UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2003

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 0-19311

Biogen Idec Inc.

(Exact name of registrant as specified in its charter)

Delaware	**33-0112644**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

14 Cambridge Center, Cambridge, Massachusetts 02142

(Address of principal executive offices) (Zip code)

(617) 679-2000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $0.0005 par value

Series X Junior Participating Preferred Stock Purchase Rights

(Title of class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☑ No o

The aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant (without admitting that any person whose shares are not included in such calculation is an affiliate) computed by reference to the price at which the common stock was last sold as of the last business day of the Registrant's most recently completed fiscal quarter was $4,762,181.085.

As of February 20, 2004, the Registrant had 331,996,625 shares of Common Stock, $0.0005 par value, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for our 2004 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.

BIOGEN IDEC INC.

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended December 31, 2003

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PART I

Item 1. *Business.*

Overview

In November 2003, Biogen, Inc. and IDEC Pharmaceuticals Corporation merged under the name Biogen Idec Inc., bringing together the complementary strengths of each company. Biogen Idec creates new standards of care in oncology and immunology. As a global leader in the development, manufacturing, and commercialization of novel therapies, we transform scientific discoveries into advances in human healthcare. We currently have four commercial products: AVONEX® (Interferon beta-1a) for the treatment of relapsing multiple sclerosis, also known as MS, RITUXAN® (rituximab) and ZEVALIN® (ibritumomab tiuxetan), both of which treat certain B-cell non-Hodgkin's lymphomas, also referred to as B-cell NHLs, and AMEVIVE® (alefacept) for the treatment of adult patients with moderate-to-severe chronic plaque psoriasis who are candidates for systemic therapy or phototherapy. We also receive revenues from royalties on sales by our licensees of a number of products covered under patents that we control including sales of RITUXAN outside the U.S. In addition, we have a pipeline of development stage products and a number of research programs in our core therapeutic areas and in other areas of interest.

AVONEX is the most prescribed therapeutic product in MS worldwide. Globally over 125,000 patients have chosen AVONEX as their treatment of choice. In 2003, sales of AVONEX generated worldwide revenues of $1.16 billion as compared to revenues of $1.03 billion from sales of AVONEX in 2002.

RITUXAN, the first monoclonal antibody approved by the U.S. Food and Drug Administration for a cancer therapy indication, is currently marketed and sold worldwide for the treatment of various B-cell NHLs. We market RITUXAN in the U.S. in collaboration with Genentech, Inc. All U.S. sales of RITUXAN are recognized by Genentech and we record our share of the pretax copromotion profits on a quarterly basis. In 2003, RITUXAN generated U.S. net sales of $1.36 billion of which we recorded $419.2 million as our share of copromotion profits as compared to U.S. net sales of $1.08 billion in 2002 of which we recorded $324.5 million as our share of copromotion profits. F. Hoffmann-La Roche Ltd. sells rituximab outside the U.S., except in Japan where it copromotes RITUXAN in collaboration with Zenyaku Kogyo Co. Ltd. We received royalties on sales of rituximab outside of the U.S. of $67.9 million in 2003 as compared to $45.4 million in 2002. RITUXAN is the trade name used for rituximab in the U.S., Canada and Japan, and MabThera is the trade name in the European Union, or EU. In this Form 10-K, we refer to rituximab, RITUXAN and MabThera collectively as RITUXAN, except where we have otherwise indicated.

In February 2002, ZEVALIN became the first radioimmunotherapy approved by the FDA for the treatment of cancer. ZEVALIN is approved as a treatment for relapsed or refractory low-grade, follicular, or transformed B-cell NHL including patients with RITUXAN refractory follicular NHL. We launched ZEVALIN in the U.S. in April 2002. In 2003, sales of ZEVALIN in the U.S. generated revenues of $19.6 million as compared to revenues of $13.7 million in 2002. Outside the U.S., we have licensed our marketing rights in ZEVALIN to Schering AG. In January 2004, the European Agency for the Evaluation of Medicinal Products, or EMEA, the regulatory authority in the EU, granted marketing approval of ZEVALIN in the EU for the treatment of adult patients with CD20+ follicular B-cell NHL who are refractory to or have relapsed following RITUXAN therapy.

AMEVIVE was approved in the U.S. in January 2003 for the treatment of adult patients with moderate-to-severe chronic plaque psoriasis who are candidates for systemic therapy or phototherapy. In 2003, sales of AMEVIVE generated revenues of $40.4 million. In February 2003, the European Committee for Proprietary Medicinal Products, the scientific advisory board of the EMEA, determined that more information was required to approve AMEVIVE in the EU. We withdrew our application for approval. We plan to develop the additional information necessary to obtain approval of AMEVIVE for the treatment of psoriasis in the EU. Developing the data and re-filing the application may take several years.

In addition to ongoing development work with our marketed products, including studies of RITUXAN in rheumatoid arthritis, we continue to devote significant resources to other ongoing development efforts. These

efforts include our collaboration with Elan Corporation plc on the development of ANTEGREN® (natalizumab), as a potential treatment for MS, Crohn's disease and rheumatoid arthritis, our collaboration with Fumapharm AG on development of an oral therapy as a potential treatment for psoriasis and MS, our development of Anti-CD80 (Anti-B7.1) as a potential treatment for non-Hodgkin's lymphomas, also referred to as NHLs, and autoimmune diseases, and our development of Anti-CD23 as a potential treatment for allergic rhinitis, allergic asthma and chronic lymphocytic leukemia, also referred to as CLL.

We also have a number of preclinical and earlier-stage research programs. Our research strategy is to direct our primary effort toward finding therapeutics in our focus areas: oncology, neurology, dermatology and rheumatology. We supplement our internal research efforts to find novel therapeutics in these areas and in other areas of interest with genomics tools and other innovative technologies. We also seek to advance our research efforts through collaborations. We believe that our biologically-focused research strength, along with expertise in protein and bio-organic chemistry, will allow us to be in a position to capitalize on the potential of the post-genomics era.

Merger. On November 12, 2003, Bridges Merger Corporation, a wholly owned subsidiary of IDEC Pharmaceuticals Corporation, was merged with and into Biogen, Inc. with Biogen, Inc. continuing as the surviving corporation and a wholly owned subsidiary of IDEC Pharmaceuticals Corporation. At the same time, IDEC Pharmaceuticals Corporation changed its name to Biogen Idec Inc. The merger and name change were made under an Agreement and Plan of Merger dated as of June 20, 2003. As a result of the merger, each issued and outstanding share of Biogen, Inc. common stock was converted into the right to receive 1.15 shares of Biogen Idec common stock. Our stock trades on the Nasdaq National Market under the symbol BIIB. The results of Biogen, Inc.'s operations from November 13, 2003, the day after the effective date of the merger, to December 31, 2003 have been included in the consolidated financial statements filed in this Annual Report on Form 10-K.

Available Information. We are a Delaware corporation with principal executive offices located at 14 Cambridge Center, Cambridge, Massachusetts 02142. Our telephone number is (617) 679-2000 and our web site address is www.biogenidec.com. We make available free of charge through the Investor Relations section of our web site our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission, or the SEC. We include our web site address in this Annual Report on Form 10-K only as an inactive textual reference and do not intend it to be an active link to our web site.

Our Products and Primary Product Candidates — Table

Our products and our primary product candidates are targeted to address a variety of key medical needs in the areas of oncology, neurology, dermatology and rheumatology. These products and product candidates and our development and/or marketing partners, if any, are described in the following table.

Candidate	Product/Product Indication(s)	Status	Development and/or Marketing Partners
AVONEX	Certain forms of MS	Approved — Worldwide	None
RITUXAN	Certain B-cell NHLs	Approved — Worldwide	Genentech (U.S.) Roche outside U.S. and Japan) Zenyaku and Roche (Japan)
	Rheumatoid arthritis	Phase 3	Genentech (U.S.) Roche (outside U.S. and Japan)
	CLL	Phase 3	Genentech (U.S.) Roche (outside U.S. and Japan)
ZEVALIN	Certain B-cell NHLs (radioimmunotherapy)	Approved — U.S. and EU	Schering AG (outside U.S.)
AMEVIVE	Moderate-to-severe chronic plaque psoriasis	Approved — U.S. Withdrawn — EU; Under regulatory review — Australia, Canada, Israel, New Zealand, and Switzerland	None
ANTEGREN	MS	Phase 3; expect to file BLA with FDA mid-year 2004	Elan
	Crohn’s disease	Phase 3; additional Phase 3 trial expected to begin in 2004	Elan
	Rheumatoid arthritis	Phase 2 expected to begin in first half of 2004	Elan
Oral Fumarate	Psoriasis	Phase 3 in EU; Second Phase 3 expected to begin in first half of 2005	Fumapharm (development in EU; marketing in Germany)
	MS	Phase 2 expected to begin in second half of 2004	None
Anti-CD80 (Anti-B7.1)	NHL	Completed Phase 1/2 in relapsed or refractory follicular lymphoma	None
Anti-CD23	Allergic rhinitis, allergic asthma and CLL	Phase 1/2 in allergic asthma; Phase 2 pilot in seasonal allergic rhinitis; Phase 1 in CLL	None

Our Products

AVONEX

We currently market and sell AVONEX worldwide for the treatment of relapsing MS. In 2003, sales of AVONEX generated worldwide revenues of $1.17 billion as compared to revenues of $1.03 billion in 2002. Prior to the merger, AVONEX was sold by Biogen, Inc. Our 2003 consolidated financial statements include only those operations of Biogen, Inc. that occurred during the period between November 13, 2003, the day after the effective date of the merger, and December 31, 2003. Our revenues from AVONEX during this post-merger period were $142.6 million.

MS is a progressive neurological disease in which the body loses the ability to transmit messages along nerve cells, leading to a loss of muscle control, paralysis and, in some cases, death. Patients with active relapsing MS experience an uneven pattern of disease progression characterized by periods of stability interrupted by flare-ups of the disease after which the patient returns to a new baseline of functioning. AVONEX is a recombinant form of a protein produced in the body by fibroblast cells in response to viral infection. AVONEX has been shown in clinical trials in relapsing forms of the disease both to slow the accumulation of disability and to reduce the frequency of flare-ups. Biogen, Inc. began selling AVONEX in the U.S. in 1996, and in the EU in 1997. Currently AVONEX is on the market in more than 60 countries. Based on data from an independent third party research organization, our distributors and internal analysis, we believe that AVONEX is the most prescribed therapeutic product for the treatment of MS worldwide. Globally, over 125,000 patients have selected AVONEX as their treatment of choice. AVONEX is also the only product in the MS market that is currently covered by Medicare.

As part of our commitment to AVONEX, we work to make treatment more convenient. In May 2003, the FDA approved a new pre-filled syringe formulation which became available in the U.S. in August 2003 and replaced the dry powder form. We plan to reintroduce the dry powder form as an additional alternative in the U.S. in 2004. The new formulation was approved by the EMEA in July 2003 and is being made available in the EU on a country-by-country basis. We continue to explore other ways to improve the delivery and convenience of AVONEX.

We also continue to work to expand the quantity and quality of data available about AVONEX. The AVONEX label was amended in January 2003 to include in the indication section MS patients with a first clinical episode and MRI features consistent with MS. This label change is based on the data from our Controlled High Risk AVONEX Multiple Sclerosis Prevention Study, or CHAMPS. In CHAMPS, AVONEX was shown to have a highly statistically significant beneficial effect on delaying the onset of a second exacerbation in patients who had experienced a single neurological event consistent with MS. Based on the CHAMPS data, the regulatory authorities in the EU made a similar change to the AVONEX label in 2002. Given the chronic nature of MS, we continue to study the long-term use of AVONEX. In May 2003, we announced that data presented at the Consortium of Multiple Sclerosis Centers' annual meeting demonstrated that AVONEX was generally well tolerated and produced low levels of neutralizing antibodies in patients treated for up to eight years

An important component of our activities related to AVONEX is our ongoing clinical trial work. In September 2003, we announced the results of our Controlled High Risk AVONEX Multiple Sclerosis Prevention Study In Ongoing Neurological Surveillance, or CHAMPIONS, an extension of CHAMPS, which was designed to determine whether the effect of early treatment with AVONEX in delaying relapses and reducing the accumulation of MS brain lesions could be sustained for up to five years. The study results showed that AVONEX altered the long-term course of MS in patients who began treatment immediately after their initial MS attack compared to initiation of treatment more than two years after onset of symptoms. We decided to extend CHAMPIONS for an additional five years in order to determine if the effects of early treatment can be sustained for up to 10 years. We also recently completed a long-term, safety extension study of AVONEX in patients with relapsing MS and continue to support Phase 4 investigator-run studies evaluating AVONEX in combination with other therapies.

RITUXAN

RITUXAN, the first monoclonal antibody approved in the U.S. for a cancer therapy indication, is currently marketed and sold worldwide for the treatment of various B-cell NHLs. We market RITUXAN in the U.S. in collaboration with Genentech. In 2003, RITUXAN generated U.S. net sales of $1.36 billion of which we recorded $419.2 million as our share of copromotion profits as compared to U.S. net sales of $1.08 billion in 2002 of which we recorded $324.5 million as our share of copromotion profits. Roche sells RITUXAN outside the U.S., except in Japan where it copromotes RITUXAN in collaboration with Zenyaku. We received royalties on sales of RITUXAN outside of the U.S. of $67.9 million in 2003 as compared to $45.4 million in 2002.

In the U.S., we copromote RITUXAN with Genentech and share responsibility with Genentech for continued development. Such continued development includes conducting supportive research and post-approval clinical studies and seeking potential approval for additional indications. Genentech provides the support functions for the commercialization of RITUXAN in the U.S., including marketing, customer service, order entry, distribution, shipping and billing, and has worldwide manufacturing responsibilities. The original collaboration agreement with Genentech was entered into in 1995. In June 2003, we amended and restated the collaboration agreement to include the development and commercialization of other humanized anti-CD20 antibodies targeting B-cell disorders for a broad range of indications. We will share responsibility with Genentech for development in the U.S. of any new products developed under the agreement, and we will also copromote with Genentech any such new products in the U.S.

RITUXAN is approved in the U.S. for single agent use in relapsed or refractory, low grade or follicular CD20-positive B-cell NHL, which comprise approximately half of the B-cell NHLs diagnosed in the U.S. RITUXAN is administered as outpatient therapy by personnel trained in administering chemotherapies or biologics. A standard course of RITUXAN therapy consists of four intravenous infusions given on days one, eight, 15 and 22, unlike chemotherapy which is given typically in repeating cycles for up to four to eight months. RITUXAN is also approved to be administered as an 8-dose regimen, for retreatment of patients with B-cell NHL who have previously responded to RITUXAN and for use in patients who have bulky tumors. RITUXAN is unique in the treatment of B-cell NHLs due to its specificity for the antigen CD20, which is expressed only on the surface of normal B cells and malignant B cells. Stem cells (including B-cell progenitors or precursor B-cells) in bone marrow lack the CD20 antigen. This allows healthy B-cells to regenerate after treatment with RITUXAN and return to normal levels within several months. RITUXAN's mechanism of action utilizes the body's own immune system as compared to conventional lymphoma therapies.

RITUXAN in Oncology. In an effort to identify expanded applications for RITUXAN, we, in conjunction with Genentech and Roche, continue to support RITUXAN post-marketing studies. Ongoing and completed Phase 2 and 3 studies suggest that RITUXAN may have promise as a front-line therapy in combination with various chemotherapies in indolent and aggressive B-cell NHLs, as a single agent in the treatment of aggressive B-cell NHLs and CLL, and as maintenance therapy in indolent B-cell NHLs. These studies include:

- A randomized Phase 3 study of the addition of RITUXAN to a chemotherapy regimen of cyclophosphamide, vincristine and prednisone, also known as CVP, in previously untreated, or front line patients with indolent NHL. In this investigator-run study, 321 patients who had not received previous treatment for CD20 positive follicular or indolent NHL were randomized to receive either CVP alone or CVP with RITUXAN. The initial results of the study indicated that the addition of RITUXAN to CVP prolonged time to treatment failure, the primary endpoint of the study, to 26 months compared to seven months for patients treated with CVP alone. Based on this study, in January 2004, Roche filed an application with the EMEA for a change to the MabThera label to expand the indication to include front-line treatment of indolent non-Hodgkin's lymphoma in combination with conventional chemotherapy.

- A randomized Phase 3 study, known as E4494, of patients age 60 or older with newly diagnosed, diffuse, large B-cell, or aggressive NHL, comparing a chemotherapy regimen consisting of cyclophosphamide, doxorubin, vincristine and prednisone, also known as CHOP, alone to a regimen of

RITUXAN plus CHOP, also known as R-CHOP, as a front-line or induction therapy followed by RITUXAN maintenance therapy or observation for those patients who responded positively to either R-CHOP or CHOP alone. The study is a U.S. Intergroup study led by the Eastern Cooperative Oncology Group (ECOG). The primary endpoint of the induction and maintenance phases of the study was time to treatment failure. Due to the observed interaction between RITUXAN maintenance and induction therapy, additional analyses were performed to compare induction therapy with R-CHOP versus CHOP alone, removing the effects of subsequent RITUXAN maintenance therapy. Based on these additional analyses, the investigators concluded that patients who received R-CHOP induction therapy experienced prolonged time to treatment failure and overall survival compared to patients who received induction therapy with CHOP alone. In the maintenance phase of the study, patients treated with RITUXAN maintenance for up to an additional two years after completing induction therapy had a statistically significant delay in time to treatment failure compared to patients who did not receive RITUXAN maintenance therapy following induction. At the time of the interim analysis, this advantage appears predominantly confined to patients who received CHOP alone during the induction phase. There appears to be no difference in overall survival between the RITUXAN maintenance and observation arms, though the investigators believe additional follow up is necessary.

- A multi-center, randomized Phase 2 study of 114 patients with relapsed indolent NHL designed to compare the efficacy of RITUXAN maintenance therapy to retreatment with RITUXAN. Maintenance therapy was defined as treatment with RITUXAN every six months for two years with the objective of keeping lymphoma from returning or progressing. Retreatment was defined as waiting until the disease progressed prior to administering another course of RITUXAN. The initial results of this investigator-run study showed that patients who received RITUXAN maintenance therapy experienced 31 months of progression-free survival as compared to eight months of progression-free survival for those patients who received retreatment.

- A large Phase 3 randomized study of 800 patients, known as MinT, designed to evaluate RITUXAN in combination with chemotherapy as a front-line treatment for aggressive large, B-cell NHL in patients age 18 to 60. This study, which was conducted by an international cooperative group and sponsored by Roche, met its pre-specified primary efficacy endpoint early. A pre-planned analysis of the study data by an independent data monitoring committee demonstrated a statistically significant improvement in time to treatment failure for patients receiving RITUXAN and chemotherapy compared to chemotherapy alone.

- A Phase 3 study, known as E1496, designed to compare RITUXAN maintenance therapy versus observation in patients with previously untreated indolent NHL who achieved stable disease or better after induction therapy with CVP. The study, which was led by ECOG, met its pre-specified primary efficacy endpoint early. A pre-planned analysis of the study data by an independent ECOG Data Monitoring Committee demonstrated a statistically significant improvement in time to treatment failure for patients receiving RITUXAN maintenance therapy. At the time the study was stopped, 322 patients who responded or had stable disease following induction CVP chemotherapy had been randomized to receive either RITUXAN maintenance therapy or no further treatment. Data from this study are expected to be presented at a medical meeting in 2004.

We, along with Genentech and Roche, also recently initiated a multicenter global Phase 3 registrational study in patients with relapsed CLL comparing the use of fludarabine, cyclophosphamide and RITUXAN together, known as FCR, versus fludarabine and cyclophosphamide alone. This study is open at multiple sites worldwide and recently began patient recruitment. Additional clinical studies are ongoing in other B-cell malignancies such as lymphoproliferative disorders associated with solid organ transplant therapies, relapsed aggressive NHL and mantle cell NHL.

RITUXAN in Immunology. We are also studying the use of RITUXAN in autoimmune diseases. Along with Genentech and Roche, we are conducting Phase 3 studies of RITUXAN in rheumatoid arthritis, or RA. In October 2003, we, along with Genentech and Roche, announced positive results from an extended Phase 2 study of 161 patients with active, long-standing RA who had not responded or had inadequate

response to other therapies. The study showed that a single, short course of treatment with RITUXAN significantly improved symptoms in patients with severe RA for up to 48 weeks. The study was four arm, placebo controlled trial in which patients were randomized to receive RITUXAN alone, RITUXAN in combination with cyclophosphamide, RITUXAN in combination with methotrexate or methotrexate alone. Investigators followed-up with patients at 48 weeks in order to assess duration of response beyond the initial endpoint of 24 weeks. At 48 weeks, investigators found that patients receiving the combination of RITUXAN and methotrexate had the greatest improvement in symptoms: 65% patients showed at least a 20% improvement, 35% showed at least a 50% improvement and 15% showed at least a 70% improvement.

ZEVALIN

In 2002, we began marketing and selling ZEVALIN in the U.S. ZEVALIN, as part of the ZEVALIN therapeutic regimen, is indicated for the treatment of patients with relapsed or refractory low-grade, follicular, or transformed B-cell non-Hodgkin's lymphoma, including patients with RITUXAN relapsed or refractory non-Hodgkin's lymphoma. In 2003, sales of ZEVALIN in the U.S. generated revenues of $19.6 million as compared to revenues of $13.7 million in 2002. In January 2004, the EMEA granted marketing approval of ZEVALIN in the EU for the treatment of adult patients with CD20+ follicular B-cell NHL who are refractory to or have relapsed following RITUXAN therapy.

Radiation therapy plays an important role in the management of B-cell lymphomas due to the sensitivity of B-cell tumors to radiation. Traditional radiation therapy consists of an external beam of radiation focused on isolated areas of the body or areas with high tumor burden. The ZEVALIN therapeutic regimen combines a monoclonal antibody with a radioisotope. Following intravenous infusion, the monoclonal antibody recognizes and attaches to the CD20 antigen. This allows ZEVALIN to specifically target B-cells, destroying the malignant NHL B-cells and also normal B-cells.

