lenders or as otherwise required pursuant to applicable law.

12.4 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 within Licensed Target/Chemistries or Designated Target/Chemistries; 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 Section 12.

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 12.4, 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. 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.

12.5 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 forty-five (45) days 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 thirty (30) days 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 thirty (30) days from the date of receipt by the reviewing party. The publishing party shall comply with the reviewing party's request to delete references to Confidential Information of the reviewing party in any such paper and agrees to withhold publication of same for an additional ninety (90) days 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.

13. TERM AND TERMINATION.

13.1 Term of the Agreement. The term of the collaborative activities of the parties pursuant to the Research Plan and the Additional Research Plan shall commence on the Effective Date and continue until expiration of the Research Term, unless earlier terminated pursuant to Section 13.2, 13.3 or 13.4, or extended by mutual written agreement of the parties. The term of this Agreement (the ***"Term"***) shall commence on the Effective Date and continue until the later of (a) six (6) months after the expiration of the last Royalty Term for any Allergan Product or ACADIA Reversion Product or (b) the expiration of the last to expire Valid Claim covering an ACADIA Royalty-Free Product, unless earlier terminated pursuant to Section 13.2, 13.3 or 13.4 or extended by mutual written agreement of the parties.

13.2 Termination by Mutual Agreement. The parties may at any time terminate this Agreement by written agreement executed by both Allergan and ACADIA.

13.3 Termination by Allergan.

(a) Allergan may terminate this Agreement by giving ninety (90) days prior written notice to ACADIA at any time after completion of the Research Term.

(b) [***], Allergan may terminate this Agreement by giving written notice to ACADIA [***]. In the event Allergan terminates this Agreement pursuant to this Section 13.3(b), then notwithstanding any contrary provision of this Agreement, the licenses granted to Allergan pursuant to Sections 7.1(a), 7.1(b) and 7.2 shall continue in full force and effect and shall be exclusive even as to ACADIA [***]

***Confidential Treatment Requested**

[***]. In addition, effective upon termination by Allergan of this Agreement pursuant to this Section 13.3(b), ACADIA hereby grants to Allergan, for a period ending on the later of (x) the end of Research Term or any extension or renewal agreed to by Allergan and ACADIA prior to termination by Allergan or (y) as long as Allergan continues to use commercially reasonable efforts to pursue research, development, marketing and/or sale of at least one (1) Chemistry within a Collaboration Target/Chemistry in the Field, an exclusive (even as to ACADIA or the surviving entity), worldwide license, with the right to sublicense pursuant to Section 7.4, under the ACADIA Technology and ACADIA's interest in the Collaboration Technology to the fullest extent necessary to permit Allergan alone to conduct all activities necessary to pursue its rights under this Agreement (subject to Allergan's obligations to pay ACADIA or the surviving entity the milestones set forth in Section 8.5 and the royalties set forth in Sections 8.6(a) and 8.6(b)). [***].

13.4 Termination for Cause. Each party shall have the right to terminate this Agreement upon sixty (60) days' 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 sixty (60) day period following written notice of termination by the non-breaching party.

13.5 Effect of Termination or Expiration; 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. Upon expiration or termination of this Agreement, all rights and obligations of the parties under this Agreement shall terminate, except that the terms of this Section 13.5 (and the provisions referenced herein) and Sections 1, 9.4, 10.1, 10.3, 11.4, 12.1, 12.2, 12.3, 12.4, 14, 15 and 16 of this Agreement shall survive expiration or termination of this Agreement. Promptly after termination of this Agreement, except as otherwise provided in this Section 13.5, each party shall return or dispose of any technology or know-how and Confidential Information of the other party in the accordance with the instructions of such other party, including, without limitation, any compounds, assays or other biological or chemical materials.

(b) Upon termination of this Agreement by Allergan for any reason, other than breach by ACADIA or pursuant to Section 13.3(b), all rights to Licensed Target/Chemistries and Designated Target/Chemistries and to the ACADIA Technology and ACADIA's interest in the Collaboration Technology granted to Allergan under this Agreement shall revert to ACADIA, and all licenses granted by Allergan to ACADIA under Section 7.3 and 7.5(b) of this Agreement and the applicable provisions of Sections 6, 7.4, 8, 9, 10, 12 and 13 shall survive termination and remain in full force and effect for so long as ACADIA is not in breach of its obligations to Allergan under this Agreement.

(c) Upon termination of this Agreement by Allergan pursuant to Section 13.3(b), the licenses described in Section 13.3(b) and the provisions of Sections 6, 7.1(a), 7.1(b), 7.2, 7.3, 7.4, 8.5, 8.6(a), 8.6(b), 8.6(d), 8.6(e), 9, 10, 12 and 13 shall survive termination and remain in full force and effect for so long as the parties are not in breach of their remaining respective obligations under this Agreement.

(d) Upon termination of this Agreement by a party for breach by the other party pursuant to Section 13.4(b), all licenses granted to the non-breaching party under Section 7 of this Agreement and the applicable provisions of Sections 6, 7, 8, 9, 10, 12 and 13 shall survive termination and remain in full force and effect for so long as such non-breaching party is not in breach of its obligations to the other party under this Agreement.

(e) Allergan Fully Paid Up License. Upon expiration of the last Royalty Term for an Allergan Product, Allergan shall have a fully-paid, royalty free, worldwide, 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 such ACADIA Know-How which is Confidential Information.