ZEVALIN therapy consists of two kits: an imaging kit for use with indium-111 and a therapeutic kit for use with yttrium-90. The ZEVALIN therapeutic regimen can be completed on an outpatient basis in approximately one week and includes:

- administration of one dose of RITUXAN to deplete peripheral blood B cells and improve ZEVALIN biodistribution;
- imaging with the ZEVALIN imaging kit using indium-111, followed by gamma camera images at two to 24 hours, 48 to 72 hours, and an optional image at 90 to 120 hours, to confirm biodistribution of ZEVALIN;
- if acceptable biodistribution of ZEVALIN is demonstrated, another dose of RITUXAN is administered; and
- infusion of the ZEVALIN therapeutic kit using yttrium-90.

We are working with third party investigators to expand the quality and quantity of data available about ZEVALIN. We recently announced the results of a new analysis of long-term durable responses among a subset of patients with relapsed, refractory or transformed indolent B-cell NHL who were treated with ZEVALIN in four registrational trials that were conducted between 1996 and 1999. Among this subset of 211 patients, 37% experienced time to treatment failure of 12 months or more. In addition, preliminary results of a Phase 2 study evaluating efficacy and safety of ZEVALIN in patients with relapsed and refractory mantle cell lymphoma showed that ZEVALIN was well tolerated and that of 12 patients treated with ZEVALIN three achieved complete remission and one had a partial remission.

AMEVIVE

In February 2003, Biogen, Inc. began marketing and selling AMEVIVE in the U.S. for the treatment of patients with moderate-to-severe chronic plaque psoriasis who are candidates for systemic therapy or phototherapy. Psoriasis is an autoimmune skin disease in which skin cells multiply 10 times faster than the normal rate. The excess cells pile up on the skin's surface, forming red, raised, scaly plaques that can be

painful and disfiguring. AMEVIVE is a systemic therapy that works by helping to rebalance the overactive cells in the immune system that cause psoriasis. These cells, called T-cells, are central to the immune response when working properly, but are directed inappropriately against the body's own tissues in psoriasis and other autoimmune disorders. AMEVIVE has a dual mechanism of action that is designed to interfere with T-cell activation and to reduce the number of so-called memory T-cells. The ability to reduce the number of memory T-cells may explain the disease remitting effect of AMEVIVE.

In 2003, sales of AMEVIVE generated revenues of $40.4 million. Prior to the merger, AMEVIVE was sold by Biogen, Inc. Our 2003 consolidated financial statements include only those operations of Biogen, Inc. that occurred during the period between November 13, 2003, the day after the effective date of the merger, and December 31, 2003. Our revenues from AMEVIVE during this post-merger period were $9.4 million.

In February 2003, the CPMP determined that more information was required to approve AMEVIVE in the EU. We withdrew our application for approval. We plan to develop the additional information necessary to obtain approval of AMEVIVE for the treatment of psoriasis in the EU. Developing the data and re-filing the application may take several years. Our filings for approval in Australia, Canada, Israel, New Zealand and Switzerland are currently being reviewed by regulatory authorities.

We continue to conduct clinical studies of AMEVIVE. For example, we are investigating AMEVIVE in combination with other systemic therapies. As part of our post marketing commitments to the FDA, we are also conducting a Phase 3b international study designed to provide further safety data regarding the use of AMEVIVE. We have also initiated Phase 2 clinical studies of AMEVIVE in patients with psoriatic arthritis. In 2004, we expect to begin clinical studies exploring alternative dosing regimens for AMEVIVE.

Our Primary Product Candidates

We focus our research and development efforts not only on continuing to develop and study our commercial products but also on finding novel therapeutics in areas of high unmet medical need particularly in our key focus areas of oncology, neurology, dermatology and rheumatology. Our programs include:

ANTEGREN

The furthest along of our development-stage products is ANTEGREN, a humanized monoclonal antibody that is the first of a new class of potential therapeutics known as selective adhesion molecule inhibitors. We are developing ANTEGREN in collaboration with Elan as a potential treatment for MS, Crohn's disease and RA. In MS, immune cells migrate through the blood-brain barrier into the brain leading to inflammation and destruction of the myelin sheath (the insulation for the nerves) and eventual nerve cell death. In Crohn's disease, a similar process of inflammation occurs in the gastrointestinal tract. Adhesion molecules on the surface of the immune cells play an important role in the migration of the immune cells in the inflammatory process. ANTEGREN binds to a specific adhesion molecule on the immune cell surface known as alpha-4 integrin. By binding to alpha-4 integrin, ANTEGREN is designed to selectively inhibit immune cells from leaving the bloodstream and to prevent these cells from migrating into tissue (the gastrointestinal tract in Crohn's disease, the brain in MS and the joints in RA) where they may otherwise cause or maintain inflammation.

With Elan, we are conducting two Phase 3 studies of ANTEGREN in MS, each of which is fully enrolled, and have completed two Phase 3 studies of ANTEGREN in Crohn's disease. In February 2004, we announced that we intend to submit to the FDA a Biologics License Application, or BLA, for approval of ANTEGREN as a treatment for MS. We expect to submit the BLA mid-year 2004. The decision to file the BLA was made after discussions with the FDA of one-year data from the two ongoing Phase 3 studies. We did not announce the one-year data in order to protect the integrity of data still to be collected in the studies. The two studies, known as the AFFIRM (natalizumab safety and efficacy in relapsing-remitting MS) study and the SENTINEL (safety and efficacy of natalizumab in combination with AVONEX) study, are each two-year, randomized, multi-center, placebo-controlled and double-blinded studies. The AFFIRM study is designed to evaluate the ability of natalizumab to slow the progression of disability in MS and reduce the rate of clinical relapses. The SENTINEL study is designed to evaluate the effect of the combination of

natalizumab and AVONEX compared to treatment with AVONEX alone in slowing progression of disability and reducing the rate of clinical relapses. Both studies have protocols that included a one-year analysis of the data. The primary endpoints for both Phase 3 two-year studies are based on the Expanded Disability Status Scale and relapse rates. The pre-specified primary endpoint of the one-year analysis was relapse rates. We are committed to completing the two-year studies.

We announced the results of the first Crohn's disease study in July 2003. In that study, known as ENACT-1 (Evaluation of Natalizumab as Continuous Therapy-1), the primary endpoint of "response," as defined by a 70-point decrease in the Crohn's Disease Activity Index, or CDAI, at week 10, was not met. We announced results from the second Crohn's disease study in January 2004. In that study, the primary endpoint of "maintenance of response," as defined by a sustained CDAI score of less than 220 as well as no use of rescue intervention throughout six months of the study, was met. This double-blind, placebo controlled study known as ENACT-2 (Evaluation of Natalizumab as Continuous Therapy-2) enrolled responders from ENACT-1. These 428 patients were re-randomized to one of two treatment groups, ANTEGREN or placebo, both administered monthly for a total of 12 months. The primary endpoint looked at results through month six. Additional analysis will be performed at other timepoints. Through month six, there was a significant treatment difference of greater than 30 percent in favor of patients taking ANTEGREN compared to those taking placebo. There was no notable difference in the overall rates of side effects between natalizumab and placebo treatment groups in either trial. The most common adverse events seen in the two trials were headache, nausea, and abdominal pain across both the treatment and placebo groups. We plan to initiate an additional Phase 3 study of ANTEGREN in Crohn's disease in 2004.

With Elan, we recently filed an Investigational New Drug Application for ANTEGREN for the treatment of rheumatoid arthritis with the FDA. We expect to commence a Phase 2 clinical study of ANTEGREN in rheumatoid arthritis in the first half of 2004.

ORAL FUMARATE

In October 2003, we licensed from Fumapharm exclusive rights to develop and market a potential oral therapy for psoriasis, MS and other autoimmune and inflammatory diseases. The product is a second-generation fumarate derivative with an immunomodulatory mechanism of action. A first-generation product is currently marketed by Fumapharm as FUMADERM® in Germany, where it is the most prescribed oral systemic treatment for moderate-to-severe psoriasis. Fumapharm has completed a Phase 2 double blind, multi-center clinical study of the second-generation product in psoriasis, and is currently conducting Phase 3 clinical studies in psoriasis in the EU. Data from the Phase 2 study will be announced at a medical meeting in 2004. We plan to collaborate with Fumapharm to accelerate the Phase 3 clinical development and registration program for psoriasis worldwide. We expect to begin Phase 2 clinical study of the second generation product in MS in the second half of 2004 and expect to begin a second Phase 3 clinical study of the product in psoriasis in the first half of 2005.

ANTI-CD80 (Anti-B7.1)

The CD80 antigen is expressed on the surface of follicular and other lymphoma cells. In December 2003, we announced results from a Phase 1/2 clinical study designed to evaluate the safety, efficacy and pharmokinetics of multiple doses of an anti-CD80 antibody developed using our Primatized® antibody technology in patients with relapsed or refractory follicular lymphoma. The Anti-CD80 antibody was well tolerated, with observation of clinical responses in patients treated with higher doses. Additionally, interim data from a Phase 1/2 clinical study of the anti-CD80 antibody in combination with RITUXAN showed that the combination is well tolerated with evidence of clinical response. We are still awaiting final results of this study.

ANTI-CD23

Antibodies against the CD23 receptor on various white blood cells inhibit the production of immune system molecules called immunoglobulin class E, or IgE, which are known to trigger allergic conditions. CD23

is also highly expressed on the surface of certain cells in patients with CLL. Anti-CD23 antibodies may provide a unique approach to treating illnesses such as allergic rhinitis, allergic asthma, and CLL. We are conducting a Phase 1/2 clinical study of an anti-CD23 antibody developed using our Primatized antibody technology in allergic asthma and have completed a Phase 2 pilot study in seasonal allergic rhinitis. In these studies, the anti-CD23 antibody has been well tolerated. Results have shown a notable reduction in total and allergen specific IgE levels, however, no significant effect on clinical symptom scores has been observed. In September 2002, we initiated a Phase 1 study of this antibody in CLL. Preliminary results from this study suggest that the anti-CD23 antibody is well tolerated, with early evidence of clinical activity in patients with previously treated CLL.

Other Research and Development Programs

We also have a pipeline of earlier stage programs in our focus areas and in other areas of interest. For example:

- We are developing a humanized monoclonal antibody directed against alpha-1/beta-1 integrin (VLA-1). VLA-1 is found on a variety of cells associated with tissue inflammation and fibrosis, including activated T-cells, macrophages and myofibroblasts. Reduction of VLA-1 activity is associated with sharply reduced inflammation and fibrosis in experimental models of disease.

- We are developing several oncology product candidates, including: an anti-lymphotoxin beta receptor monoclonal antibody that has shown activity in inhibiting tumor growth in animal models, an anti-TAG72 antibody designed as a radioimmunotherapy for the treatment of carcinomas that targets the tumor site while minimizing the radiation to normal tissues such as bone marrow, and Cripto antibody, a monoclonal antibody that is designed to inhibit Cripto, a novel cell surface signaling molecule that is over-expressed in solid tumors.

- In separate collaborations with Genentech, we are developing a new humanized anti-CD20 antibody targeting B-cell disorders for a broad range of indications, and a BR3 protein therapeutic as a potential treatment for disorders associated with abnormal B-lymphocyte activity, such as rheumatoid arthritis and lupus.

- In November 2003, we announced positive results from a Phase 2 clinical study of a small molecule antagonist of the adenosine A1 receptor in patients with stable congestive heart failure. The adenosine A1 receptor mediates vasoconstriction, renal function and reabsorbtion of fluids in the kidney.

We also have a number of other ongoing research programs. Our research strategy is to direct our primary effort toward finding therapeutics in our focus areas: oncology, neurology, dermatology and rheumatology. We supplement our internal research efforts to find novel therapeutics in these areas and in other areas of interest with genomics tools and other innovative technologies. We seek to advance our research efforts and expand our product pipeline through collaborations.

Research and Development Costs

For the years ended December 31, 2003, 2002 and 2001, our research and development costs were approximately $233.3 million, $100.9 million and $90.5 million, respectively. Research and development costs for 2003 include the results of operations of Biogen, Inc. only for the period from November 13, 2003, the day after the effective date of the merger, through December 31, 2003.

Principal Licensed Products

In addition to royalties on sales of RITUXAN outside the U.S. that we receive as part of our collaboration with Genentech, as described above, we receive royalties from sales by our licensees of a number of products covered under patents that we control. For example:

- We receive royalties from Schering-Plough Corporation on sales of its alpha interferon products in the U.S. and Italy under an exclusive license to our alpha interferon patents and patent applications.

Schering-Plough sells its INTRON® A (interferon alfa-2b) brand of alpha interferon in the U.S. for a number of indications, including the treatment of chronic hepatitis B and hepatitis C. Schering-Plough also sells other alpha interferon products for the treatment of hepatitis C, including REBETRON® Combination Therapy containing INTRON A and REBETOL® (ribavirin, USP), PEG-INTRON® (peginterferon alfa-2b), a pegylated form of alpha interferon, and PEG-INTRON in combination with REBETOL. See "Patents and Other Proprietary Rights — Recombinant Alpha Interferon."

- We hold several important patents related to hepatitis B antigens produced by genetic engineering techniques. See "Patents and Other Proprietary Rights — Recombinant Hepatitis B Antigens." These antigens are used in recombinant hepatitis B vaccines and in diagnostic test kits used to detect hepatitis B infection. We receive royalties from sales of hepatitis B vaccines in several countries, including the U.S., from GlaxoSmithKline plc and Merck and Co. Inc. We have also licensed our proprietary hepatitis B rights, on an antigen-by-antigen and nonexclusive basis, to several diagnostic kit manufacturers, including Abbott Laboratories, the major worldwide marketer of hepatitis B diagnostic kits. For a discussion of the length of the royalty obligation of GlaxoSmithKline and Merck on sales of hepatitis B vaccines and the obligation of our other licensees on sales of hepatitis B-related diagnostic products, see "Patents and Other Proprietary Rights — Recombinant Hepatitis B Antigens."

- We also receive ongoing royalties on sales of the recombinant human growth hormone product, Genotropin®, by Pfizer, Inc. in the U.S., Canada and Japan, and on sales of ANGIOMAX® (bivalirudin) by The Medicines Company, also known as TMC. TMC sells ANGIOMAX in the U.S. for use as an anticoagulant in combination with aspirin in patients with unstable angina undergoing percutaneous transluminal coronary angioplasty. TMC sells ANGIOMAX through distributors in Europe, Canada and Latin America.

Patents and Other Proprietary Rights

We have filed numerous patent applications in the U.S. and various other countries seeking protection of inventions originating from our research and development, including a number of our processes and products. Patents have been issued on many of these applications. We have also obtained rights to various patents and patent applications under licenses with third parties, which provide for the payment of royalties by us. The ultimate degree of patent protection that will be afforded to biotechnology products and processes, including ours, in the U.S. and in other important markets remains uncertain and is dependent upon the scope of protection decided upon by the patent offices, courts and lawmakers in these countries. There is no certainty that our existing patents or others, if obtained, will afford us substantial protection or commercial benefit. Similarly, there is no assurance that our pending patent applications or patent applications licensed from third parties will ultimately be granted as patents or that those patents that have been issued or are issued in the future will prevail if they are challenged in court.

A substantial number of patents have already been issued to other biotechnology and biopharmaceutical companies. Competitors may have filed applications for, or have been issued patents and may obtain additional patents and proprietary rights that may relate to products or processes competitive with or similar to our products and processes. Moreover, the patent laws of the U.S. and foreign countries are distinct and decisions as to patenting, validity of patents and infringement of patents may be resolved differently in different countries. In general, we try to obtain licenses to third party patents which we deem necessary or desirable for the manufacture, use and sale of our products. We are currently unable to assess the extent to which we may wish to or may be required to acquire rights under such patents and the availability and cost of acquiring such rights, or whether a license to such patents will be available on acceptable terms or at all. There may be patents in the U.S. or in foreign countries or patents issued in the future that are unavailable to license on acceptable terms. Our inability to obtain such licenses may hinder our ability to market our products.

We are aware that others, including various universities and companies working in the biotechnology field, have filed patent applications and have been granted patents in the U.S. and in other countries claiming subject matter potentially useful to our business. Some of those patents and patent applications claim only specific products or methods of making such products, while others claim more general processes or

techniques useful or now used in the biotechnology industry. There is considerable uncertainty within the biotechnology industry about the validity, scope and enforceability of many issued patents in the U.S. and elsewhere in the world, and, to date, there is no consistent policy regarding the breadth of claims allowed in biotechnology patents. We cannot currently determine the ultimate scope and validity of patents which may be granted to third parties in the future or which patents might be asserted to be infringed by the manufacture, use and sale of our products.

There has been, and we expect that there may continue to be, significant litigation in the industry regarding patents and other intellectual property rights. We expect that litigation may be necessary in some instances to determine the validity and scope of certain of our proprietary rights. Conversely, litigation may be necessary in some instances to determine the validity, scope and/or noninfringement of certain patent rights claimed by third parties to be pertinent to the manufacture, use or sale of our products. Intellectual property litigation could therefore create business uncertainty and consume substantial financial and human resources. Ultimately, the outcome of such litigation could adversely affect the validity and scope of our patent or other proprietary rights, or, conversely, hinder our ability to market our products. See "Item 3 — Legal Proceedings" for a description of our patent litigation.

Our trademarks RITUXAN, AVONEX, AMEVIVE and ZEVALIN are important to us and are generally covered by trademark applications or registrations owned or controlled by us in the United States Patent and Trademark Office and in other countries.

Recombinant Beta Interferon

Third parties have pending patent applications or issued patents in the U.S., Europe and other countries with claims to key intermediates in the production of beta interferon. These are known as the Taniguchi patents. Third parties also have pending patent applications or issued patents with claims to beta interferon itself. These are known as the Roche patents and the Rentschler patents, respectively. We have obtained non-exclusive rights in various countries of the world, including the U.S., Japan and Europe, to manufacture, use and sell AVONEX, our brand of recombinant beta interferon, under the Taniguchi, Roche and Rentschler issued patents. The last of the Taniguchi patents expire in the U.S. in May, 2013 and have expired already in other countries of the world. The Roche patents expire in the U.S. in May, 2008 and also have generally expired elsewhere in the world. The Rentschler EU patent expires in July, 2012.

RITUXAN, ZEVALIN and Anti-CD20 Antibodies

We have several issued U.S. patents and U.S. patent applications, and numerous corresponding foreign counterparts directed to anti-CD20 antibody technology, including RITUXAN and ZEVALIN. We have also been granted patents covering RITUXAN and ZEVALIN by the European and Japanese Patent Offices. In the United States our principal patents covering the drugs or their uses expire between 2015 and 2018. With regard to the rest of the world, our principal patents covering the drug products expire in 2013 subject to potential patent term extensions in countries where such extensions are available. In addition Genentech, our collaborative partner for RITUXAN, has secured an exclusive license to five U.S. patents and counterpart U.S. and foreign patent applications assigned to Xoma Corporation that relate to chimeric antibodies against the CD20 antigen. These patents expire between 2006 and 2014. Genentech has granted us a non-exclusive sublicense to make, have made, use and sell RITUXAN under these patents and patent applications. We, along with Genentech, share the cost of any royalties due to Xoma in the Genentech/ Biogen Idec copromotion territory on sales of RITUXAN. See "Note 3 — Legal Proceedings" for a description of our litigation with Corixa Corporation regarding ZEVALIN.

AMEVIVE

AMEVIVE is presently claimed in a number of patents granted in the U.S. and the EU which cover LFA-3 polypeptides and DNA, LFA-3 fusion proteins and DNA, host cells, manufacturing methods and pharmaceutical compositions. We have obtained composition of matter patent coverage for the commercial product and important intermediates in the manufacturing process. Our patent portfolio also includes patents

granted in the U.S. and the EU, which cover the use of LFA-3 polypeptides and LFA-3 fusion proteins in methods to inhibit T cell responses and use of LFA-3 polypeptides and fusion proteins to treat skin diseases, specifically including psoriasis. Our patent portfolio further includes pending patent applications, which seek coverage for the use of LFA-3 polypeptides and fusion proteins in the treatment of other indications of possible future interest as well for certain combination therapy treatments of potential interest and utility. Patents issued or which may be issued on these various patent applications expire between 2007 (for patents relating to manufacturing intermediates) and 2021 (in the case of recently filed patent applications). Our principal patents covering the drug product expire in 2013 subject to potential patent term extensions in countries where such extensions are available and by supplemental protection certificates in countries of the EU where such certificates may be obtained if and when approval of the product is obtained. Method of use patent protection for the product to treat skin diseases, including psoriasis, extends until 2017 in the U.S. and generally until 2015 in the rest of the world.

Recombinant Alpha Interferon

In 1979, we granted an exclusive worldwide license to Schering-Plough under our alpha interferon patents. Most of our alpha interferon patents have since expired, including expiration of patents in the U.S., Japan and all countries of Europe other than Italy. We have obtained a supplementary protection certificate in Italy extending the coverage until 2007, although the Italian Legislature intends to implement legislation that may shorten this period to December 31, 2005. Schering-Plough pays us royalty payments on U.S. sales of alpha interferon products under an interference settlement entered into in 1998. Under the terms of the interference settlement, Schering-Plough agreed to pay us royalties under certain patents to be issued to Roche and Genentech in consideration of our assignment to Schering-Plough of the alpha interferon patent application that had been the subject of the settled interference with respect to the Roche/ Genentech patent. Schering-Plough entered into an agreement with Roche as part of settlement of the interference. The first of the Roche/ Genentech patents was issued on November 19, 2002 and has a seventeen-year term.

Recombinant Hepatitis B Antigens

We have obtained numerous patents in countries around the world, including in the U.S. and in European countries, covering the recombinant production of hepatitis B surface, core and “e” antigens. We have licensed our recombinant hepatitis B antigen patent rights to manufacturers and marketers of hepatitis B vaccines and diagnostic test kits, and receive royalties on sales of the vaccines and test kits by our licensees. See “Principal Licensed Products.” The obligation of GlaxoSmithKline and Merck to pay royalties on sales of hepatitis B vaccines and the obligation of our other licensees under our hepatitis B patents to pay royalties on sales of diagnostic products will terminate upon expiration of our hepatitis B patents in each licensed country. Following the conclusion of a successful interference proceeding in the U.S., we were granted patents in the U.S. expiring in 2018. These patents claim hepatitis B virus polypeptides and vaccines and diagnostics containing such polypeptides. Our European hepatitis B patents expired at the end of 1999, except in those countries in which we have obtained supplementary protection certificates. Coverage under supplementary protection certificates still exists in France, Italy and Sweden. The additional coverage afforded by the supplementary protection certificates ranges from one to five years.

ANTEGREN

We are jointly developing ANTEGREN with Elan for MS, Crohn’s Disease and RA. ANTEGREN is presently claimed in a number of pending patent applications and issued patents held by both companies in the U.S. and abroad. These patent applications and patents cover the protein, DNA encoding the protein, manufacturing methods and pharmaceutical compositions, as well as various methods of treatment using the product. In the U.S. the principal patents covering the product and methods of manufacturing the product generally expire between 2015 and 2020, subject to any available patent term extensions. In the remainder of the world patents on the product and methods of manufacturing the product generally expire between 2014 and 2016, subject to any supplemental protection certificates that may be obtained. Both companies have method of treatment patents for a variety of indications including the treatment of MS and Crohn’s disease

and treatments of inflammation. These patents expire in the U.S. generally between 2012 and 2020 and outside the U.S. generally between 2010 and 2016, subject to any available patent term extensions and/or supplemental protection certificates extending such terms.

Trade Secrets and Confidential Know-How

We also rely upon unpatented trade secrets, and we cannot assure that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or disclose such technology, or that we can meaningfully protect such rights. We require our employees, consultants, outside scientific collaborators, scientists whose research we sponsor and other advisers to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements provide that all confidential information developed or made known to the individual during the course of the individual's relationship with us is to be kept confidential and not disclosed to third parties except in specific circumstances. In the case of our employees, the agreement provides that all inventions conceived by such employees shall be our exclusive property. These agreements may not provide meaningful protection or adequate remedies for our trade secrets in the event of unauthorized use or disclosure of such information.

Sales, Marketing and Distribution

In General

Our sales and marketing efforts are generally focused on specialist physicians in private practice or at major medical centers. We utilize common pharmaceutical company practices to market our products and to educate physicians, including sales representatives calling on individual physicians and distributors, advertisements, professional symposia, direct mail, selling initiatives, public relations and other methods. We have also established uninsured patient programs in the U.S. for our marketed products which provide qualified patients with products at no charge. We also provide certain customer service and other related programs for our products, such as disease and product-specific websites, insurance verification services and order, delivery and fulfillment services. Specifics concerning the sales, marketing and distribution of each of our commercialized products are as follows:

AVONEX

We continue to focus our marketing and sales activities on driving AVONEX growth in the U.S. and the EU in the face of increased competition. In the U.S., Canada, Australia and most of the major countries of the EU, we use our own sales forces and marketing groups to market and sell AVONEX. In these countries, we distribute AVONEX principally through wholesale distributors of pharmaceutical products, mail order specialty distributors or shipping service providers. In countries outside the U.S., Canada, Australia and the major countries of the EU, we sell AVONEX to distribution partners who are then responsible for most marketing and distribution activities.

RITUXAN AND ZEVALIN

RITUXAN and ZEVALIN are complementary products for the management of B-cell NHLs. Most B-cell NHLs are treated today in community-based group oncology practices. RITUXAN fits well into the community practice, as generally no special equipment, training or licensing is required for its administration or for management of treatment-related side effects. By contrast, ZEVALIN is administered by nuclear medicine specialists or radiation oncologists at medical or cancer centers that are licensed and equipped for the handling, administration and disposal of radioisotopes.

RITUXAN. We market and sell RITUXAN in the U.S. in collaboration with Genentech. Genentech currently has a sales and marketing staff dedicated to RITUXAN. We have a marketing staff and a sales organization with experience primarily in oncology therapy who are dedicated to the commercialization of RITUXAN and ZEVALIN in the U.S. Our collaboration agreement with Genentech requires us to develop a dedicated sales force for RITUXAN by 2006. Sales efforts are focused on hematologists and medical

oncologists in private practice, at community hospitals and at major medical centers in the U.S. RITUXAN is generally sold to wholesalers, specialty distributors and directly to hospital pharmacies. We rely on Genentech to supply marketing support services for RITUXAN including customer service, order entry, shipping, billing, insurance verification assistance, managed care sales support, medical information and sales training. Under our agreement with Genentech, all U.S. sales of RITUXAN are recognized by Genentech and we record our share of the pretax copromotion profits on a quarterly basis.

ZEVALIN. We use our own sales force and marketing group to market and sell ZEVALIN in the U.S. To date, we have focused our sales and marketing activities on educating physicians about ZEVALIN's efficacy in relapsed indolent lymphoma, its safety profile and patient tolerance. In general, we sell ZEVALIN to radiopharmacies that radiolabel, or combine, the ZEVALIN antibody with an indium-111 isotope or an yttrium-90 radioisotope and then distribute the finished product to hospitals or licensed treatment facilities for administration. We have appointed MDS (Canada) Inc., MDS Nordion Division, successor to MDS Nordion, Inc., or MDS (Canada), as our exclusive supplier of the yttrium-90 radioisotope required for therapeutic use of ZEVALIN to radiopharmacies. MDS (Canada) is the only supplier of the yttrium-90 radioisotope that is approved by the FDA. Radiopharmacies independently obtain the indium-111 isotope required for the imaging use of ZEVALIN from one of the two third party suppliers currently approved by the FDA to supply the indium-111 isotope.

AMEVIVE

We use our own sales force and marketing group to market and sell AMEVIVE in the U.S. To date, we have focused our sales and marketing activities on physician education, payor coverage and acceptance, and improving physician and patient access to AMEVIVE through various launch initiatives including a sampling program. We distribute AMEVIVE in the U.S. principally through specialty distributors.

Competition

In General

Competition in the biotechnology and pharmaceutical industries is intense and comes from many and varied sources. We do not believe that any of the industry leaders can be considered dominant in view of the rapid technological change in the industry. We experience significant competition from specialized biotechnology firms in the U.S., the EU and elsewhere and from many large pharmaceutical, chemical and other companies. Certain of these companies have substantially greater financial, marketing, research and development and human resources than us. Most large pharmaceutical and biotechnology companies have considerable experience in undertaking clinical trials and in obtaining regulatory approval to market pharmaceutical products.

We believe that competition and leadership in the industry will be based on managerial and technological superiority and establishing proprietary positions through research and development. Leadership in the industry may also be influenced significantly by patents and other forms of protection of proprietary information. A key aspect of such competition is recruiting and retaining qualified scientists and technicians. We believe that we have been successful in attracting skilled and experienced scientific personnel. The achievement of a leadership position also depends largely upon our ability to identify and exploit commercially the products resulting from research and the availability of adequate financial resources to fund facilities, equipment, personnel, clinical testing, manufacturing and marketing.

Many of our competitors are working to develop products similar to those that we are developing. The timing of the entry of a new pharmaceutical product into the market can be an important factor in determining the product's eventual success and profitability. Early entry may have important advantages in gaining product acceptance and market share. Moreover, under the Orphan Drug Act, the FDA is prevented for a period of seven years from approving more than one application for the "same" product for the same indication in certain diseases with limited patient populations, unless a later product is considered clinically superior. The EU has similar laws and other jurisdictions have or are considering such laws. Accordingly, the relative speed with which we can develop products, complete the testing and approval process and supply commercial quantities of the product to the market will have an important impact on our competitive position. An

abbreviated process exists for small molecule drugs in the U.S. that are comparable to existing products. It is possible that legislative bodies in the U.S. and the E.U. may provide a similar abbreviated process for comparable biologic products. Competition among products approved for sale may be based, among other things, on patent position, product efficacy, safety, reliability, availability and price.

AVONEX

In 2003, AVONEX had worldwide revenues of approximately $1.17 billion in 2003 and competed in the U.S. and EU markets primarily with three products:

- BETASERON®, sold by Berlex in the U.S. and sold under the name BETAFERON® by Schering A.G. in the EU. BETASERON and BETAFERON together generated worldwide revenues of approximately $924 million in 2003.

- REBIF®, which is co-promoted by Serono, Inc. and Pfizer in the U.S. and sold by Serono AG in the EU. REBIF generated worldwide revenues of approximately $819 million in 2003.

- COPAXONE® glatiramer acetate, sold by Teva Neuroscience, Inc. in the U.S. and co-promoted by Teva and Aventis Pharma in the EU. COPAXONE generated worldwide revenues of approximately $720 million in 2003.

A number of companies, including us, are working to develop products to treat MS that may in the future compete with AVONEX. In February 2004 we announced that we intend to submit to a BLA to the FDA for approval of ANTEGREN as a treatment for MS. AVONEX also faces competition from off-label uses of drugs approved for other indications. Some of our current competitors are also working to develop alternative formulations for delivery of their products which may in the future compete with AVONEX.

RITUXAN AND ZEVALIN

RITUXAN received designation as an Orphan Drug from the FDA for the treatment of relapsed or refractory low-grade or follicular, CD20+ B-cell NHLs. Marketing exclusivity resulting from this Orphan Drug designation expires in November 2004. ZEVALIN received designation as an Orphan Drug from the FDA for the treatment of relapsed or refractory low grade, follicular, or transformed B-cell non-Hodgkin's lymphoma, including patients with RITUXAN refractory follicular NHL. Marketing exclusivity resulting from this Orphan Drug designation expires in February 2009.

RITUXAN is typically used after patients fail to respond or relapse after treatment with traditional radiation therapy or standard chemotherapy regimes, such as CVP and CHOP. ZEVALIN is typically used after patients fail to respond or relapse following treatment with RITUXAN. ZEVALIN competes with BEXXAR® (tositumomab, iodine I-131 tositumomab), a radiolabeled molecule developed by Corixa Corporation and GlaxoSmithKline. BEXXAR received FDA approval in June 2003 to treat patients with CD20+, follicular, NHL, with and without transformation, whose disease is refractory to RITUXAN and has relapsed following chemotherapy.

A number of other companies, including us, are working to develop products to treat B-cell NHLs and other forms of non-Hodgkin's lymphoma that may ultimately compete with RITUXAN and ZEVALIN.

AMEVIVE

AMEVIVE competes with several different types of therapies including:

- traditional therapies for moderate-to-severe chronic plaque psoriasis, such as oral retinoids, steroids, methotrexate, cyclosporin, PUVA and UVB radiation.

- RAPTIVA® (efalizumab), a drug co-developed by Genentech and Xoma Corporation that was approved by the FDA in November 2003 to treat moderate-to-severe psoriasis. Serono has an exclusive license to RAPTIVA in the EU and other countries and has filed for regulatory approval of the drug in the EU.

- drugs approved for other indications that are used to treat psoriasis. Among these drugs are ENBREL® (etanercept), REMICADE® (infliximab) and HUMIRA®(adalimumab). ENBREL is sold by Amgen, Inc. and Wyeth Pharmaceuticals, Inc. and is approved to treat psoriatic arthritis. In January 2003, Amgen announced positive results from a Phase 3 clinical study of ENBREL in the treatment of moderate-to-severe plaque psoriasis and is conducting a second Phase 3 clinical study in psoriasis. REMICADE is sold worldwide by Centocor, Inc., a subsidiary of Johnson & Johnson, as a treatment for other indications, including rheumatoid arthritis, and is currently in a Phase 2 proof of concept study as a potential treatment for psoriasis. HUMIRA is sold by Abbott Laboratories and is approved to treat rheumatoid arthritis. Abbott is undertaking clinical trials in psoriasis and psoriatic arthritis.

In addition, a number of other companies, including us, are working to develop products to treat psoriasis that may ultimately compete with AMEVIVE.

Regulatory

Our current and contemplated activities and the products and processes that will result from such activities are subject to substantial government regulation.

Before new pharmaceutical products may be sold in the U.S. and other countries, clinical trials of the products must be conducted and the results submitted to appropriate regulatory agencies for approval. These clinical trial programs generally involve a three-phase process. Typically, in Phase 1, trials are conducted in volunteers or patients to determine the early side effect profile and, perhaps, the pattern of drug distribution and metabolism. In Phase 2, trials are conducted in groups of patients with a specific disease in order to determine appropriate dosages, expand evidence of the safety profile and, perhaps, determine preliminary efficacy. In Phase 3, large scale, comparative trials are conducted on patients with a target disease in order to generate enough data to provide the statistical proof of efficacy and safety required by national regulatory agencies. The results of the preclinical and clinical testing of a biologic product are then submitted to the FDA in the form of a Biologics License Application (or BLA) or a New Drug Approval Application (NDA). In response to a BLA or NDA, the FDA may grant marketing approval, request additional information or deny the application if it determines the application does not provide adequate basis for approval. The receipt of regulatory approval often takes a number of years, involving the expenditure of substantial resources and depends on a number of factors, including the severity of the disease in question, the availability of alternative treatments and the risks and benefits demonstrated in clinical trials. On occasion, regulatory authorities may require larger or additional studies, leading to unanticipated delay or expense. Even after initial FDA approval has been obtained, further clinical trials may be required to provide additional data on safety and effectiveness and are required to gain clearance for the use of a product as a treatment for indications other than those initially approved. When approval is granted under the “accelerated approval” provisions of FDA’s regulations, the BLA or NDA holder must conduct certain additional studies to verify the clinical benefit attributable to the product. Failure to conduct the required studies, or to comply with certain other conditions of accelerated approvals, may result, following a hearing, in FDA’s withdrawing or modifying that part of the approval that was granted under the accelerated approval provisions. Approval of ZEVALIN for the treatment of relapsed or refractory low grade, follicular, or transformed B-cell non-Hodgkin’s lymphoma, other than RITUXAN refractory follicular NHL, was granted under the accelerated approval provisions. If we fail to conduct the required studies or otherwise fail to comply with the conditions of accelerated approval, the FDA may take action to seek to withdraw that approval.

Regulatory authorities track information on side effects and adverse events reported during clinical studies and after marketing approval. Side effects or adverse events that are reported during clinical trials can delay, impede, or prevent marketing approval. Similarly, adverse events that are reported after marketing approval can result in additional limitations being placed on the product’s use and, potentially, withdrawal of the product from the market. Any adverse event, either before or after marketing approval, could result in product liability claims against us.

If we seek to make certain changes to an approved product, such as a new indication in the labeling for a product, making certain manufacturing changes, or changing manufacturers or suppliers of certain ingredients or components, we will need FDA review and approval before the change can be implemented.

Under the Orphan Drug Act, the FDA may grant orphan drug designation to drugs intended to treat a "rare disease or condition," which generally is a disease or condition that affects fewer than 200,000 individuals in the U.S. Orphan drug designation must be requested before submitting a BLA or NDA. After the FDA grants orphan drug designation, the generic identity of the therapeutic agent and its potential orphan use are publicly disclosed by the FDA. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process. If a product which has an orphan drug designation subsequently receives the first FDA approval for the indication for which it has such designation, the product is entitled to orphan exclusivity, i.e., the FDA may not approve any other applications to market the same drug for the same indication for a period of seven years following marketing approval, except in certain very limited circumstances, including a showing of clinical superiority. RITUXAN and ZEVALIN have received orphan drug exclusivity in the U.S. Orphan Drug status for RITUXAN will expire in November 2004 and Orphan Drug status for ZEVALIN will expire in February 2009.

In addition to regulating and auditing human clinical trials, the FDA regulates and inspects equipment, facilities, and processes used in the manufacturing of such products prior to providing approval to market a product. If after receiving clearance from the FDA, a material change is made in manufacturing equipment, location, or process, additional regulatory review may be required. We also must adhere to current Good Manufacturing Practices, or cGMP, and product-specific regulations enforced by the FDA through its facilities inspection program. The FDA also conducts regular, periodic visits to re-inspect equipment, facilities, and processes following the initial approval. If, as a result of these inspections, the FDA determines that our equipment, facilities, or processes do not comply with applicable FDA regulations and conditions of product approval, the FDA may seek civil, criminal, or administrative sanctions and/or remedies against us, including the suspension of our manufacturing operations.

In the EU, Canada, and Australia, regulatory requirements and approval processes are similar in principle to those in the U.S. Depending on the type of drug for which approval is sought, there are currently two potential tracks for marketing approval in EU countries: mutual recognition and the centralized procedure. These review mechanisms may ultimately lead to approval in all EU countries, but each method grants all participating countries some decision-making authority in product approval.

In the U.S., the federal government regularly considers reforming health care coverage and costs. For example, recent reforms to Medicare added a prescription drug benefit for all Medicare beneficiaries. Resulting legislation or regulatory actions may have a significant effect on our business. Our ability to successfully commercialize human pharmaceutical products also may depend in part on the extent to which reimbursement for the costs of such products and related treatments will be available in the U.S. and worldwide from government health administration authorities, private health insurers and other organizations. Substantial uncertainty exists as to the reimbursement status of newly approved health care products by third-party payors.

We are also subject to various federal and state laws pertaining to health care "fraud and abuse," including anti-kickback laws and false claims laws. Anti-kickback laws make it illegal for a prescription drug manufacturer to solicit, offer, receive, or pay any remuneration in exchange for, or to induce, the referral of business, including the purchase or prescription of a particular drug. Due to the breadth of the statutory provisions and the absence of guidance in the form of regulations or court decisions addressing industry practices, it is possible that our practices might be challenged under anti-kickback or similar laws. False claims laws prohibit anyone from knowingly and willingly presenting, or causing to be presented for payment to third party payors (including Medicare and Medicaid) claims for reimbursed drugs or services that are false or fraudulent, claims for items or services not provided as claimed, or claims for medically unnecessary items or services. Our activities relating to the sale and marketing of our products may be subject to scrutiny under these laws. Violations of fraud and abuse laws may be punishable by criminal and/or civil sanctions, including fines and civil monetary penalties, as well as the possibility of exclusion from federal health care programs

(including Medicare and Medicaid). If the government were to allege or convict us of violating these laws, our business could be harmed. For a description of litigation in this area in which we are currently involved, see “Item 3 — Legal Proceedings.” Our activities could be subject to challenge for the reasons discussed above and due to the broad scope of these laws and the increasing attention being given to them by law enforcement authorities.

We also participate in the Medicaid rebate program established by the Omnibus Budget Reconciliation Act of 1990, and under amendments of that law that became effective in 1993. Under the Medicaid rebate program, we pay a rebate for each unit of product reimbursed by Medicaid. The amount of the rebate for each product is set by law as a minimum 15.1% of the average manufacturer price, or AMP, of that product, or if it is greater, the difference between AMP and the best price available from us to any customer. The rebate amount also includes an inflation adjustment if AMP increases faster than inflation. The rebate amount is recomputed each quarter based on our reports of current average manufacturer price and best price for each of our products to the Centers for Medicare and Medicaid Services. The terms of our participation in the program impose an obligation to correct the prices reported in previous quarters, as may be necessary. Any such corrections could result in an overage or underage in our rebate liability for past quarters, depending on the direction of the correction. In addition to retroactive rebates (and interest, if any), if we were found to have knowingly submitted false information to the government, in addition to other penalties available to the government, the statute provides for civil monetary penalties in the amount of $100,000 per item of false information. Participation in the Medicaid rebate program includes extending comparable discounts under the Public Health Service, or PHS, pharmaceutical pricing program. The PHS pricing program extends discounts comparable to the Medicaid rebate to a variety of community health clinics and other entities that receive health services grants from the PHS, as well as hospitals that serve a disproportionate share of poor Medicare and Medicaid beneficiaries.

We also make our products available to authorized users of the Federal Supply Schedule, or FSS, of the General Services Administration. As a result of the Veterans Health Care Act of 1992, or the VHC Act, federal law requires that product prices for purchases by the Veterans Administration, the Department of Defense, Coast Guard, and the PHS (including the Indian Health Service) be discounted by a minimum of 24% off the non-federal average manufacturer price, or non-FAMP. Our computation and report of non-FAMP are used in establishing the price to these government agencies. The accuracy of the reported non-FAMP may be audited by the government under applicable federal procurement laws. Among the remedies available to the government for infractions of these laws is recoupment of any overages paid by FSS users during the audited years. In addition, if we were found to have knowingly reported a false non-FAMP, the VHC Act provides for civil monetary penalties of $100,000 per item that is incorrect.

We are also subject to the U.S. Foreign Corrupt Practices Act which prohibits corporations and individuals from paying, offering to pay, or authorizing the payment of anything of value to any foreign government official, government staff member, political party, or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity.

We conduct relevant research in compliance with the current U.S. National Institutes of Health Guidelines for Research Involving Recombinant DNA Molecules, or the NIH Guidelines, and all other applicable federal and state regulations. By local ordinance, we are required to, among other things, comply with the NIH Guidelines in relation to our facilities in Cambridge, Massachusetts, and are required to operate pursuant to certain permits.

Our present and future business has been and will continue to be subject to various other laws and regulations. Various laws, regulations and recommendations relating to safe working conditions, laboratory practices, the experimental use of animals, and the purchase, storage, movement, import and export and use and disposal of hazardous or potentially hazardous substances, including radioactive compounds and infectious disease agents, used in connection with our research work are or may be applicable to our activities. Certain agreements entered into by us involving exclusive license rights may be subject to national or supranational antitrust regulatory control, the effect of which also cannot be predicted. The extent of government regulation which might result from future legislation or administrative action cannot accurately be predicted.

Manufacturing and Raw Materials

We currently produce all of our bulk AVONEX, AMEVIVE and ANTEGREN at our manufacturing facilities located in Research Triangle Park, North Carolina and Cambridge, Massachusetts. We currently manufacture commercial requirements of the antibody for ZEVALIN at our manufacturing facility in San Diego, California. We manufacture clinical products in Cambridge and at our recently completed manufacturing facility in Oceanside, California. Genentech is responsible for all worldwide manufacturing activities for bulk RITUXAN and has recently sourced the manufacturing of certain bulk RITUXAN requirements to an independent third party.