(f) ACADIA Fully Paid Up License. Upon expiration of the last Royalty Term for an ACADIA Reversion Product, ACADIA shall have a fully-paid, royalty-free, worldwide, non-exclusive, perpetual license to use the Allergan Know-How to manufacture, use and sell such ACADIA Reversion Product. Upon expiration of the last Valid Claim covering an ACADIA Royalty-Free Product, ACADIA shall have a fully-paid, royalty-free, worldwide, non-exclusive, perpetual license to use the Allergan Know-How to manufacture, use and sell such ACADIA Royalty-Free Product; *provided however*, that ACADIA shall have no right to sublicense in the Field any such Allergan Know-How with respect to any ACADIA Royalty-Free Product described in Section 1.5(a), which is Confidential Information.

14. INDEMNITY.

14.1 Indemnification.

(a) ACADIA hereby agrees to save, defend and hold Allergan and its Affiliates and their respective 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"***), to which any of them may become subject as a result of any claim, demand, action or other proceeding by any Third Party

to the extent such Claims arise directly or indirectly out of (a) the development, manufacture, use, handling, storage, sale or other disposition of any Collaboration Target/Chemistries or ACADIA Product by ACADIA or its Affiliates or sublicensees (other than Allergan), or (b) the gross negligence or willful misconduct of ACADIA or its Affiliates or sublicensees, except, in each case, to the extent such Claims result from the gross negligence or willful misconduct of Allergan or its Affiliates or sublicensees.

(b) Allergan hereby agrees to save, defend and hold ACADIA and its Affiliates and their respective directors, officers, employees and agents harmless from and against any and all Claims, to which any of them may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Claims arise directly or indirectly out of (a) the development, manufacture, use, handling, storage, sale or other disposition of any Collaboration Target/Chemistries or Allergan Product by Allergan or its Affiliates or sublicensees (other than ACADIA), or (b) the gross negligence or willful misconduct of Allergan or its Affiliates or sublicensees, except, in each case, to the extent such Claims result from the gross negligence or willful misconduct of ACADIA or its Affiliates or sublicensees.

14.2 Control of Defense. Any entity entitled to indemnification under this Section 14 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.

14.3 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 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 product liability insurance (or self-insure) in amounts consistent with industry standards for other such biotechnology companies during the Term and shall name Allergan as an additional insured with respect to such insurance. ACADIA shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage.

15. GOVERNING LAW; DISPUTE RESOLUTION.

15.1 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.

15.2 Dispute Resolution. Subject to Section 3.4, 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 sixty (60) days 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 sixty (60) day 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.

15.3 Jurisdiction and Venue. Except as provided in Section 3.4 or 15.2 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.

16. General Provisions.

16.1 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
All notices to ACADIA shall be addressed as follows:	ACADIA Pharmaceuticals Inc. 3911 Sorrento Valley Blvd. San Diego, CA 92121 Attn: Vice President, Business Development Fax: (858) 558-2872
with a copy to:	Cooley Godward LLP 4401 Eastgate Mall San Diego, CA 92121 Attn: L. Kay Chandler Fax: (858) 550-6420

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.

16.2 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 commercially reasonable efforts to overcome the same.

16.3 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 1997 Agreement, 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.

16.4 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.

16.5 Disclaimer of Agency or Partnership. 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. In addition, neither party shall be deemed to be a member of a partnership with the other party.

16.6 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.

16.7 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. In the event of such transaction, however, intellectual property rights of the acquiring party to such transaction (if other than one of the parties to this Agreement) will 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 16.7 shall be of no force or effect. Notwithstanding the foregoing provisions of this Section 16.7, 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 [***].

16.8 Headings. The headings contained in this Agreement are inserted for reference only and shall not be deemed a part of the text hereof.

16.9 Limitation of Liability. EXCEPT FOR AMOUNTS PAYABLE UNDER SECTIONS 8 AND 14 AND LIABILITY FOR BREACH OF CONFIDENTIALITY OR FOR INFRINGEMENT OR MISAPPROPRIATION, 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.

16.10 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.

16.11 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.

16.12 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 so that such initial announcement or press release is made within forty-five (45) days of the Effective Date.

16.13 Export. The parties agree not to export, directly or indirectly, any U.S. source technical data acquired from the other party or any products utilizing such data to

countries outside the United States, which export may be in violation of the United States export laws or regulations.

16.14 [***]

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have duly executed this **COLLABORATIVE RESEARCH, DEVELOPMENT AND LICENSE** Agreement.

ACADIA PHARMACEUTICALS INC.

By /s/ ULI HACKSELL

Title CEO

ALLERGAN, INC.

By /s/ LESTER J. KAPLAN

Title Corporate V.P.

[SIGNATURE PAGE TO COLLABORATIVE RESEARCH, DEVELOPMENT AND LICENSE AGREEMENT]

EXHIBIT A

ACADIA PATENTS AS OF THE EFFECTIVE DATE

[***]

***Confidential Treatment Requested**

EXHIBIT B

FORM OF MATERIALS TRANSFER AGREEMENT

[***]

***Confidential Treatment Requested**

LIST OF SUBSIDIARIES

NAME	JURISDICTION OF INCORPORATION
ACADIA Pharmaceuticals A/S	Denmark

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated February 25, 2004 relating to the financial statements of ACADIA Pharmaceuticals Inc., which appears in such Registration Statement. We also consent to the references to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

San Diego, California
February 26, 2004