We source all of our fill-finish and final product storage operations for our commercial products, along with a substantial part of our packaging operations, to a concentrated group of third party contractors. Raw materials and supplies required for the production of AVONEX, ZEVALIN and AMEVIVE, are generally available from various suppliers in quantities adequate to meet our needs, except for chelates and the radioisotope yttrium-90 used with ZEVALIN which are available from a limited number of suppliers. We source manufacturing of chelates to a concentrated group of third party manufacturers. We made MDS (Canada) our exclusive supplier of the radioisotope yttrium-90 used with ZEVALIN. If we were to lose the services of MDS (Canada) or our third party manufacturers of chelates, we would be forced to find other providers, which could delay our ability to sell ZEVALIN. In addition, radiopharmacies independently purchase the indium-111 isotope required for the imaging use of ZEVALIN. Currently, only two suppliers are approved by the FDA to supply the indium-111 isotope. Each of our third-party service providers, suppliers and manufacturers, along with the suppliers of the indium-111 isotopes, are subject to continuing inspection by the FDA or comparable agencies in other jurisdictions. Any delay, interruption or other issues that arise in the manufacture, fill-finish, packaging, or storage of our commercial products, including as a result of a failure of our facilities or the facilities or operations of third parties to pass any regulatory agency inspection, could significantly impair our ability to sell our commercial products. See “Forward-Looking Information and Risk Factors That May Affect Future Results — We are Subject to Risks Related to the Products That We Manufacture.”

We believe that our existing manufacturing facilities and outside sources will allow us to meet our near-term manufacturing needs for our commercial products, ANTEGREN and our other products in clinical trials. Our existing licensed manufacturing facilities operate under multiple licenses from the FDA, regulatory authorities in the EU and other regulatory authorities. Additional manufacturing facilities and outside sources may be required to meet our long-term research, development and commercial production needs.

Our Employees

At February 20, 2004, we employed 3,727 full-time employees worldwide, of whom 3,215 were located in the U.S.

Our Executive Officers

The following is a list of our executive officers, their ages as of February 20, 2004 and their principal positions. Executive officers are appointed and may be removed by the Board of Directors. We currently have employment agreements with Dr. Rastetter and Mr. Mullen.

Name	Age	Position
William H. Rastetter, Ph.D.	55	Executive Chairman
James C. Mullen	45	Chief Executive Officer and President
Burt A. Adelman, M.D.	51	Executive Vice President, Development
Thomas J. Bucknum, Esq.	57	Executive Vice President and General Counsel
John M. Dunn, Esq.	52	Executive Vice President, New Ventures
Nabil Hanna, Ph.D.	60	Executive Vice President, Research
Peter N. Kellogg	47	Executive Vice President, Finance and Chief Financial Officer
Connie L. Matsui	50	Executive Vice President, Corporate Strategy and Communication
William R. Rohn	60	Chief Operating Officer
Craig E. Schneier, Ph.D.	56	Executive Vice President, Human Resources

Reference to “our” or “us” in the following descriptions of the background of our executive officers include Biogen Idec and Idec Pharmaceuticals Corporation.

William H. Rastetter, Ph.D. is our Executive Chairman and has served in that position since the merger in November 2003. Dr. Rastetter was formerly our Chairman and Chief Executive Officer. He was appointed Chairman of our Board of Directors in May 1996. He served as our President and Chief Executive Officer from December 1986 until January 2002 and served as our Chief Executive Officer from January 2002 until November 2003. Dr. Rastetter was also our Chief Financial Officer from 1988 to 1993. He has served as one of our Directors since 1986. From 1984 to 1986, Dr. Rastetter was Director of Corporate Ventures at Genentech. From 1982 to 1984, he served in a scientific capacity at Genentech, directing the Biocatalysis and Chemical Sciences groups. From 1975 to 1982, Dr. Rastetter held various faculty positions at the Massachusetts Institute of Technology. He received his Ph.D. in Chemistry from Harvard University in 1975. In addition to his position at Biogen Idec, Dr. Rastetter serves as a Director on the board of Illumina, Inc., a company that develops parallel, miniaturized and flexible biosensors. He also serves on the California Healthcare Institute (CHI). In addition, he is an R. B. Woodward Visiting Scholar of the Department of Chemistry and Chemical Biology at Harvard University.

James C. Mullen is our Chief Executive Officer and President and has served in these positions since the merger in November 2003. Mr. Mullen was formerly Chairman of the Board and Chief Executive Officer of Biogen, Inc. He was named Chairman of the Board of Directors of Biogen, Inc. in July 2002, after being named President and Chief Executive Officer of Biogen, Inc. in June 2000. Mr. Mullen joined Biogen, Inc. in 1989 as Director, Facilities and Engineering. He was named Biogen, Inc.’s Vice President, Operations, in 1992. From 1996 to 1999, Mr. Mullen served as Vice President, International, with responsibility for building all Biogen, Inc. operations outside North America. From 1984 to 1988, Mr. Mullen held various positions at SmithKline Beckman Corporation (now GlaxoSmithKline plc). He holds a B.S. in Chemical Engineering from Rensselaer Polytechnic Institute and a M.B.A. from Villanova University. Mr. Mullen serves on the Board of Trustees of Rensselaer Polytechnic Institute, the Board of Directors of the Biotechnology Industry Organization (BIO) and is co-chair of Cambridge Family and Children’s Service Capital Campaign Steering Committee.

Burt A. Adelman, M.D. is our Executive Vice President, Development and has served in that position since the merger in November 2003. Dr. Adelman was previously Executive Vice President, Research and Development at Biogen, Inc., a position he attained in October 2001. Prior to that, he served as Vice President of Medical Research from January 1999 to October 2001 and Vice President of Development Operations from

August 1996 to January 1999. He began his career with Biogen, Inc. in 1991, joining the company as Director of Medical Research, and has held positions of increasing responsibility including Vice President, Regulatory Affairs, and Vice President, Development Operations. In that role he oversaw the Preclinical Development, Medical Operations and Regulatory Affairs groups. Since 1992, Dr. Adelman has served as a lecturer at Harvard Medical School. He is a member of the Board of Directors for the New England Healthcare Institute.

Thomas J. Bucknum is our Executive Vice President, General Counsel and has served in that position since the merger in November 2003. Mr. Bucknum was previously Executive Vice President, General Counsel at Biogen, Inc., a position he held from October 2001 to November 2003. He joined Biogen, Inc. in 1996 as Chief Corporate Counsel and served in that position until he was appointed Vice President and General Counsel in 1999. Previously, he was Senior Vice President and General Counsel for DuPont Merck Pharmaceutical Company from 1990 to 1995, responsible for Legal, Government and Public Affairs. Before joining DuPont Merck, Mr. Bucknum held a number of positions with E.I. DuPont de Nemours and Company, including Director of Regulatory Affairs and Quality Assurance for Medical Products; Marketing Director for Agricultural Products, Europe, Middle East and Africa; European Counsel; and Patent Counsel for Pharmaceuticals and Agricultural Products. He holds a B.S. in Pharmacy, an M.S. in Pharmacology and a J.D. from Temple University.

John M. Dunn is our Executive Vice President, New Ventures and has served in that position since the merger in November 2003. Mr. Dunn was our Senior Vice President, Legal and Compliance, and General Counsel from January 2002 to November 2003. Prior to that, he was a partner at the law firm of Pillsbury Winthrop LLP specializing in corporate and business representation of public and private companies. Mr. Dunn received his B.S. and J.D. from the University of Wyoming.

Nabil Hanna, Ph.D. is our Executive Vice President, Research and has served in that position since the merger in November 2003. Dr. Hanna was our Chief Scientific Officer from May 1998 to November 2003. He joined us in February 1990 as Vice President, Research and Preclinical Development. From August 1993 to May 1998, Dr. Hanna served as Senior Vice President of Research and Product Development. From 1981 to 1990, Dr. Hanna served as Associate Director and then Director of the Department of Immunology at SmithKline Beecham, focusing on autoimmune and chronic inflammatory diseases. From 1978 to 1981, he was a research scientist at the NCI-Frederick Cancer Research Center, where he studied the role of immune system cells in host defenses against cancer. From 1973 to 1978, Dr. Hanna was a lecturer in the Department of Immunology at the Hebrew University Medical School in Israel, where he received his Ph.D. in Immunology.

Peter N. Kellogg is our Executive Vice President, Finance and Chief Financial Officer and has served in that position since the merger in November 2003. Mr. Kellogg was formerly Executive Vice President, Finance and Chief Financial Officer of Biogen, Inc. after serving as Vice President — Finance and Chief Financial Officer since July 2000. He joined Biogen, Inc. in 2000 from PepsiCo Inc., where he most recently served as Senior Vice President, PepsiCo E-Commerce from March to July 2000 and as Senior Vice President and Chief Financial Officer, Frito-Lay International, from March 1998 to March 2000. From 1987 to 1998, he served in a variety of senior financial, international and general management positions at PepsiCo and the Pepsi-Cola International, Pepsi-Cola North America, and Frito-Lay International divisions. Prior to joining PepsiCo, Mr. Kellogg was a senior consultant with Arthur Andersen & Co. and Booz Allen & Hamilton. He received a B.S.E. from Princeton University and an M.B.A. from The Wharton School.

Connie L. Matsui is our Executive Vice President, Corporate Strategy and Communication and has served in that position since the merger in November 2003. Ms. Matsui was previously our Senior Vice President, Planning and Resource Development. She joined us in November 1992 as Senior Director, Planning and Resource Development with primary responsibility for strategic planning and human resources. In December 1994, Ms. Matsui was promoted to Vice President, Planning and Resource Development. In 2000 Ms. Matsui was promoted to Senior Vice President, overseeing investor relations, corporate communications, human resources, project management and strategic planning. From 1977 to 1991, she served in a variety of marketing and general management positions at Wells Fargo Bank, including Vice President and

Manager responsible for Consumer Retirement Programs and Vice President and Manager in charge of company-wide Employee Relations and Communications. Ms. Matsui has been active on a number of not-for-profit boards and currently serves as the National President of the Girl Scouts of the USA. Ms. Matsui received her B.A. and M.B.A. from Stanford University.

William R. Rohn is our Chief Operating Officer and has served in that position since the merger in November 2003. Mr. Rohn was previously our President and Chief Operating Officer. He joined us in August 1993 as Senior Vice President, Commercial and Corporate Development. Mr. Rohn was appointed Senior Vice President, Commercial Operations in April 1996 and was promoted to Chief Operating Officer in May 1998. In January 2002, Mr. Rohn was further promoted to President. Prior to joining us, Mr. Rohn was employed by Adria Laboratories, now part of Pharmacia Corporation, from 1984 until 1993, most recently as Senior Vice President of Sales and Marketing with responsibilities for strategic and commercial partnerships as well as sales and marketing functions in the U.S. Prior to Adria, Mr. Rohn held marketing and sales management positions at Abbott Laboratories, Warren-Teed Pharmaceuticals, Miles Laboratories and Mead Johnson Laboratories. Mr. Rohn received a B.A. in Marketing from Michigan State University. Currently, Mr. Rohn serves on the Board of Directors of Pharmacyclics, a pharmaceutical company developing energy-potentiating drugs to improve radiation therapy and chemotherapy of cancer, and to enable or improve the photodynamic therapy of certain cancers and atherosclerotic cardiovascular disease. In April 2002, Mr. Rohn joined the Board of Directors of Cerus Corporation. Cerus is developing medical systems and therapeutics based on its proprietary Helinx® technology for controlling biological replication.

Craig E. Schneier, Ph.D. is our Executive Vice President, Human Resources and has served in that position since the merger in November 2003. Dr. Schneier was previously Executive Vice President, Human Resources of Biogen, Inc., a position he has held since January 2003. He joined Biogen, Inc. in 2001 as Senior Vice President, Strategic Organization Design and Effectiveness, after having served as an external consultant to the company for eight years. Prior to joining Biogen, Inc., Dr. Schneier was president of his own management consulting firm in Princeton, NJ, where he provided consulting services to over 70 of the Fortune 100 companies, as well as several of the largest European and Asian firms. Dr. Schneier held a tenured professorship at the University of Maryland’s Smith School of Business and has held teaching positions at the business schools of the University of Michigan and Columbia University. He currently teaches at the Tuck School of Business, Dartmouth College. He holds a Ph.D. and an M.A. in business from the University of Colorado.

Forward-Looking Information and Risk Factors That May Affect Future Results

The SEC encourages public companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. In addition to historical information, this report contains forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements. Reference is made in particular to forward-looking statements regarding the anticipated level of future product sales, royalty revenues, expenses and profits, the timing of clinical trials, the potential outcome of clinical programs, regulatory approvals, the marketing of additional products, the impact of competitive products, the anticipated outcome of pending or anticipated litigation and patent-related proceedings, facility expansion and the value of investments in certain marketable securities. These and all other forward-looking statements are made based on our current belief as to the outcome and timing of such future events. Risk factors which could cause actual results to differ from our expectations and which could negatively impact our financial condition and results of operations are discussed below and elsewhere in this report. Although we believe that the risks described below represent all material risks currently applicable to our business, additional risks and uncertainties not presently known to us or that are currently not believed to be significant to our business may also affect our actual results and could harm our business, financial condition and results of operations. Unless required by law, we do not undertake any obligation to publicly update any forward-looking statements.

Our Revenues Rely Significantly on a Limited Number of Products

Our current and future revenues depend substantially upon continued sales of our commercial products. Revenues related to sales of two of our products, AVONEX and RITUXAN, represented approximately 94% of our total revenues in 2003. We cannot assure you that these products will continue to be accepted in the U.S. or in any foreign markets or that sales of either of these products will not decline in the future. A number of factors may affect the rate and level of market acceptance of these products, including:

- the perception of physicians and other members of the health care community of their safety and efficacy relative to that of competing products;
- patient and physician satisfaction with these products;
- the effectiveness of our sales and marketing efforts and those of our marketing partners and licensees in the U.S., the EU and other foreign markets;
- the size of the markets for these products;
- unfavorable publicity concerning these products or similar drugs;
- the introduction, availability and acceptance of competing treatments, including therapies that we may bring to the market in the future;
- the availability and level of third-party reimbursement;
- the success of ongoing development work on these products;
- new data and adverse event information relating to any of these products;
- the continued accessibility of third parties to vial, label, and distribute these products on acceptable terms;
- the unfavorable outcome of patent litigation related to any of these products;
- the ability to manufacture commercial lots of products successfully and on a timely basis; and
- regulatory developments related to the manufacture or continued use of these products.

Given our current reliance on these products as the principal sources of our revenue, any material adverse developments with respect to the commercialization of either of these products may cause our revenue to grow at a slower than expected rate, or even decrease, in the future. For example, we have encountered problems in manufacturing our pre-filled syringe formulation of AVONEX. As a result, we have had to write-down a

number of batches for failure to meet specifications. If these problems continue, we could experience an interruption in the supply of AVONEX which could materially adversely affect AVONEX sales, see "We Are Subject to Risks Related to the Products that We Manufacture" and "We Rely to a Large Extent on Third Parties in the Manufacturing of Our Products."

Our Long-Term Success Depends Upon Increased Acceptance of ZEVALIN and AMEVIVE, as well as the Development and Commercialization of Additional Products

Our long-term viability and growth will depend upon increased acceptance of ZEVALIN and AMEVIVE and, to a larger extent, the successful development and commercialization of ANTEGREN and other products from our research and development activities and collaborations. We continue to expand our marketing of ZEVALIN and AMEVIVE and the development efforts related to ANTEGREN and other potential products in our pipeline. The expansion of our pipeline may include increases in spending on internal projects, the acquisition of third-party technologies or products or other types of investments. Product development involves a high degree of risk. Only a small number of research and development programs result in the commercialization of a product. Many important factors affect our ability to successfully develop and commercialize other products, including the ability to:

- obtain and maintain necessary patents and licenses;
- demonstrate safety and efficacy of drug candidates at each stage of the clinical trial process;
- enroll patients in our clinical trials and to complete clinical trials;
- overcome technical hurdles that may arise;
- meet applicable regulatory standards;
- obtain reimbursement coverage for the products;
- receive required regulatory approvals;
- produce drug candidates in commercial quantities at reasonable costs; and
- compete successfully against other products and to market products successfully.

Success in early stage clinical trials or preclinical work does not ensure that later stage or larger scale clinical trials will be successful. Even if later stage clinical trials are successful, the risk exists that unexpected concerns may arise from additional data or analysis or that obstacles may arise or issues be identified in connection with review of clinical data with regulatory authorities or that regulatory authorities may disagree with our view of the data or require additional data or information or additional studies.

In February 2004, we announced that we intend to file a BLA with the FDA for approval of ANTEGREN as a treatment for MS. Our efforts to submit the filing and to achieve approval could be hindered if unexpected new data arises or if we encounter difficulties in our discussions with the FDA or if other hurdles arise.

Competition in Our Industry and in the Markets for Our Products Is Intensely Competitive

The biotechnology industry is intensely competitive. We compete in the marketing and sale of our products, the development of new products and processes, in the acquisition of rights to new products with commercial potential and in the hiring of personnel. We compete with biotechnology and pharmaceutical companies that have a greater number of products on the market, have greater financial and other resources and have other technological or competitive advantages. We cannot be certain that one or more of our competitors will not receive patent protection that dominates, blocks or adversely affects our product development or business; will benefit from significantly greater sales and marketing capabilities; or will not develop products that are accepted more widely than ours.

We are Subject to Risks Related to the Products that We Manufacture

We manufacture and expect to continue to manufacture our own commercial requirements of bulk AVONEX, AMEVIVE and ANTEGREN and the ZEVALIN bulk antibody. Our inability to successfully manufacture bulk product and to maintain regulatory approvals of our manufacturing facilities would harm our ability to timely produce commercial supplies of AVONEX, AMEVIVE, ANTEGREN and ZEVALIN. Problems with manufacturing processes could result in product defects or manufacturing failures, which could require us to delay shipment of products, recall products previously shipped or could impair our ability to supply products at all. For example, we have encountered problems in manufacturing our pre-filled syringe formulation of AVONEX. As a result, we have had to write-down a number of batches for failure to meet specifications. If these problems continue, we are likely to have to incur additional charges and could potentially experience an interruption in the supply of AVONEX. In the past, we have also had to incur expenses for other products that failed to meet specifications. Similar charges may occur in the future. In addition, any prolonged interruption in the operations of our manufacturing facilities could result in cancellations of shipments or loss of product in the process of being manufactured. Because our manufacturing processes are highly complex and are subject to a lengthy FDA approval process, alternative qualified production capacity may not be available on a timely basis or at all. To the extent we cannot produce our own biologics, we will need to rely on third-party manufacturers, of which there are only a limited number capable of manufacturing biologics products as contract suppliers. We cannot be certain that we could reach agreement on reasonable terms, if at all, with those manufacturers. Even if we were to reach agreement, the transition of the manufacturing process to a third party to enable commercial supplies could take a significant amount of time.

We Rely to a Large Extent on Third Parties in the Manufacturing of Our Products

We rely on Genentech for all RITUXAN manufacturing. Genentech has recently notified us that it will rely on a third party to manufacture certain bulk RITUXAN requirements. If Genentech or any third party upon which it relies does not manufacture or fill/finish RITUXAN in sufficient quantities and on a timely and cost-effective basis or if Genentech or any third party does not obtain and maintain all required manufacturing approvals, our business could be harmed. We also rely heavily upon third-party manufacturers and suppliers to manufacture and supply significant portions of the product components of ZEVALIN other than the bulk antibody, including chelates necessary for the ZEVALIN therapeutic regimen and the radioisotope yttrium-90 and the indium-111 isotope used with the therapeutic and imaging kits of ZEVALIN, respectively. The radioisotope yttrium-90 is only available from a limited number of suppliers. We made MDS (Canada) our exclusive supplier of the radioisotope yttrium-90 used with ZEVALIN. MDS (Canada) is the only manufacturer of the radioisotope yttrium-90 used with ZEVALIN approved by the FDA. If we were to lose the services of MDS (Canada) or our third party manufacturers of chelates, we would be forced to find other third party providers, which could delay our ability to manufacture and sell ZEVALIN. In addition, radiopharmacies independently purchase the indium-111 isotope required for the imaging use of ZEVALIN. Currently, only two suppliers are approved by the FDA to supply the indium-111 isotope. Our inability to find replacement suppliers for materials used in our marketed products and our primary product candidates that are available only from a single supplier or a limited number of suppliers could significantly impair our ability to sell our commercial products.

We also source all of our fill-finish and final product storage operations, along with a substantial portion of our packaging operations of the components used with our products, to a concentrated group of third party contractors. The manufacture of products and product components, fill-finish, packaging and storage of our products require successful coordination among ourselves and multiple third-party providers. Our inability to coordinate these efforts, the lack of capacity available at the third party contractor or any other problems with the operations of these third party contractors could require us to delay shipment of saleable products, recall products previously shipped or could impair our ability to supply products at all. This could increase our costs, cause us to lose revenue or market share and damage our reputation. We are aware, for example, that we would have limited near term capacity to fill/finish the lyophilized formulation of AVONEX if the pre-filled formulation were to become unavailable. As a result, if problems with our pre-filled syringe formulation of AVONEX continue, we could experience an interruption in the supply of AVONEX. Any third party we use

to fill-finish, package or store our products to be sold in the U.S. must be licensed by the FDA. As a result, alternative third party providers may not be readily available on a timely basis.

The Manufacture of Our Products is Subject to Government Regulation

We and our third party providers are generally required to maintain compliance with current Good Manufacturing Practice, or cGMP, and are subject to inspections by the FDA or comparable agencies in other jurisdictions to confirm this compliance. Any changes of suppliers or modifications of methods of manufacturing require amending our application to the FDA and ultimate amendment acceptance by the FDA prior to release of product to the market place. Our inability or the inability of our third party service providers to demonstrate ongoing cGMP compliance could require us to withdraw or recall product and interrupt commercial supply of our products. Any delay, interruption or other issues that arise in the manufacture, fill-finish, packaging, or storage of our commercial products as a result of a failure of our facilities or the facilities or operations of third parties to pass any regulatory agency inspection could significantly impair our ability to sell our commercial products. This could increase our costs, cause us to lose revenue or market share and damage our reputation.

Royalty Revenues Contribute to Our Overall Profitability and Are Not Within Our Control

Royalty revenues contribute to our overall profitability. Royalty revenues may fluctuate as a result of disputes with licensees, collaborators and partners, future patent expirations and other factors such as pricing reforms, health care reform initiatives, other legal and regulatory developments and the introduction of competitive products that may have an impact on product sales by our licensees and partners. In addition, sales levels of products sold by our licensees, collaborators and partners may fluctuate from quarter to quarter due to the timing and extent of major events such as new indication approvals or government-sponsored programs. Since we are not involved in the development or sale of products by our licensees, collaborators and partners, we cannot be certain of the timing or potential impact of factors which may affect their sales. In addition, the obligation of licensees to pay us royalties generally terminates upon expiration of the related patents. For a further discussion of future patent expirations affecting certain royalty revenues, see “Item 1 — Business — Principal Licensed Products” and “Item 1 — Business — Patents and Other Proprietary Rights.”

Our Operating Results Are Subject to Significant Fluctuations

Our quarterly revenues, expenses and operating results have fluctuated in the past and are likely to fluctuate significantly in the future. Fluctuation may result from a variety of factors, including:

- demand and pricing for our products;
- physician and patient acceptance of our products;
- amount and timing of sales orders for our products;
- our achievement of product development objectives and milestones;
- research and development and manufacturing expenses;
- clinical trial enrollment and expenses;
- our manufacturing performance and capacity and that of our partners;
- percentage of time that our manufacturing facilities are utilized for commercial versus clinical manufacturing;
- rate and success of product approvals;
- timing of regulatory approval, if any, of competitive products and the rate of market penetration of competing products;
- expenses related to protecting our intellectual property;
- expenses related to litigation and settlement of litigation;

- payments made to acquire new products or technology;
- government or private healthcare reimbursement policies;
- collaboration obligations and copromotion payments we make or receive;
- timing and nature of contract manufacturing and contract research and development payments and receipts;
- expenses of integration relating to our merger with Biogen, Inc.;
- interest rate fluctuations;
- foreign currency exchange rates; and
- overall economic conditions.

Our operating results during any one quarter do not necessarily suggest the anticipated results of future quarters.

We Are Subject to Pricing Pressures and Uncertainties Regarding Healthcare Reimbursement and Reform

In the U.S., many pharmaceutical and biologic products are subject to increasing pricing pressures, including pressures arising from recent Medicare reform. Our ability to commercialize products successfully depends in part on the extent to which health care providers are reimbursed by governmental agencies, including the Centers for Medicare and Medicaid Services, or CMS, private health insurers and other organizations, such as health maintenance organizations, for the cost of such products and related treatments. In addition, if current or any future level of Medicare reimbursement for our products is not viewed favorably by health care providers, then they may not prescribe our products.

On November 7, 2003, CMS released a Hospital Outpatient Prospective Payment System, or HOPPS, final rule that included new payment rates for all outpatient services effective January 1, 2004. Prior to January 1, 2004, Congress revised the statutory provisions governing payment for drugs and biologicals, including RITUXAN and ZEVALIN, under HOPPS. CMS implemented the statutory changes in a rule issued on January 6, 2004, and the 2004 payment rates for RITUXAN and ZEVALIN were announced in that rule. Although most patients do not receive RITUXAN in the outpatient setting and so the majority of RITUXAN patients will not be affected, these new rules could cause hospitals to decide not to provide RITUXAN under certain circumstances. ZEVALIN, in contrast to RITUXAN, is used primarily in the outpatient setting and we are uncertain as to whether hospitals will view the new rules favorably and therefore choose to prescribe ZEVALIN to their patients.

Recent reforms in Medicare added a prescription drug reimbursement beginning in 2006 for all Medicare beneficiaries. In the meantime, a temporary drug discount card program is being established for Medicare beneficiaries. The federal government, through its enormous purchasing power under these programs, is likely to demand discounts from pharmaceutical and biotechnology companies that may implicitly create price controls on prescription drugs. On the other hand, the drug benefit may increase the volume of pharmaceutical drug purchases, offsetting at least in part these potential price discounts. In addition, Managed Care Organizations, or MCOs, Health Maintenance Organizations, or HMOs, Preferred Provider Organizations, or PPOs, institutions and other government agencies continue to seek price discounts. MCOs, HMOs and PPOs and private health plans will administer the Medicare drug benefit, leading to managed care and private health plans influencing prescription decisions for a larger segment of the population. In addition, certain states have proposed and certain other states have adopted various programs to control prices for their seniors' and low income drug programs, including price or patient reimbursement constraints, restrictions on access to certain products, importation from other countries, such as Canada, and bulk purchasing of drugs.

We encounter similar regulatory and legislative issues in most other countries. In the EU and some other international markets, the government provides health care at low direct cost to consumers and regulates pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored health

care system. This international patchwork of price regulation may lead to inconsistent prices and some third-party trade in our products from markets with lower prices. Such trade exploiting price differences between countries could undermine our sales in markets with higher prices.

We May Be Unable to Adequately Protect or Enforce Our Intellectual Property Rights or Secure Rights to Third-Party Patents

We have filed numerous patent applications in the U.S. and various other countries seeking protection of inventions originating from our research and development, including a number of our processes and products. Patents have been issued on many of these applications. We have also obtained rights to various patents and patent applications under licenses with third parties, which provide for the payment of royalties by us. The ultimate degree of patent protection that will be afforded to biotechnology products and processes, including ours, in the U.S. and in other important markets remains uncertain and is dependent upon the scope of protection decided upon by the patent offices, courts and lawmakers in these countries. There is no certainty that our existing patents or others, if obtained, will afford us substantial protection or commercial benefit. Similarly, there is no assurance that our pending patent applications or patent applications licensed from third parties will ultimately be granted as patents or that those patents that have been issued or are issued in the future will prevail if they are challenged in court.

A substantial number of patents have already been issued to other biotechnology and biopharmaceutical companies. Competitors may have filed applications for, or have been issued patents and may obtain additional patents and proprietary rights that may relate to products or processes competitive with or similar to our products and processes. Moreover, the patent laws of the U.S. and foreign countries are distinct and decisions as to patenting, validity of patents and infringement of patents may be resolved differently in different countries. In general, we obtain licenses to third party patents, which we deem necessary or desirable for the manufacture, use and sale of our products. We are currently unable to assess the extent to which we may wish or be required to acquire rights under such patents and the availability and cost of acquiring such rights, or whether a license to such patents will be available on acceptable terms or at all. There may be patents in the U.S. or in foreign countries or patents issued in the future that are unavailable to license on acceptable terms. Our inability to obtain such licenses may hinder our ability to market our products.

We are aware that others, including various universities and companies working in the biotechnology field, have filed patent applications and have been granted patents in the U.S. and in other countries claiming subject matter potentially useful to our business. Some of those patents and patent applications claim only specific products or methods of making such products, while others claim more general processes or techniques useful or now used in the biotechnology industry. There is considerable uncertainty within the biotechnology industry about the validity, scope and enforceability of many issued patents in the U.S. and elsewhere in the world, and, to date, there is no consistent policy regarding the breadth of claims allowed in biotechnology patents. We cannot currently determine the ultimate scope and validity of patents which may be granted to third parties in the future or which patents might be asserted to be infringed by the manufacture, use and sale of our products

There has been, and we expect that there may continue to be significant litigation in the industry regarding patents and other intellectual property rights. Litigation, including our current patent litigation with Columbia University, and other proceedings concerning patents and other intellectual property rights may be protracted, expensive and distracting to management. Competitors may sue us as a way of delaying the introduction of our products. Any litigation, including any interference proceedings to determine priority of inventions, oppositions to patents in foreign countries or litigation against our partners, may be costly and time consuming and could harm our business. We expect that litigation may be necessary in some instances to determine the validity and scope of certain of our proprietary rights. Conversely, litigation may be necessary in some instances to determine the validity, scope and/or noninfringement of certain patent rights claimed by third parties to be pertinent to the manufacture, use or sale of our products. Ultimately, the outcome of such litigation could adversely affect the validity and scope of our patent or other proprietary rights, or, conversely, hinder our ability to market our products. See “Forward Looking Information and Risk Factors that May Affect Future Results — Failure to Comply with Government Regulations or Prevail in Litigation Could

Harm Our Business"; see also "Item 3 — Legal Proceedings" for a description of litigation regarding our patents and other proprietary rights.

Failure to Comply with Government Regulations or Prevail in Litigation Could Harm Our Business

Pharmaceutical companies have been the target of lawsuits and investigations including: those with claims asserting antitrust violations, claims asserting violations of the Federal False Claim Act, Anti-Kickback Act, the Prescription Drug Marketing Act or other violations in connection with Medicare and/or Medicaid reimbursement, derivative actions, product liability claims, disputes over intellectual property rights (including patents), and claims under state laws, including state anti-kickback and fraud laws. Public companies may also be the subject of certain other types of claims, including those asserting violations of securities laws or related to environmental matters. If lawsuits or investigations of this type are brought against us and we are not successful in defending ourselves or asserting our rights, our business could be harmed. For example, we may not be successful in defending ourselves or asserting our rights in our current Average Wholesale Price litigation in the U.S. District Court for the District of Massachusetts, and our current patent litigation with Columbia University. See "Item 3 — Legal Proceedings" for a description of our litigation.

Our business is also subject to extensive government regulation and oversight. We may also become subject to other governmental actions which could adversely affect our business or financial condition, including:

- new laws, regulations and judicial decisions related to health care availability, method of delivery and payment for health care products and services;
- changes in the FDA and foreign regulatory approval processes that may delay or prevent the approval of new products and result in lost market opportunity;
- new laws, regulations and judicial decisions affecting pricing or marketing; and
- changes in the tax laws relating to our operations

Our Business Involves Environmental Risks

Our business and the business of several of our strategic partners, including Genentech, involve the controlled use of hazardous materials, chemicals, biologics and radioactive compounds. Biologics manufacturing is extremely susceptible to product loss due to microbial or viral contamination, material equipment failure, or vendor or operator error. Although we believe that our safety procedures for handling and disposing of such materials comply with state and federal standards, there will always be the risk of accidental contamination or injury. In addition, microbial or viral contamination may cause the closure of a manufacturing facility for an extended period of time. By law, radioactive materials may only be disposed of at state-approved facilities. We currently store radioactive materials from our California operation on-site because the approval of a disposal site in California for all California-based companies has been delayed indefinitely. If and when a disposal site is approved, we may incur substantial costs related to the disposal of these materials. If we were to become liable for an accident, or if we were to suffer an extended facility shutdown, we could incur significant costs, damages and penalties that could harm our business.

We Rely Upon Key Personnel

Our success will depend, to a great extent, upon the experience, abilities and continued services of our executive officers and key scientific personnel. If we lose the services of any of these individuals, our business could be harmed. We currently have employment agreements with William H. Rastetter, Ph.D, our Executive Chairman, and James C. Mullen, our Chief Executive Officer and President. Our success also will depend upon our ability to attract and retain other highly qualified scientific, managerial, sales and manufacturing personnel and our ability to develop and maintain relationships with qualified clinical researchers. Competition to obtain the services of these personnel and relationships is intense and we compete with numerous pharmaceutical and biotechnology companies as well as with universities and non-profit research organizations. We may not be able to continue to attract and retain qualified personnel or develop and maintain relationships with clinical researchers.

Future Transactions May Harm Our Business or the Market Price of Our Stock

We regularly review potential transactions related to technologies, products or product rights and businesses complementary to our business. These transactions could include:

- mergers;
- acquisitions;
- strategic alliances;
- licensing agreements; and
- copromotion agreements.

We may choose to enter into one or more of these transactions at any time, which may cause substantial fluctuations to the market price of our stock. Moreover, depending upon the nature of any transaction, we may experience a charge to earnings, which could also harm the market price of our stock.

We are Subject to Market Risk

We have exposure to financial risk in several areas including changes in foreign exchange rates and interest rates. We attempt to minimize our exposures by using certain financial instruments, for purposes other than trading, in accordance with our overall risk management guidelines. See “Critical Accounting Estimates” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for information regarding our accounting policies for financial instruments and disclosures of financial instruments.

Our Financial Position, Results of Operations and Cash Flows can be Affected by Fluctuations in Foreign Currency Exchange Rates

We have operations in Europe, Japan, Australia and Canada in connection with the sale of AVONEX. We also receive royalty revenues based on worldwide product sales by our licensees. As a result, our financial position, results of operations and cash flows can be affected by fluctuations in foreign currency exchange rates (primarily Euro, Swedish krona, British pound, Japanese yen and Canadian dollar).

We use foreign currency forward contracts to manage foreign currency risk and do not engage in currency speculation. We use these forward contracts to hedge certain forecasted transactions denominated in foreign currencies. A hypothetical adverse 10% movement in foreign exchange rates compared to the U.S. dollar across all maturities (for example, a strengthening of the Euro) would result in a hypothetical loss in fair value of approximately $18 million. Our use of this methodology to quantify the market risk of such instruments should not be construed as an endorsement of its accuracy or the accuracy of the related assumptions. The quantitative information about market risk is necessarily limited because it does not take into account operating transactions.

We are Exposed to Risk of Interest Rate Fluctuations

The fair value of our cash, cash equivalents and marketable securities are subject to change as a result of potential changes in market interest rates. The potential change in fair value for interest rate sensitive instruments has been assessed on a hypothetical 100 basis point adverse movement across all maturities. We estimate that such hypothetical adverse 100 basis point movement would not have materially impacted net income or materially affected the fair value of interest rate sensitive instruments.

Volatility of Our Stock Price

The market prices for our common stock and for securities of other companies engaged primarily in biotechnology and pharmaceutical development, manufacture and distribution are highly volatile. For example, the market price of our common stock fluctuated between $41.57 per share and $28.09 per share

during the year ended December 31, 2003. The market price of our common stock likely will continue to fluctuate due to a variety of factors, including:

- material public announcements;
- the announcement and timing of new product introductions by us or others;
- events related to our commercial products or those of our competitors;
- technical innovations or product development by us or our competitors;
- regulatory approvals or regulatory issues;
- availability and level of third-party reimbursement;
- developments relating to patents, proprietary rights and orphan drug status;
- results of late-stage clinical trials with respect to our products under development or those of our competitors;
- political developments or proposed legislation in the pharmaceutical or healthcare industry;
- economic and other external factors, disaster or crisis;
- hedge and/or arbitrage activities by holders of our convertible promissory notes;
- period-to-period fluctuations in our financial results or results which do not meet or exceed analyst expectations; and
- market trends relating to or affecting stock prices throughout our industry, whether or not related to results or news regarding us or our competitors.

Our Outstanding Convertible Promissory Notes Leverage Us Considerably

As a result of issuing our subordinated notes due 2019 in February 1999 and issuing our senior notes due 2032 in April and May 2032, we incurred indebtedness of approximately $345.0 million at maturity in 2019 and approximately $1.2 billion at maturity in 2032. Holders of the subordinated notes may require us to purchase all or a portion of the notes on February 16, 2009 and 2014 at a price equal to the issue price plus the accrued original issue discount to the date of purchase, payable at our option in cash, common stock or a combination of cash and stock. Holders of the senior notes may require us to purchase all or a portion of the notes on April 29, 2005, 2007, 2012 and 2017 at a price equal to the issue price plus the accrued original issue discount to the date of purchase, payable at our option in cash, common stock or a combination of cash and stock. The degree to which we are leveraged could harm our ability to obtain future financing and could make us more vulnerable to industry downturns and competitive pressures. Our ability to meet our debt obligations will be dependent upon our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control.

We Have Adopted Several Anti-takeover Measures As Well As Other Measures to Protect Certain Members of Our Management Which May Discourage or Prevent a Third Party From Acquiring Us

A number of factors pertaining to our corporate governance discourage a takeover attempt that might be viewed as beneficial to stockholders who wish to receive a premium for their shares from a potential bidder. For example:

- we are subject to Section 203 of the Delaware General Corporation Law which provides that we may not enter into 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 the manner prescribed in Section 203;
- our stockholder rights plan is designed to cause substantial dilution to a person who attempts to acquire us on terms not approved by our board of directors;

- our board of directors has the authority to issue, without vote or action of stockholders, up to 8,000,000 shares of preferred stock and to fix the price, rights, preferences and privileges of those shares, each of which could be superior to the rights of holders of common stock;

- our collaboration agreement with Genentech provides Genentech with the option to buy the rights to RITUXAN and retain control of any additional anti-CD20 products developed under the collaboration in the event that we undergo a change of control, which may limit our attractiveness to potential acquirors;

- our collaboration agreement with Elan provides Elan with the option to buy the rights to ANTEGREN in the event that we undergo a change of control, which may limit our attractiveness to potential acquirors;

- under the terms of our convertible promissory notes any acquiror would be required to repurchase the notes for cash in connection with an acquisition of us before 2007;

- our directors are elected to staggered terms, which prevents the entire board from being replaced in any single year and

- our bylaws provide that, until November 12, 2006, the affirmative vote of at least 80% of our board of directors (excluding directors who are serving as an officer or employee) will be required to remove William H. Rastetter, Ph.D. from his position as our Executive Chairman and to remove James C. Mullen as our Chief Executive Officer and President.

Item 2. ***Properties.***

Our principal executive offices are located in Cambridge, Massachusetts. We have significant administrative and research and development facilities located in Cambridge, Massachusetts and San Diego, California.

In Cambridge, we own approximately 537,292 square feet of real estate space, consisting of a 150,000 square foot building that houses laboratories and office space; an approximately 259,000 square foot building that primarily contains research and development and process development operations; and two other buildings, consisting of an aggregate of approximately 128,292 square feet, which primarily contain laboratories, purification, aseptic bottling facilities, office space, and 6,130 square feet which we lease to a third party under a lease which expires in 2008. We also have development options for additional property in Cambridge. We lease a total of approximately 415,900 square feet, consisting of additional office, manufacturing, and research and development space, in all or part of five other buildings in Cambridge. The lease expiration dates for the leased sites range from 2005 to 2015.

In San Diego, we lease approximately 315,000 square feet of administrative, research and development, manufacturing and warehouse space at four locations. The locations include a manufacturing plant, a facility with administrative, office and warehouse space, a research and development facility and a facility with additional administrative space. The lease expiration dates for these properties range from 2006 to 2010.

We own a 108,000 square foot biologics manufacturing facility, a 232,000 square foot large scale manufacturing plant and a second large scale purification facility of 42,000 square feet, and a 150,000 square foot laboratory office building in Research Triangle Park, North Carolina. In July 2003, the FDA approved our large-scale manufacturing facility in Research Triangle Park for commercial production of AMEVIVE. We are using the large-scale manufacturing facility to manufacture AMEVIVE and we also plan to use it to manufacture other products in our pipeline including ANTEGREN. We are continuing further expansion in Research Triangle Park with ongoing construction of several projects to increase our manufacturing flexibility. We also own approximately 60 acres of property in Hillerod, Denmark. We have done preliminary work on a large-scale cell culture manufacturing facility on the Hillerod property. We have stopped work on the large-scale cell culture manufacturing facility and are evaluating our alternatives for this site.

We own a manufacturing facility in Oceanside, California that we are currently using for clinical manufacturing activities. We also own approximately 42.6 acres of land in San Diego, California and 87 acres of land in Oceanside, California. We are currently constructing administrative space and a research and

development campus on the San Diego property that is expected to be completed in the fourth quarter of 2004. We plan to move most of our San Diego employees to this site from our existing leased space in San Diego. On the Oceanside property, we are currently developing a large-scale manufacturing facility. We expect the first phase of this facility to be mechanically completed in 2005. We are working towards commissioning and validation in 2006.

We financed construction of the buildings we own in Cambridge, Massachusetts and the 100,000 square foot biologics manufacturing facility in Research Triangle Park with term loans which we repaid in the fourth quarter of 2003. We have financed the construction of the other facilities at Research Triangle Park with operating cash.

We also lease office space in the United Kingdom, Germany, France, Switzerland, several other EU countries, Japan and Australia. In addition, we lease approximately 22,000 square feet of real estate in Hoopddorf, The Netherlands, which consists of office space, a storage facility and a packaging facility where we perform some of our AVONEX packaging operations.

Item 3. ***Legal Proceedings.***

GlaxoSmithKline sued Roche in Germany asserting that RITUXAN infringes Glaxo's European patents. On October 26, 2000, a German court issued a decision holding that the manufacture, use and sale of RITUXAN infringes patents held by Glaxo. At the end of 2001, a German court handling the validity phase of the trial held that the three patents were invalid. In November 2003, Glaxo and Roche agreed to a settlement of this lawsuit.

On September 10, 2001, we filed a lawsuit in the federal district court in the Southern District of California against Corixa Corporation, GlaxoSmithKline (Corixa's marketing partner) and the University of Michigan seeking declaratory judgment that ZEVALIN and its use in the treatment of various B-cell NHLs does not infringe certain issued U.S. patents licensed to Corixa regarding products and processes relating to radioimmunotherapy, also known as the Kaminski patents, and a further declaration that Corixa's patents are invalid. On September 12, 2001, Corixa, Glaxo and the University of Michigan filed a lawsuit in the federal district court in the District of Delaware against us for patent infringement. The lawsuit claims that we infringe the patents that are the subject of our declaratory judgment action against Corixa. The lawsuit seeks damages and to permanently enjoin us from commercializing ZEVALIN. This action has been transferred to San Diego and was consolidated with our lawsuit. On February 27, 2004 the parties entered into a Memorandum of Agreement for Settlement, or the Settlement Memorandum, of all outstanding disputes. The terms of the Settlement Memorandum include mutual releases and dismissal with prejudice of all claims and counterclaims in the current litigation between the parties, with each party bearing their own costs, expenses and fees. In addition, the parties will enter into worldwide, non-exclusive licenses, with a right to sublicense, under the patents in suit for the life of such patents. We will pay $20 million in settlement of all outstanding claims in the litigation upon execution of a definitive settlement and license agreement, which is expected to be concluded by the end of March. In addition, we will pay royalties on U.S. net sales of ZEVALIN and may pay a one-time payment in the future subject to the attainment of a certain net sales level of ZEVALIN in the U.S.

On May 20, 2003, another patent in the family of Kaminski patents, or the '827 patent, was issued to the University of Michigan. The patent is licensed by the University of Michigan to Corixa. On June 3, 2003, we filed a lawsuit in the federal district court in the Southern District of California against Corixa, Glaxo and the University of Michigan seeking declaratory judgment that ZEVALIN and its use in the treatment of various B-cell NHLs does not infringe the '827 patent and a further declaration that the patent is invalid. On December 16, 2003, we filed a Voluntary Notice of Dismissal without Prejudice of this lawsuit based on a covenant by the defendants that they would not sue us for infringement as to any claim of the '827 patent based upon ZEVALIN, or the ZEVALIN therapeutic regimen, as currently approved by the FDA, or for any current or past off-label use. The dispute relating to the '827 patent is included in the Settlement Memorandum agreed to by the parties on February 27, 2004.

On February 25, 2003, we filed an additional complaint against Corixa and Glaxo in the federal district court in the Southern District of California. The complaint alleges that Corixa's and Glaxo's conduct since recommendation by the Oncologic Drugs Advisory Committee for approval of BEXXAR constitutes, or will constitute, infringement of a patent owned by us. The complaint seeks available remedies under patent laws, including monetary damages and permanent injunctive relief. All claims and counterclaims related to this lawsuit are included in the Settlement Memorandum agreed to by the parties on February 27, 2004.

On July 15, 2003, Biogen, Inc., along with Genzyme Corporation and Abbott Bioresearch Center, Inc., filed suit against Trustees of Columbia University in the City of New York in the United States District Court for the District of Massachusetts, contending that we no longer have any obligation to pay royalties to Columbia on sales of our products under a 1993 License Agreement between us and Columbia related to U.S. Patent Nos. 4,399,216; 4,634,665; and 5,179,017, also referred to as the Original Patents, or under a newly issued patent, U.S. Patent No. 6,455,275, also referred to as the '275 Patent. In our suit, we are seeking a declaratory judgment that we have no obligation to pay any further royalties under the license agreement because the Original Patents have expired and the '275 Patent is invalid and unenforceable; and that Columbia should be permanently enjoined from demanding any further royalties based on the '275 Patent or on any pending continuations, continuations-in-part, or divisional applications of the Original Patents. Columbia has taken the position that we still owe it royalties under the license agreement on the basis of the '275 Patent which was issued on September 24, 2002, over two years after the expiration of the Original Patents. In the event that we are unsuccessful in the present litigation, we may be liable for damages suffered by Columbia with respect to withheld royalties and such other relief as Columbia may seek and be granted by the Court. In the second quarter 2003, as a result of our assessment of the invalidity of the '275 Patent, Biogen, Inc. determined that it was probable that no additional amounts would be paid to Columbia.

Along with most other major pharmaceutical and biotechnology companies, Biogen, Inc. was named as a defendant in a lawsuit filed by each of the County of Suffolk, New York, the County of Westchester, New York, and the County of Rockland, New York. All three cases are pending in the U.S. District Court for the District of Massachusetts. The complaints allege that the defendants overstated the Average Wholesale Price for drugs for which Medicaid provides reimbursement, also referred to as Covered Drugs, marketed and promoted the sale of Covered Drugs to providers based on the providers ability to collect inflated payments from the government and Medicaid beneficiaries that exceeded payments possible for competing drugs, provided financing incentives to providers to over-prescribe Covered Drugs or to prescribe Covered Drugs in place of competing drugs, and overcharged Medicaid for illegally inflated Covered Drugs reimbursements. The complaints further allege that the defendants failed to accurately report the "best price" on the Covered Drugs to New York's Medicaid program. Under Medicaid, pharmaceutical and biotechnology companies agree to pay Medicaid programs a rebate for each product reimbursed by Medicaid. The amount of the rebate is often the difference between the average manufacturers price and the best price reported by companies to the Medicaid program. Plaintiffs claim that they were harmed because they could have allotted the dollars that they wrongfully spent on Medicaid to other public needs. Plaintiffs have brought the actions under the Racketeering Influence and Corrupt Organizations Act (RICO), and for breach of contract, unjust enrichment, unfair trade practices, Medicaid fraud, common law fraud, and violation of each of the federal Medicaid Statute, the New York Social Services Law and the New York Department of Health Regulations. In September 2003, Biogen, Inc. joined other named defendants in filing with the U.S. District Court for the District of Massachusetts a Motion to Dismiss the Amended Suffolk County Complaint. In December 2003, the plaintiffs withdrew the RICO claims from the Suffolk County case. We intend to vigorously defend ourselves against all of the allegations and claims in these lawsuits. As a result, an estimate of any potential loss or range of loss cannot be made at this time.

On June 25, 2003, prior to the effective date of the merger, a suit was filed in the Superior Court of California, County of San Diego, on behalf of a purported class of Biogen, Inc. stockholders against Biogen, Inc., IDEC Pharmaceuticals Corporation and certain members of Biogen, Inc.'s board of directors alleging, among other things, that the members of Biogen, Inc.'s board of directors breached their fiduciary duties of candor, loyalty, due care, independence, good faith and fair dealing by allegedly tailoring the structural terms of the merger to meet the specific needs of IDEC Pharmaceuticals Corporation rather than attempting to

obtain the highest price reasonably available for Biogen, Inc. An agreement in principal to resolve the suit has been reached based upon the disclosure of certain additional information in the joint proxy statement/ prospectus in the registration statement on Form S-4 filed by IDEC Pharmaceuticals Corporation in connection with the merger and the payment of attorneys' fees in an amount to be determined by the court. We do not expect the settlement and related attorney fees to be material.

In addition, we are involved in certain other legal proceedings generally incidental to our normal business activities. While the outcome of any of these proceedings cannot be accurately predicted, we do not believe the ultimate resolution of any of these existing matters would have a material adverse effect on our business or financial condition.

Item 4. ***Submission of Matters to a Vote of Security Holders.***

On November 12, 2003, we held a Special Meeting of Stockholders related to our merger with Biogen, Inc. At that meeting, the following proposals were voted upon:

(a) A proposal to approve the issuance of shares of our common stock under the Agreement and Plan of Merger, dated as of June 20, 2003, by and among us, Bridges Merger Corporation and Biogen, Inc. was approved with 109,334,993 votes for, 5,344,674 votes against, and 1,794,643 abstentions.

(b) A proposal to approve an amendment to our certificate of incorporation to increase the authorized shares of common stock from 500,000,000 to 1,000,000,000 and to change our name to Biogen Idec Inc. was approved with 108,599,558 votes for, 6,098,717 votes against, and 1,776,035 abstentions.

(c) A proposal to approve a new equity incentive plan entitled the 2003 Omnibus Equity Plan was approved with 105,555,866 votes for, 9,017,683 votes against, and 1,900,761 abstentions.

(d) A proposal to approve a new performance based management incentive plan entitled the Performance Based Management Incentive Plan was approved with 109,204,173 votes for, 5,375,113 votes against, and 1,894,924 abstentions.

(e) A proposal to approve the adjournment of the special meeting to a later date, if necessary, to solicit additional proxies if there were not sufficient votes in favor of the foregoing proposals was approved with 84,370,817 votes for, 27,480,811 votes against, and 4,622,682 abstentions.

PART II

Item 5. ***Market for Registrant's Common Equity and Related Stockholder Matters.***

Market Information

Our common stock now trades on The Nasdaq Stock Market under the symbol "BIIB." Prior to changing our name to Biogen Idec in November 2003, we traded on The Nasdaq Stock Market under the symbol "IDPH." The following table shows the high and low sales price for our common stock as reported by The Nasdaq Stock Market for each quarter in the years ended December 31, 2003 and 2002.

	Common Stock Price			
	2003		2002	
	High	Low	High	Low
First Quarter	$37.14	$27.80	$71.40	$50.09
Second Quarter	42.15	30.01	66.84	30.75
Third Quarter	38.95	31.73	47.67	20.76
Fourth Quarter	39.41	31.63	47.41	31.17

Holders

As of February 20, 2004, there were approximately 1,367 stockholders of record of our common stock. In addition, 1,130 stockholders of record of Biogen, Inc. common stock have yet to exchange their shares of Biogen common stock for our common stock as contemplated by the merger.

Dividends

We have not paid cash dividends since our inception. We currently intend to retain all earnings, if any, for use in the expansion of our business and therefore do not anticipate paying any cash dividends in the foreseeable future.

Recent Sales of Unregistered Securities

None.

Item 6. ***Selected Consolidated Financial Data.***

The following financial data should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Form 10-K, beginning on page F-1.

BIOGEN IDEC INC. AND SUBSIDIARIES

SELECTED FINANCIAL DATA

	Years Ended December 31,				
	2003(2)	2002	2001	2000	1999
	(in thousands, except per share amounts)				
Product revenues	$ 171,561	$ 13,711	$ —	$ —	$ —
Revenues from unconsolidated joint business	493,049	385,809	251,428	132,782	93,197
Royalties	12,010	—	—	—	—
Corporate partner revenue	2,563	4,702	21,249	21,900	24,806
Total revenues	679,183	404,222	272,677	154,682	118,003
Total costs and expenses(1)	1,548,852	190,346	141,540	98,823	76,586
Income (loss) before income taxes (benefit)	(880,624)	231,522	161,604	69,347	45,606
Net income (loss)	(875,097)	148,090	101,659	48,145	43,157
Diluted earnings (loss) per share	(4.92)	.85	.59	.30	.29
Shares used in calculating diluted earnings (loss) per share	177,982	179,634	181,481	159,310	151,287
Cash, cash equivalents and marketable securities available for sale	2,338,286	1,447,865	866,607	750,526	246,826
Total assets	9,503,945	2,059,689	1,141,216	856,406	307,074
Notes payable, less current portion	887,270	866,205	135,977	128,888	122,910
Shareholders' equity	7,053,328	1,109,690	956,479	694,619	159,978

(1) Included in total costs and expenses in 2003 is a charge of $823 million for in-process research and development.

(2) Includes the impact of our merger with Biogen, Inc. on November 12, 2003.

BIOGEN IDEC INC. AND SUBSIDIARIES

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

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

The following discussion should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Form 10-K, beginning on page F-1.

Overview

On November 12, 2003, IDEC Pharmaceuticals Corporation and Biogen, Inc. entered into a merger transaction resulting in Biogen, Inc. becoming a wholly owned subsidiary of IDEC Pharmaceuticals Corporation. The business combination was treated as an acquisition of Biogen, Inc. by IDEC Pharmaceuticals Corporation for accounting purposes. In connection with the merger, IDEC Pharmaceuticals Corporation changed its name to Biogen Idec Inc. Biogen Idec combines the complementary strengths of each company to create new standards of care in oncology and immunology. As a global leader in the development, manufacture, and commercialization of novel therapies, we transform scientific discoveries into advances in human healthcare. The merger provides diversification of our product portfolios and revenue bases, strengthens our research and development capabilities, and diversifies our product pipeline in key therapeutic areas. Additionally, we believe our manufacturing capacity will make us an attractive partner for companies seeking to partner on promising biologic products in development.

We currently have four commercial products: AVONEX® (interferon beta-1a) for the treatment of relapsing multiple sclerosis, or MS; RITUXAN® (rituximab) and ZEVALIN® (ibritumomab tiuxetan), both of which treat certain B-cell non-Hodgkin's lymphomas, or B-cell NHLs; and AMEVIVE® (alefacept) for the treatment of adult patients with moderate-to-severe chronic plaque psoriasis who are candidates for systemic therapy or phototherapy. We acquired AVONEX and AMEVIVE from Biogen, Inc. We also receive revenues from royalties on sales by our licensees of a number of products covered under patents that we control including sales of RITUXAN outside the U.S. RITUXAN is the trade name in the U.S., Canada and Japan for the compound Rituximab. In this Form 10-K, we refer to rituximab, RITUXAN and MabThera collectively as RITUXAN, except where we have otherwise indicated. In addition, we have a pipeline of development stage products and a number of research programs in our core therapeutic areas and in other areas of interest.

As a result of the merger, Biogen, Inc. stockholders received 1.15 shares of Biogen Idec common stock for each share of Biogen, Inc. common stock. As a result, Biogen Idec issued approximately 171.9 million shares at a fair value of approximately $6.48 billion (based on the average of the closing price of IDEC Pharmaceuticals Corporation's common stock for the period from two days before through two days after the public announcement of the merger on June 23, 2003). In addition, options to purchase Biogen, Inc. common stock outstanding at November 12, 2003 were assumed by Biogen Idec and converted into options to purchase approximately 20.7 million shares of Biogen Idec common stock at a fair value of approximately $295 million (based on the Black-Scholes option pricing model, as described in more detail below). We paid approximately $19.8 million in fees for banking, legal, accounting and tax related services related to the merger. Merger related fees of $21.5 million paid by Biogen, Inc. prior to completion of the merger are not included in this amount as they were expensed as incurred. The total merger purchase price was approximately $6.8 billion. The merger qualified as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

The fair value of Biogen Idec's shares used in determining the purchase price was $37.69 per share based on the average of the closing price of IDEC Pharmaceuticals Corporation's common stock for the period two days before through two days after public announcement of the merger on June 23, 2003. The fair value of stock options assumed by Biogen Idec in the merger was determined using the Black-Scholes option pricing model with the following assumptions: stock price of $37.69, which is the value ascribed to IDEC shares in

determining the purchase price; volatility of 40%; risk-free interest rate of 1.8%; and an expected life of 4.0 years.

The purchase price is as follows (table in thousands):

Fair value of Biogen Idec common stock	$6,480,339
Fair value of replacement stock options	295,399
Cash paid for fractional shares	27
Acquisition related costs	19,833
Total purchase price	$6,795,598

The estimated purchase price has been allocated to the acquired tangible and intangible assets and liabilities based on their estimated fair values as of November 12, 2003, the date that the merger was consummated (table in thousands):

Inventory	$ 706,957
Accounts receivable	216,221
Property, plant and equipment	713,719
Acquired identifiable intangible assets	3,664,000
Goodwill	1,151,066
In-process research and development	823,000
Deferred stock-based compensation	2,261
Other current and long-term assets	1,106,112
Assumed liabilities	(424,648)
Increase benefit plan liability to fair value	(26,650)
Deferred tax liabilities arising from fair value adjustments	(1,136,440)
Total purchase price	$ 6,795,598

The allocation of the purchase price was based, in part, on a third-party valuation of the fair value of in-process research and development, identifiable intangible assets, and certain property, plant and equipment. The excess of the purchase price over the fair value of assets and liabilities acquired is allocated to goodwill. See “Biogen, Inc. Purchase Price Allocation” under Critical Accounting Estimates.

The discussions for the year ended December 31, 2003 in this annual report on Form 10-K, unless indicated otherwise, represent our financial condition and results of operations for the year ended December 31, 2003 and include the results of operations of Biogen, Inc. for the period commencing November 13, 2003 through December 31, 2003 only. The results of operations of Biogen, Inc. (revenues and expenses) for the period commencing January 1, 2003 through November 12, 2003, unless indicated otherwise, are excluded from this Form 10-K. Comparisons are made to the results of operations of IDEC Pharmaceuticals Corporation for the years ended December 31, 2002 and 2001 and IDEC Pharmaceuticals Corporation’s financial condition at December 31, 2002, which only include the historical results of IDEC Pharmaceuticals Corporation.

Results of Operations

Revenues

	2003	2002	2001
		(In thousands)	
Product sales			
United States	$121,589	$ 13,711	$ —
Rest of world	49,972	—	—
Total product sales	171,561	13,711	—
Unconsolidated joint business revenue	493,049	385,809	251,428
Royalty revenue	12,010	—	—
Corporate partner revenue	2,563	4,702	21,249
Total revenues	$679,183	$404,222	$272,677

Product Sales

	2003	2002	2001
		(In thousands)	
AVONEX	$142,603	$ —	$ —
ZEVALIN	19,602	13,711	—
AMEVIVE	9,356	—	—
Total product sales	$171,561	$13,711	$ —

AVONEX is the most prescribed therapeutic product in MS worldwide. Globally over 125,000 patients have chosen AVONEX as their treatment of choice. Our results of operations for 2003 include sales of AVONEX for the period from November 13, 2003 through December 31, 2003. During that period, sales of AVONEX generated worldwide revenues of $142.6 million, of which $92.6 million was generated in the United States and $50 million in the rest of the world, primarily the European Union, or EU. Product sales from AVONEX represent approximately 21% of our total revenues in 2003.

In February 2002, ZEVALIN became the first radioimmunotherapy approved by the FDA for the treatment of certain B-cell NHLs. ZEVALIN is approved as a treatment for relapsed or refractory low-grade, follicular, or transformed B-cell NHL including patients with RITUXAN refractory follicular NHL. We launched ZEVALIN in the U.S. in April 2002. In 2003, sales of ZEVALIN generated revenues of $19.6 million in the U.S. as compared to $13.7 million in 2002. Outside the U.S., we have licensed our marketing rights in ZEVALIN to Schering AG. In January 2004, the European Agency for the Evaluation of Medicinal Products, or EMEA, the regulatory authority in the EU, granted marketing approval of ZEVALIN in the EU for the treatment of adult patients with CD20+ follicular B-cell NHL who are refractory to or have relapsed following treatment with RITUXAN. Product sales from ZEVALIN represented approximately 3% of our total revenues in 2003 and 2002, respectively.

AMEVIVE was approved in the U.S. in 2003 for the treatment of adult patients with moderate-to-severe chronic plaque psoriasis who are candidates for systemic therapy or phototherapy. Our results of operations for 2003 include sales of AMEVIVE for the period from November 13, 2003 through December 31, 2003. During that period, sales of AMEVIVE generated revenues of $9.4 million, substantially all in the U.S. In February 2003, the European Committee for Proprietary Medicinal Products, or CPMP, the scientific advisory board of the EMEA, determined that more information was required to approve AMEVIVE in the EU. We withdrew our application for approval. We plan to develop the additional information necessary to obtain approval of AMEVIVE for the treatment of psoriasis in the EU. Developing the data and re-filing the application may take several years. Product sales from AMEVIVE represent approximately 1% of our total revenues in 2003.

We anticipate that our total product sales in 2004 will be substantially higher than 2003, since revenues from sales of AVONEX and AMEVIVE will be included in our results of operations for all of 2004 as opposed to 2003 when revenues from sales of AVONEX and AMEVIVE were included in our results of operations only for the period from November 13, 2003 through December 31, 2003.

See also the risks affecting revenues described in "Forward-Looking Information and Risk Factors That May Affect Future Results — Our Revenues Rely Significantly on a Limited Number of Products."

Unconsolidated Joint Business Revenue

RITUXAN was the first monoclonal antibody approved by the FDA for a cancer therapy indication. RITUXAN is approved for the treatment of various B-cell NHLs. RITUXAN is marketed in the U.S. in collaboration with Genentech, Inc. All U.S. sales of RITUXAN and associated costs and expenses are recognized by Genentech and we record our share of the pretax copromotion profits on a quarterly basis. Our share of copromotion profits from U.S. sales was $419.2 million in 2003 compared to $324.5 million in 2002 and $228.6 million in 2001. F. Hoffman-La Roche Ltd. sells rituximab outside the U.S., except in Japan, where it copromotes RITUXAN in collaboration with Zenyaku Kogyo Co. Ltd., or Zenyaku. We received royalties on sales of rituximab outside of the U.S. of $67.9 million in 2003 as compared to $45.4 million in 2002 and $14.7 million in 2001, which we include under "Unconsolidated Joint Business Revenue".

Revenues from unconsolidated joint business arrangement for the years ended December 31, 2003, 2002 and 2001, consist of the following:

	2003	2002	2001
		(In thousands)	
Copromotion profits	$419,197	$324,498	$228,614
Reimbursement of selling and development expenses	18,400	15,879	8,160
Royalty revenue on sales of rituximab outside the U.S., including royalties received directly from Roche	67,869	45,432	14,654
RITUXAN clinical data purchased from Roche	(9,353)	—	—
Columbia patent royalty and interest payment	(3,064)	—	—
	$493,049	$385,809	$251,428

Under our agreement with Genentech, our current pretax copromotion profit-sharing formula has two tiers. We earn a higher percentage of the pretax copromotion profits at the upper tier once a fixed pretax copromotion profit level is met. The profit-sharing formula resets annually at the beginning of each year to the lower tier. We began recording our profit share at the higher percentage during the first quarter of 2003, 2002 and 2001.

RITUXAN net sales to third-party customers in the US recorded by Genentech for 2003 amounted to $1.36 billion compared to $1.08 billion in 2002 and $779 million in 2001. The increase in 2002 and 2001 was primarily due to increased market penetration in treatments of B-cell NHLs and chronic lymphocytic leukemia and increases in the wholesale price of RITUXAN effective March 2002, and March 2001.

Our royalty revenue on sales of rituximab outside the U.S. is based on Roche and Zenyaku's net sales to third-party customers and is recorded with a one-quarter lag. The increase in royalty revenues in 2003 is due to higher sales of RITUXAN outside the U.S. resulting from increased penetration of foreign markets, including Canada and Japan.

During 2003, Genentech purchased certain clinical data from Roche related to RITUXAN supporting potential label expansion. Additionally, in 2003 Genentech and IDEC agreed that payments were owed to Columbia University for royalties related to past sales of RITUXAN in the U.S. As a result, we recognized $2.6 million in royalty payments and $500,000 in interest charges related to these royalties.

Total unconsolidated joint business revenue represented 73%, 95% and 92% of our total revenues in 2003, 2002 and 2001, respectively.

Royalty Revenue

We receive revenues from royalties on sales by our licensees of a number of products covered under patents that we control. During 2003, we received approximately $12 million in royalty revenues representing 2% of total revenues. Our royalty revenues on sales of rituximab outside the U.S. are included in "Unconsolidated Joint Business Revenue."

We receive royalties from Schering-Plough Corporation on sales of its alpha interferon products in the U.S. and Italy under an exclusive license to our alpha interferon patents and patent applications. Schering-Plough sells its INTRON® A (interferon alfa-2b) brand of alpha interferon in the U.S. for a number of indications, including the treatment of chronic hepatitis B and hepatitis C. Schering-Plough also sells other alpha interferon products for the treatment of hepatitis C, including REBETRON® Combination Therapy containing INTRON A and REBETOL® (ribavirin, USP), PEG-INTRON® (peginterferon alfa-2b), a pegylated form of alpha interferon, and PEG-INTRON in combination with REBETOL.

We hold several important patents related to hepatitis B antigens produced by genetic engineering techniques. These antigens are used in recombinant hepatitis B vaccines and in diagnostic test kits used to detect hepatitis B infection. We receive royalties from sales of hepatitis B vaccines in several countries, including the U.S., from GlaxoSmithKline plc and Merck and Co. Inc. We have also licensed our proprietary hepatitis B rights, on an antigen-by-antigen and nonexclusive basis, to several diagnostic kit manufacturers, including Abbott Laboratories, the major worldwide marketer of hepatitis B diagnostic kits.

We also receive ongoing royalties on sales of the recombinant human growth hormone product, Genotropin®, by Pfizer, Inc. in the U.S., Canada and Japan, and on sales of ANGIOMAX® (bivalirudin) by The Medicines Company, also known as TMC. TMC sells ANGIOMAX in the U.S. for use as an anticoagulant in combination with aspirin in patients with unstable angina undergoing percutaneous transluminal coronary angioplasty. TMC sells ANGIOMAX through distributors in Europe, Canada and Latin America.

We anticipate that total royalties revenues we will record in 2004 will be substantially higher compared to our royalty revenues recorded in 2003, since we will be reporting the full year's worth of royalty revenues from former Biogen, Inc. operations in 2004 as opposed to royalty revenues for only the period of November 13, 2003 through December 31, 2003 as are included in our 2003 results of operations.

Corporate Partner Revenues

Corporate partner revenues consist of contract revenues and license fees. Corporate partner revenues totaled $2.6 million in 2003 compared to $4.7 million in 2002 and $21.2 million in 2001. Corporate partner revenues represented less than 1%, approximately 1% and approximately 8% of total revenues in 2003, 2002 and 2001, respectively. The decrease in corporate partner revenues in 2003 and 2002 is primarily due to decreased research and development funding in 2002 under our collaborations with Taisho Pharmaceutical Co. Ltd. Of Tokyo, or Taisho, as a result of the termination of our collaboration with Taisho in 2002, and under our collaborations with Seikagaku Corporation, or Seikagaku. Additionally, in 2001, we recognized a $5.0 million payment received from Schering AG when the EMEA accepted for filing the submission of an application for approval of ZEVALIN in the EU and $3.3 million of revenues resulting from the implementation of SAB 101. Contract revenues and license fees are, in part, dependent upon the achievement of certain research and development and commercialization objectives and, accordingly, may vary from year to year. In the first quarter of 2004, we expect to receive a $10 million payment from Schering AG for the EMEA grant of marketing approval of ZEVALIN in the EU.

Operating Costs and Expenses

	2003	2002	2001
		(In thousands)	
Cost of sales	$ 284,739	$ 1,457	$ —
Research and development	233,337	100,868	90,458
Selling, general and administrative	174,596	88,021	51,082
Write-off of acquired in-process research and development	823,000	—	—
Amortization of acquired intangibles	33,180	—	—
Total operating costs and expenses	$1,548,852	$190,346	$141,540

Cost of Sales

In 2003, total cost of sales was $284.7 million and consisted of product cost of sales of $283.8 million and cost of royalty revenues of $0.9 million. In November 2003, we recorded the inventory that we acquired from Biogen, Inc. at its estimated fair value. Product cost of sales consisted of $254.3 million related to AVONEX, $18.7 million related to ZEVALIN and $8.7 million related to AMEVIVE. In 2003, included in product cost of sales was approximately $231.6 million in fair market value purchase accounting adjustments related to AVONEX and AMEVIVE. We expect that approximately $304 million in fair market value purchase accounting adjustments related to AVONEX and AMEVIVE will be included in product cost of sales in 2004. The increase to fair market value was recognized as cost of product sales when the acquired inventory was sold or written-down. Included in product cost of sales were write-downs of commercial inventory that did not meet quality specifications or became obsolete due to dating expiration, in all cases this product inventory was written down to its net realizable value. In 2003, we wrote-down $160.8 million related to AVONEX, $1 million related to AMEVIVE and $12.1 million related to ZEVALIN. AVONEX was written down from fair market value when it was determined that the inventory did not meet quality specifications. We have encountered problems in manufacturing our pre-filled syringe formulation of AVONEX. If these problems continue we are likely to have to incur additional charges and could potentially experience an interruption in the supply of AVONEX.

In 2002 cost of sales consisted primarily of contractual royalties owed on ZEVALIN sales. Pre-launch production of ZEVALIN antibodies manufactured prior to FDA approval in February 2002 were recognized as research and development expenses. ZEVALIN sales to date have solely consisted of ZEVALIN antibodies produced prior to FDA approval in February 2002.

Gross margin on product sales, which includes inventory written-down to its net realizable value, was approximately (65)% in 2003. Gross margin on product sales was approximately 89% in 2002. During 2003, we recorded the inventory that we acquired from Biogen, Inc. at its estimated fair value. The increase in fair market value was recognized as cost of product sales when the acquired inventory was sold or written-down. As a result, gross margin on product sales decreased significantly from 2002. We expect that gross margins will increase significantly during 2004 as the inventory acquired from Biogen, Inc. at its estimated fair value is sold. Excluding the increase in fair market value related to purchase accounting and the effects of writedowns of commercial inventory to net realizable value, gross margins of product sales would have been 84% in 2003. We expect that gross margins will fluctuate in the future based on changes in product mix, write-downs of excess or obsolete inventories and new product initiatives. Gross margin on royalty revenues were approximately 92% in 2003. We expect that gross margins on royalty revenues will fluctuate in the future based changes in sales volumes for specific products from which we receive royalties.

Research and Development Expenses

Research and development expenses totaled $233.3 million in 2003 compared to $100.9 million in 2002 and $90.5 million in 2001. The increase in research and development expenses in 2003 over 2002 primarily related to the acquisition of Biogen, Inc. which contributed $63.6 million in research and development

expenses for the period from November 13, 2003 through December 31, 2003, a $20 million payment to Genentech in conjunction with entering into an amended and restated collaboration agreement in June 2003, a $17.6 million increase in personnel expenses resulting from the expansion of our manufacturing and research functions, a $12.8 million increase in contract research and manufacturing expenses primarily related to oncology development and a $22.8 million increase in manufacturing costs recorded as research and development expense. We did not manufacture ZEVALIN bulk inventory in 2003. In 2003, our manufacturing facilities were primarily used to support products in development which caused the majority of the costs of our manufacturing operations to be recorded as research and development expense in 2003. Such costs were capitalized into inventory in 2002 to the extent they related to the manufacture of ZEVALIN.

The increase in research and development expenses in 2002 over 2001 was primarily due to upfront fees incurred under new collaborations, one-time license fees incurred for technology rights related to our products, increased personnel expenses and expansion of our facilities to support our ongoing basic research and clinical development programs, partially offset by capitalization of manufacturing costs for the production of commercial inventory of ZEVALIN antibodies and decreased clinical testing and development costs for ZEVALIN as a result of the FDA's approval of ZEVALIN.

Research and development expenses will increase significantly in 2004 as a result of the merger. We expect to continue incurring additional research and development expenses due to: preclinical and clinical testing of our various products under development; the expansion or addition of research and development programs; technology in-licensing; and regulatory-related expenses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled $174.6 million in 2003 compared to $88.0 million in 2002 and $51.1 million in 2001. The increase in selling, general and administrative expenses for the year ended December 31, 2003 primarily related to the acquisition of Biogen, Inc. which contributed $73.9 million in selling, general and administrative expenses for the period from November 13, 2003 through December 31, 2003, including $10.2 million related to restructuring costs associated with the relocation of our European headquarters, a $4.5 million increase in personnel expenses resulting from the expansion in sales and marketing expenses to support the commercialization of ZEVALIN, a $2.5 million increase in legal fees to protect our intellectual property rights, a $2.2 million increase in insurance expenses due to higher premiums, a $1.3 million increase in travel expenses primarily related to integration efforts associated with the merger with Biogen, Inc., and a $1.3 million increase in information technology expenses with the remaining increase due to the expansion of our administrative function to support growth in manufacturing and research. We anticipate that total selling, general, and administrative expense that we record in 2004 will be substantially higher compared to what we recorded in 2003, since we will be reporting the full year's worth of selling, general and administrative expenses related to supporting AVONEX and AMEVIVE in 2004 as opposed to only for the period of November 13, 2003 through December 31, 2003 in our 2003 results of operations.

Selling, general and administrative expenses in 2002 increased compared to 2001 primarily due to increased sales and marketing expenses related to the commercial launch of ZEVALIN, sales expenses to support the commercialization of RITUXAN, increased legal fees to protect our intellectual property rights for ZEVALIN and increases in general and administrative expenses to support overall organizational growth. Selling, general and administrative expenses are expected to increase in the foreseeable future to support the following: marketing and administration related to the commercialization of ZEVALIN; manufacturing capacity expansion; clinical trials; research and development; and protection and enforcement of our intellectual property rights for ZEVALIN and our product candidates.

Other Income (Expense), Net

	December 31,		
	2003	2002	2001
	(In thousands)		
Interest income	$ 33,610	$ 34,528	$38,528
Interest expense	(15,182)	(16,073)	(7,304)
Other expense	(29,383)	(809)	(757)
Total other income (expense), net	$(10,955)	$ 17,646	$30,467

Interest income totaled $33.6 million in 2003 compared to $34.5 million in 2002 and $38.5 million in 2001. The decrease in interest income in 2003 is primarily due to lower rates of return on securities available-for-sale. The average yields earned on our investments in 2002 decreased from the average yields earned on our investments in 2001 as a result of declining market interest rates. Interest income levels that may be achieved in the future are, in part, dependent upon market conditions.

Interest expense totaled $15.2 million in 2003 compared to $16.1 million in 2002 and $7.3 million in 2001. The decrease in interest expense in 2003 compared to 2002 is due to the capitalization of $6.8 million in 2003 and $0.4 million in 2002 of interest costs largely related to the development of a consolidated west coast research and development and administration campus in San Diego, California and our large-scale manufacturing facility in Oceanside, California, offset by higher noncash interest expense from our senior notes issued in April and May 2002.

Other expenses as set forth in the preceding table included the following:

	December 31,		
	2003	2002	2001
	(In thousands)		
Donation to Biogen Idec Foundation	$(10,000)	$ —	$ —
Settlement of patent disputes	(20,668)	—	—
Miscellaneous	1,285	(809)	(757)
Total other expense	$(29,383)	$(809)	$(757)

In October 2002, Biogen, Inc. established The Biogen Foundation, a private, U.S. based, non-profit philanthropic organization. In December 2002, Biogen, Inc. made a charitable contribution of $15 million to fund the Biogen Foundation. As a result of the merger, we changed the name of the foundation to The Biogen Idec Foundation and, in December 2003 contributed an additional $10 million. The foundation is to operate exclusively for the benefit of charitable, educational and scientific purposes. Certain executive officers and other employees serve as directors and officers of the foundation. We classify charitable contributions to other income (expense).

In December 2003, we recorded charges of $2.5 million and $18.2 million related to the final settlement of patent infringement disputes with Apoxis S.A. and Corixa Corporation, respectively. These payments for settlement of litigation were charged to other expense in the fourth quarter of 2003.

Acquired In-Process Research and Development

In the fourth quarter of 2003, we incurred a charge of $823 million related to the write-off of acquired in-process research and development, or IPR&D, related to the merger with Biogen, Inc. The amount expensed as IPR&D represents the estimated fair value of purchased in-process technology for projects that, as of the acquisition date, had not reached technological feasibility and had no alternative future use. The estimated fair value of these projects was determined based on the use of a discounted cash flow model. For each project, the estimated after-tax cash flows were probability weighted to take into account the stage of completion and the risks surrounding the successful development and commercialization. These cash flows were then discounted to present value using a discount rate of 16%. As of November 12, 2003, we estimated future R&D costs of

approximately $106 million, $48 million, and $301 million, respectively, would be incurred to complete the neurology, dermatology, and rheumatology research projects. These estimates are net of any research and development costs that were shared under collaborations with corporate partners. The research projects, which were in various stages of development, from preclinical through stage 3 clinical trials, are expected to reach completion at various dates ranging from 2004 through 2008.

The major risks and uncertainties associated with the timely and successful completion of these projects consist of the risk that we will not be able to confirm the safety and efficacy of the technology with data from clinical trials and the risk that we will not be able to obtain necessary regulatory approvals. No assurance can be given that the underlying assumptions used to forecast the cash flows or the timely and successful completion of such projects will materialize, as estimated. For these reasons, among others, actual results may vary significantly from the estimated results.

Amortization of Intangible Assets

In 2003, we recorded amortization expense of $33.2 million related to the intangible assets of $3.7 billion acquired in the merger with Biogen, Inc. Intangible assets consist of $3.0 billion in core technology, $578 million in patents and $64 million in trademarks. Amortization of the core technology is provided over the estimated useful lives of the technology ranging from 15 to 21 years. Amortization of the patents is provided over the remaining lives of the patents of 12 years. Trademarks have an indefinite life and, as such, are not amortized.

Income Tax Provision

Our effective tax rate in 2003 was approximately 1% compared to 36% percent in 2002 and 37% in 2001. Our effective tax rate for 2003 varied substantially from the U.S. federal statutory rate primarily due to the pre-tax loss resulting from the write-off of non-deductible IPR&D and other costs in connection with the merger with Biogen, Inc. which was not deductible for income tax purposes. Excluding the effect of our write-off of IPR&D, our 2005 effective tax rate would have been approximately 35%. Our effective tax rate for 2002 was higher than the federal statutory rate primarily because of state taxes. We have net operating loss and tax credit carryforwards for federal and state income tax purposes available to offset future taxable income. The utilization of our net operating loss carryforwards and tax credits may be subject to an annual limitation under the Internal Revenue Code due to a cumulative change of ownership of more than 50% in prior years. However, we anticipate that this annual limitation will result only in a slight deferral in the utilization of our net operating loss carryforwards and tax credits. During 2002, we decreased our valuation allowance for deferred tax assets to zero as, based upon the level of historical taxable income and projections for future taxable income over the periods that our deferred tax assets are deductible, we believe it is more likely than not that we will realize the benefits of our deferred tax assets. In the event that actual results differ from our estimates of future taxable income or we adjust our estimates in future periods, we may need to establish a valuation allowance which could materially impact our financial position and results of operations.

Net Income (Loss)

In 2003, results of operations provided a net loss of $875.1 million compared to net income of $148.1 million and $101.7 million for 2002 and 2001, respectively. The decrease in net income from 2002 is primarily attributable to the writedown of acquired IPR&D, the recognition of product cost of sales at fair market value on sales of AVONEX and AMEVIVE, and the amortization of intangible assets.

Financial Condition

We have financed our operating and capital expenditures principally through profits and other revenues from our joint business arrangement with Genentech related to the sale of RITUXAN, sales of AVONEX, AMEVIVE and ZEVALIN, sales of equity securities, royalty revenues, corporate partner revenues, lease financing transactions, debt financing transactions and interest income. We expect to finance our current and planned operating requirements principally through cash on hand, which includes the proceeds from the April

and May 2002 issuance of our senior notes, funds from our joint business arrangement with Genentech related to the sale of RITUXAN, funds from commercial sales of AVONEX, AMEVIVE and ZEVALIN, and funds from royalties and funds from existing collaborative agreements and contracts. We believe that these funds will be sufficient to meet our operating requirements for the foreseeable future. However, we may, from time to time, seek additional funding through a combination of new collaborative agreements, strategic alliances and additional equity and debt financings or from other sources. Our working capital and capital requirements will depend upon numerous factors, including: the continued commercial success of AVONEX and RITUXAN; the commercial success of AMEVIVE and ZEVALIN; timing and expense of obtaining regulatory approvals for new products; funding and timing of payments related to several material capital projects, the progress of our preclinical and clinical testing; fluctuating or increasing manufacturing requirements and research and development programs; levels of resources that we need to devote to the development of manufacturing, sales and marketing capabilities, including resources devoted to the marketing of AVONEX, RITUXAN, AMEVIVE, ZEVALIN and future products; technological advances; status of products being developed by competitors; our ability to establish collaborative arrangements with other organizations; and working capital required to satisfy the put options related to our senior notes and subordinated notes.

Until required for operations, we invest our cash reserves in bank deposits, certificates of deposit, commercial paper, corporate notes, foreign and United States government instruments and other readily marketable debt instruments in accordance with our investment policy.

Cash, cash equivalents and securities available-for-sale increased to $2.3 billion at December 31, 2003 from $1.4 billion at December 31, 2002, primarily as a result of our acquisition of $965.2 million in cash, cash equivalents and securities available-for-sale from Biogen, Inc. in the merger. Our operating activities generated $219.2 million of cash for the year ended December 31, 2003 as compared to $179.2 million for the year ended December 31, 2002. Net cash from operating activities includes our net loss of $875.1 million, which was offset by noncash charges of $823 million from the write-off of IPR&D related to the merger, $173.9 related to the writedown of inventory to net realizable value, a $79.1 million impact on sales of stepped-up inventory, and $61.3 million of depreciation and amortization. Our investing activities utilized $278.9 million of cash in 2003 compared to $839.2 million in 2002, and included uses of $301.2 million to fund construction projects and purchase real property and equipment, including our research and development and administration campus in San Diego and manufacturing facility in Oceanside, and $114.6 of net cash used in purchases, sales, and maturities of available for sale securities. Net cash used in investing activities was offset by $136.8 million assumed in the acquisition of Biogen, Inc. Cash generated from financing activities included $24.4 million from the issuance of common stock under employee stock option and stock purchase plans.

In April and May 2002, we raised through the issuance of our senior notes, approximately $696 million, net of underwriting commissions and expenses of $18.4 million. Simultaneously with the issuance of the senior notes, we used a portion of the proceeds to fund the repurchase of $135 million of our outstanding common stock. The senior notes are zero coupon and were priced with a yield to maturity of 1.75% annually. We will pay contingent cash interest to the holders of these senior notes during any nine-month period commencing on or after April 30, 2007 if the average market price of the senior notes for a five-trading-day measurement period preceding such nine-month period equals 120% or more of the sum of the issue price and accrued original issue discount for such senior note. The contingent interest payable per senior note in respect of any quarterly period within such nine-month period where contingent interest is determined to be payable will equal the greater of (1) the amount of regular cash dividends paid by us per share on our common stock during that quarterly period multiplied by the then applicable conversion rate or (2) 0.0625% of the average market price of a senior note for the five-trading-day measurement period preceding such nine-month period, provided that if we do not pay regular cash dividends during a semiannual period, we will pay contingent interest semiannually at a rate of 0.125% of the average market price of a senior note for the five-trading-day measurement period immediately preceding such nine-month period.

Upon maturity, the senior notes will have an aggregate principal face value of $1.2 billion. Each $1,000 aggregate principal face value senior note is convertible at the holder’s option at any time through maturity into 7.1881 shares of our common stock at an initial conversion price of $82.49. In addition, holders of the

senior notes may require us to purchase all or a portion of the senior notes on April 29, 2005, 2007, 2012 and 2017 at a price equal to the issue price plus the accrued original issue discount to the date of purchase, payable at our option in cash, common stock or a combination of cash and stock. In addition, if a change in control in our company occurs on or before April 29, 2007, holders may require us to purchase all or a portion of their senior notes for cash. We have the right to redeem at a price equal to the issue price plus the accrued original issue discount to the date of redemption all or a portion of the senior notes for cash at any time on or after April 29, 2007.

In February 1999, we raised through the issuance of our subordinated notes, approximately $112.7 million, net of underwriting commissions and expenses of $3.9 million. The subordinated notes are zero coupon and were priced with a yield to maturity of 5.5% annually. Upon maturity, the subordinated notes will have an aggregate principal face value of $345 million. Each $1,000 aggregate principal face value subordinated note is convertible at the holders' option at any time through maturity into 40.404 shares of our common stock at an initial conversion price of $8.36. The holders of the subordinated notes may require us to purchase the subordinated notes on February 16, 2009 or 2014 at a price equal to the issue price plus accrued original issue discount to the date of purchase with us having the option to repay the subordinated notes plus accrued original issue discount in cash, common stock or a combination of cash and stock. We have the right to redeem at a price equal to the issue price plus the accrued original issue discount to the date of redemption all or a portion of the subordinated notes for cash at any time.

In September 2001, we purchased approximately 42.6 acres of land in San Diego, California for approximately $31.7 million in cash where we are building a consolidated research and development and administration campus. Construction is expected to be completed in the fourth quarter of 2004 at an estimated total cost of $177 million. As of December 31, 2003, we have invested approximately $58.2 million in the construction of this campus.

In September 2000, we purchased a 60-acre site in Oceanside, California for approximately $18.9 million in cash. In December 2002, we purchased an additional 27 acres of land at the Oceanside site for $7.9 million in cash. We are building a large-scale manufacturing facility at this location, which we anticipate using to manufacture commercial products currently in clinical trials if they are approved by the FDA. We anticipate the new facility to be mechanically completed in 2005, followed by commissioning and validation targeted for 2006. Total costs of this facility upon completion are estimated to be $400 million. As of December 31, 2003, we have invested approximately $298 million in the construction of this large-scale manufacturing facility.

In February 2004, our Board of Directors authorized the repurchase of up to 12 million shares of our common stock. The repurchased stock will provide us with treasury shares of general corporate purposes, such as stock to be issued under employee stock option and stock purchase plans. To date, we have not repurchased any shares under the program.

In May 1999, we entered into an arrangement with MDS (Canada) Inc., MDS Nordion Division, successor to MDS Nordion, Inc., or MDS (Canada), under which MDS agreed to supply us yttrium-90, a radioisotope used in connection with administering ZEVALIN. MDS (Canada) initially supplied product for use in the ZEVALIN clinical trials. In anticipation of commercial launch of ZEVALIN, we subsequently determined that additional commercial production capacity for yttrium-90 would be necessary. To obtain a commitment from MDS (Canada) that sufficient commercial supply would be available, we agreed to minimum purchase commitments of $55 million, and to make periodic cash payments totaling $25 million into an escrow account. The supply agreement was amended in November 2001 to give effect to these mutual commitments.

In December 2003, in light of the reduced expectations for ZEVALIN sales levels, we agreed to release the $25 million of escrowed funds to MDS (Canada), and MDS (Canada) agreed to eliminate the minimum purchase commitments from the supply arrangement. MDS (Canada)'s obligation to supply yttrium-90 remains in effect. We are amortizing the prepayment over the economic life of the agreement.

Biogen, Inc. has a tax-qualified defined benefit pension plan which provides benefits to all of its U.S. employees based on compensation credits and interest credits to participants' accounts using a "cash balance" method. Biogen, Inc. also has a supplemental retirement benefit plan which covers a select group of

highly compensated U.S. employees. The pension plans are noncontributory with benefit formulas based on employee earnings and credited years of service. Biogen, Inc.'s funding policy for its pension plans has been to contribute amounts deductible for federal income tax purposes. Funds contributed to the plans have been invested in fixed income and equity securities. At October 1, 2003, Biogen, Inc. ceased allowing new participants into its pension plans. At November 13, 2003, as a result of the merger, we assumed $36.2 million in pension liability related to these plans. We have requested Internal Revenue Service approval of the termination the defined benefit pension plan. We credited participants' cash balance accounts under the defined benefit pension plan in respect of compensation and interest earned through December 31, 2003, no further compensation credits will be made, but interest credits will be made until the defined benefit pension plan is terminated and benefits there under distributed to participants. In December we contributed $10 million into the defined benefit pension plan. We also intend to terminate the supplemental retirement benefit plan as of April 1, 2004. We credited participants' accounts under supplemental retirement benefit plan in respect of compensation and interest earned through December 31, 2003. No further compensation credits will be made, but interest credits will be made until the supplemental retirement benefit plan is terminated. As of December 31, 2003 we had a liability of $26.9 million related to these plans.

Contractual Obligations and Off-Balance Sheet Arrangements

The following summarizes our contractual obligations (excluding contingent milestone payments totaling $138.1 million under our collaboration and license agreements) at December 31, 2003, and the effects such obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due by Period				
	Total Years	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
			(In thousands)		
Non-cancelable operating leases	$161,340	$31,713	$45,550	$35,864	$48,213
Other long-term obligations	59,728	38,759	20,969	—	—
Total contractual cash obligations	$221,068	$70,472	$66,519	$35,864	$48,213

All material intercompany balances and transactions have been eliminated. We do not have any other relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Collaboration and License Agreements

In September 2001, we entered into a collaborative development agreement with Mitsubishi Pharma to support clinical development of anti-CD80 (anti-B7.1) antibody products developed using our Primatized® antibody technology. Under the terms of an existing license agreement with Mitsubishi Pharma, entered into in November 1993, Mitsubishi Pharma has an exclusive license in Asia to develop and commercialize anti-CD80 (anti-B7.1) antibody products. These agreements were terminated in December 2003. As a result of the termination of each of these agreements, we have no continuing financial obligations under any of these agreements. During 2003, 2002 and 2001, we recognized revenues from our agreements with Mitsubishi Pharma of $1.5 million, $1.4 million and $4.7 million, respectively, which are included in corporate partner revenues.

In June 2000, we entered into a collaborative research and development agreement with Taisho Pharmaceutical Co. Ltd. of Tokyo, to develop and commercialize antibody therapeutics against macrophage migration inhibitory factor, or MIF, for the treatment of inflammatory and autoimmune diseases. This agreement was terminated in 2002. During 2002 and 2001, we recognized revenues from our agreement with Taisho of $0.7 million and $4.8 million, respectively, which are included in corporate partner revenues.

In June 1999, we entered into a collaboration and license agreement with Schering AG aimed at the development and commercialization of ZEVALIN. Under the terms of the agreement, we may receive milestone and research and development support payments totaling up to $47.5 million, subject to the attainment of product development objectives. Schering received exclusive marketing and distribution rights to ZEVALIN outside the U.S., and we will receive royalties on product sales by Schering. Under the terms of a separate supply agreement, we are obligated to meet Schering's clinical and commercial requirements for ZEVALIN. Schering may terminate these agreements for any reason. During 2003, 2002 and 2001, we recognized revenues from our agreements with Schering of $0.2 million, $0.3 million and $9.5 million, respectively, which are included in corporate partner revenues. Of the revenue recognized in 2001, $6.0 million is for the attainment of product development objectives and a milestone payment when the European Medicines Evaluation Agency accepted for filing the submission of an application for approval of ZEVALIN in the EU. Additionally, as a result of implementing SAB No. 101, we recognized $3.3 million of revenues in 2001, which was previously recognized as revenue in 1999, prior to the implementation of SAB No. 101. In the first quarter of 2004, we expect to receive a $10 million payment from Schering AG for the EMEA grant of marketing approval of ZEVALIN in the EU.

In December 1995, we entered into a collaborative development agreement and a license agreement with Eisai Co, Ltd., aimed at the development and commercialization of anti-CD40L antibodies. Under the terms of these agreements, we may receive milestone payments totaling up to $12.5 million and research and development support payments totaling up to $25.0 million, subject to the attainment of certain product development objectives and satisfaction of other criteria to be agreed upon between us and Eisai. Eisai received exclusive rights in Asia and Europe to develop and market products resulting from the collaboration, and we will receive royalties on product sales by Eisai. Eisai may terminate these agreements based on a reasonable determination that the products do not justify continued product development or marketing. During 2003, we did not recognize any revenues related to this collaboration. During 2002 and 2001, we recognized revenues from our agreements with Eisai of $0.7 million and $2.2 million, respectively, which are included in corporate partner revenues.

In December 1994, we entered into a collaborative development agreement and a license agreement with Seikagaku Corporation, aimed at the development and commercialization of an anti-CD23 antibody using primatized antibody technology. During 2003 and 2002, we recognized revenues from our agreement with Seikagaku of $0.6 million and $1.6 million, respectively, which are included in corporate partner revenues. No revenues were recognized under our agreement with Seikagaku during 2001. Although this agreement was terminated effective January 17, 2004, we have certain continuing obligations that remain under the agreement that we may fulfill in the first half of 2004 and for which we would receive revenue from Seikagaku.

Under the above agreements, amounts earned by us and recognized as revenue for contract research and development approximate the research and development expenses incurred under the related agreement.

In connection with our research and development efforts, we have also entered into various collaboration arrangements which provide us with rights to develop, produce and market products using certain know-how, technology and patent rights maintained by the parties. Terms of the various license agreements may require us to make milestone payments upon the achievement of certain product development objectives and pay royalties on future sales, if any, of commercial products resulting from the collaboration. It is not anticipated that the aggregate of any royalty or milestone obligations under these arrangements will be material to our operations.

In September 2003, Biogen, Inc. entered into a license agreement with Fumapharm, under which Biogen, Inc. obtained exclusive rights to develop and market a second-generation fumarate derivative with an immunomodulatory mechanism of action, currently in clinical trials in Europe. Under the terms of this agreement, we have an exclusive worldwide marketing and distribution license, excluding Germany, for psoriasis, and a production and exclusive marketing and distribution license for the entire world for MS. We have committed to paying Fumapharm additional amounts upon the completion of certain future research milestones and first and second indication development milestones. If all the milestones were to be achieved,

we would be required to pay up to an additional 25 million Swiss francs plus royalties over the life of the agreement.

In August 2003, Biogen, Inc. entered into a collaboration agreement with Vetter Pharma-Fertigung GmbH & Co. KG for the fill-finish of Biogen Idec products. Under the terms of this agreement, Biogen, Inc. paid a partial advance payment to Vetter of 35 million Euros in return for reserving certain capacity at Vetter's fill-finish facility. Upon signing the agreement in August 2003, Biogen, Inc. paid Vetter $5.7 million (5.25 million Euros), which is included as a prepayment in other current assets as of December 31, 2003. The remaining balance of advance payments will become due and payable by us upon the achievement of certain milestones by Vetter. The next two milestones are expected to be achieved in the first quarter of 2004, at which time we will make payments to Vetter of 10.5 million euros and 3.5 million euros, respectively. Two additional milestones totaling 15.75 million Euros are expected to be achieved in 2005 or 2006.

In June 2003, Biogen, Inc. entered into a collaboration agreement with Genentech under which we are collaborating with Genentech on the development of a BR3 (BAFF-R) protein therapeutic from Biogen, Inc.'s pipeline of early-stage product candidates. Under the terms of this agreement, Genentech initially will be responsible for the development costs of the product candidates, until that time, if any, when we exercise our opt-in rights (which must be done within a certain timeframe). Prior to exercising our opt-in rights, to the extent that we incur any development costs in relation to the programs covered by this agreement, they will be recorded as research and development expenses. The reimbursement by Genentech of these costs will be recorded as contract revenue. We have recorded $0.3 million in contract revenues related to the collaboration for the period of November 13 through December 31, 2003.

In December 2002, Biogen, Inc. entered into a collaboration agreement with Sunesis Pharmaceuticals, Inc. related to the discovery and development of oral therapeutics for the treatment of inflammatory and autoimmune diseases. We apply Sunesis' proprietary fragment-based drug discovery technology, known as "tethering," to generate small molecule leads that target select cytokines in the immune system. Under the terms of this agreement, we purchased 1.25 million shares of preferred stock of Sunesis for $6 million, the fair value of the shares. We have acquired certain exclusive licenses to develop and commercialize certain compounds resulting from the collaboration. We account for our investment in Sunesis, which is included in other assets, using the cost method of accounting, subject to periodic review of impairment. We will pay Sunesis a quarterly license maintenance fee of $357,500 during the period commencing on April 1, 2004 through July 1, 2005. Additionally, we have a Credit Facility Agreement with Sunesis under which we are obligated to loan Sunesis up to $4 million. At December 31, 2003, there is $1.6 million of borrowings outstanding. We have committed to paying Sunesis additional amounts upon the completion of certain future research milestones and first and second indication development milestones. If all the milestones were to be achieved, we would be required to pay up to an additional $60.5 million over the life of the agreement.

In August 2000, Biogen, Inc. entered into a development and marketing collaboration agreement with Elan Pharma International, Ltd, an affiliate of Elan Corporation, plc to collaborate in the development, manufacture and commercialization of ANTEGREN® (natalizumab), a humanized monoclonal antibody. Biogen Idec and Elan are currently developing ANTEGREN as a potential treatment for MS, Crohn's disease, and rheumatoid arthritis. Under the terms of this agreement, we share costs with Elan for on-going development activities. There were no material charges related to this collaboration that were charged to research and development expense during the period from November 13 through December 31, 2003. As of December 31, 2003, Elan owed us $6.3 million, representing development expenses incurred by Biogen, Inc. and Biogen Idec to be reimbursed by Elan. We have committed to paying Elan additional amounts upon the completion of certain future milestones. If all the future milestones were to be achieved, we would be required to pay up to an additional $14 million over the remaining life of the agreement.

As part of previous agreements that Biogen, Inc. had with Targeted Genetics Corporation, or Targeted, for gene therapy research and development, we own approximately 12.1 million shares of Targeted's common stock with a fair value of $26.6 million, which is included in investments and other assets. We have no remaining commitments or obligations with Targeted.

Legal Matters

On September 10, 2001, we filed a lawsuit in the federal district court in the Southern District of California against Corixa Corporation, GlaxoSmithKline (Corixa's marketing partner) and the University of Michigan seeking declaratory judgment that ZEVALIN and its use in the treatment of various B-cell NHLs does not infringe certain issued U.S. patents licensed to Corixa regarding products and processes relating to radioimmunotherapy, also known as the Kaminski patents, and a further declaration that Corixa's patents are invalid. On September 12, 2001, Corixa, Glaxo and the University of Michigan filed a lawsuit in the federal district court in the District of Delaware against us for patent infringement. The lawsuit claims that we infringe the patents that are the subject of our declaratory judgment action against Corixa. The lawsuit seeks damages and to permanently enjoin us from commercializing ZEVALIN. This action has been transferred to San Diego and was consolidated with our lawsuit. On February 27, 2004 the parties entered into a Memorandum of Agreement for Settlement of all outstanding disputes. The terms of the Memorandum include mutual releases and dismissal with prejudice of all claims and counterclaims in the current litigation between the parties, with each party bearing their own costs, expenses and fees. In addition, the parties will enter into worldwide, non-exclusive licenses, with a right to sublicense, under the patents in suit for the life of such patents. We will pay $20 million in settlement of all outstanding claims in the litigation upon execution of a definitive settlement and license agreement, which is expected to be concluded by the end of March. In addition, we will pay royalties on U.S. net sales of ZEVALIN and may pay a one-time payment in the future subject to the attainment of a certain net sales level of ZEVALIN in the U.S.

On May 20, 2003, another patent in the family of Kaminski patents, or the '827 patent, was issued to the University of Michigan. The patent is licensed by the University of Michigan to Corixa. On June 3, 2003, we filed a lawsuit in the federal district court in the Southern District of California against Corixa, Glaxo and the University of Michigan seeking declaratory judgment that ZEVALIN and its use in the treatment of various B-cell NHLs does not infringe the '827 patent and a further declaration that the patent is invalid. On December 16, 2003, we filed a Voluntary Notice of Dismissal without Prejudice of this lawsuit based on a covenant by the defendants that they would not sue us for infringement as to any claim of the '827 patent based upon ZEVALIN, or the ZEVALIN therapeutic regimen, as currently approved by the FDA, or for any current or past off-label use. The dispute related to the '827 patent is included in the Memorandum agreed to by the parties on February 27, 2004.

On February 25, 2003, we filed an additional complaint against Corixa and Glaxo in the federal district court in the Southern District of California. The complaint alleges that Corixa's and Glaxo's conduct since recommendation by the Oncologic Drugs Advisory Committee for approval of BEXXAR constitutes, or will constitute, infringement of a patent owned by us. The complaint seeks available remedies under patent laws, including monetary damages and permanent injunctive relief. All claims and counterclaims related to this lawsuit included in the Memorandum agreed to by the parties on February 27, 2004.

On July 15, 2003, Biogen, Inc., along with Genzyme Corporation and Abbott Bioresearch Center, Inc., filed suit against Trustees of Columbia University in the City of New York in the United States District Court for the District of Massachusetts, contending that we no longer have any obligation to pay royalties to Columbia on sales of our products under a 1993 License Agreement between us and Columbia related to U.S. Patent Nos. 4,399,216; 4,634,665; and 5,179,017, also referred to as the Original Patents, or under a newly issued patent, U.S. Patent No. 6,455,275, also referred to as the '275 Patent. In our suit, we are seeking a declaratory judgment that we have no obligation to pay any further royalties under the license agreement because the Original Patents have expired and the '275 Patent is invalid and unenforceable; and that Columbia should be permanently enjoined from demanding any further royalties based on the '275 Patent or on any pending continuations, continuations-in-part, or divisional applications of the Original Patents. Columbia has taken the position that we still owe it royalties under the license agreement on the basis of the '275 Patent which was issued on September 24, 2002, over two years after the expiration of the Original Patents. In the event that we are unsuccessful in the present litigation, we may be liable for damages suffered by Columbia with respect to withheld royalties and such other relief as Columbia may seek and be granted by the Court. As a result of our assessment of the invalidity of the '275 Patent, we determined that it was probable that no additional amounts are payable to Columbia.

Along with most other major pharmaceutical and biotechnology companies, Biogen, Inc. was named as a defendant in a lawsuit filed by each of the County of Suffolk, New York, the County of Westchester, New York, and the County of Rockland, New York. All three cases are pending in the U.S. District Court for the District of Massachusetts. The complaints allege that the defendants overstated the Average Wholesale Price for drugs for which Medicaid provides reimbursement, also referred to as Covered Drugs, marketed and promoted the sale of Covered Drugs to providers based on the providers ability to collect inflated payments from the government and Medicaid beneficiaries that exceeded payments possible for competing drugs, provided financing incentives to providers to over-prescribe Covered Drugs or to prescribe Covered Drugs in place of competing drugs, and overcharged Medicaid for illegally inflated Covered Drugs reimbursements. The complaints further allege that the defendants failed to accurately report the "best price" on the Covered Drugs to New York's Medicaid program. Under Medicaid, pharmaceutical and biotechnology companies agree to pay Medicaid programs a rebate for each product reimbursed by Medicaid. The amount of the rebate is often the difference between the average manufacturers price and the best price reported by companies to the Medicaid program. Plaintiffs claim that they were harmed because they could have allotted the dollars that they wrongfully spent on Medicaid to other public needs. Plaintiffs have brought the actions under the Racketeering Influence and Corrupt Organizations Act (RICO), and for breach of contract, unjust enrichment, unfair trade practices, Medicaid fraud, common law fraud, and violation of each of the federal Medicaid Statute, the New York Social Services Law and the New York Department of Health Regulations. In September 2003, Biogen, Inc. joined other named defendants in filing with the U.S. District Court for the District of Massachusetts a Motion to Dismiss the Amended Suffolk County Complaint. In December 2003, the plaintiffs withdrew the RICO claims from the Suffolk County case. We intend to vigorously defend ourselves against all of the allegations and claims in these lawsuits. As a result, an estimate of any potential loss or range of loss cannot be made at this time.

On June 25, 2003, prior to the effective date of the merger, a suit was filed in the Superior Court of California, County of San Diego, on behalf of a purported class of Biogen, Inc. stockholders against Biogen, Inc., IDEC Pharmaceuticals Corporation and certain members of Biogen, Inc.'s board of directors alleging, among other things, that the members of Biogen, Inc.'s board of directors breached their fiduciary duties of candor, loyalty, due care, independence, good faith and fair dealing by allegedly tailoring the structural terms of the merger to meet the specific needs of IDEC Pharmaceuticals Corporation rather than attempting to obtain the highest price reasonably available for Biogen, Inc. An agreement in principal to resolve the suit has been reached based upon the disclosure of certain additional information in the joint proxy statement/ prospectus in the registration statement on Form S-4 filed by IDEC Pharmaceuticals Corporation in connection with the merger and the payment of attorneys' fees in an amount to be determined by the court. We do not expect the settlement and related attorney fees to be material.

In addition, we are involved in certain other legal proceedings generally incidental to our normal business activities. While the outcome of any of these proceedings cannot be accurately predicted, we do not believe the ultimate resolution of any of these existing matters would have a material adverse effect on our business or financial condition.

Critical Accounting Estimates

The preparation of consolidated financial statements requires us to make estimates and judgments that may affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition and bad debts, marketable securities, inventories, income taxes, impairment for intangible assets and goodwill, research and development, pensions, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition and Accounts Receivable

SEC Staff Accounting Bulletin No. 101 or SAB 101, superceded in part by SAB 104, provides guidance on the recognition, presentation, and disclosure of revenue in financial statements. SAB 101 establishes the SEC's view that it is not appropriate to recognize revenue until all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller's price to the buyer is fixed or determinable; collectibility is reasonably assured, and requires that both title and the risks and rewards of ownership be transferred to the buyer before revenue can be recognized. We believe that our revenue recognition policies are in compliance with SAB 101.

Revenues from product sales are recognized when product is shipped and title and risk of loss has passed to the customer. Revenues are recorded net of applicable allowances for returns, rebates and other applicable discounts and allowances. The timing of distributor orders and shipments can cause variability in earnings. We prepare our estimates for sales returns and allowances, discounts and rebates quarterly based primarily on historical experience updated for changes in facts and circumstances, as appropriate. If actual future results vary, we may need to adjust our estimates, which could have an impact on earnings in the period of adjustment. In the past, our estimates based on historical experience have not materially differed from actual results.

Revenues from unconsolidated joint business arrangement consist of our share of the pretax copromotion profits generated from our copromotion arrangement with Genentech, reimbursement from Genentech of our RITUXAN-related sales force and development expenses and royalties which are paid to Genentech for sales of rituximab outside the U.S. by Roche and Zenyaku. Under the copromotion arrangement, all U.S. sales of RITUXAN and associated costs and expenses are recognized by Genentech and we record our share of the pretax copromotion profits on a quarterly basis, as defined in our collaborative agreement with Genentech. Pretax copromotion profits under the copromotion arrangement are derived by taking U.S. net sales of RITUXAN to third-party customers less cost of sales, third-party royalty expenses, distribution, selling and marketing expenses and joint development expenses incurred by Genentech and us. Our profit-sharing formula with Genentech has two tiers; we earn a higher percentage of the pretax copromotion profits at the upper tier once a fixed pretax copromotion profit level is met. The profit-sharing formula resets annually at the beginning of each year to the lower tier. We record our royalty revenue with a one-quarter lag.

In February 2002, the FASB Emerging Issues Task Force or EITF released EITF Issue No. 01-09 or EITF 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)". EITF 01-09 states that cash consideration (including a sales incentive) given by a vendor to a customer is presumed to be a reduction of the selling prices of the vendor's products or services and, therefore, should be characterized as a reduction of revenue when recognized in the vendor's income statement, rather than a sales and marketing expense. We have various contracts with distributors that provide for discounts and rebates. These contracts are classified as a reduction of revenue. We also maintain select customer service contracts with distributors and other customers in the distribution channel. In accordance with EITF 01-09, we have established the fair value of these contracts and, as provided by EITF 01-09, classified these customer service contracts as sales and marketing expense. If we had concluded that sufficient evidence of the fair value did not exist for these contracts, we would have been required to classify these costs as a reduction of revenue.

We receive royalty revenues under license agreements with a number of third parties that sell products based on technology developed by us or to which the we have rights. The license agreements provide for the payment of royalties to us based on sales of the licensed product. We record these revenues based on estimates of the sales that occurred during the relevant period. The relevant period estimates of sales are based on interim data provided by licensees and analysis of historical royalties paid to us (adjusted for any changes in facts and circumstances, as appropriate). We maintain regular communication with our licensees in order to gauge the reasonableness of our estimates. Differences between actual royalty revenues and estimated royalty revenues are reconciled and adjusted for in the period which they become known, typically the following quarter. Historically, adjustments have not been material based on actual amounts paid by licensees. There are

no future performance obligations on our part under these license agreements. Under this policy, revenue can vary due to factors such as resolution of royalty disputes and arbitration.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required, which could affect future earnings.

Biogen, Inc. Purchase Price Allocation

The purchase price related to the merger with Biogen, Inc. was allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on the estimated fair market values as of the acquisition date. An independent third party valuation firm was engaged to assist in determining the fair values of in-process research and development, identifiable intangible assets, inventory and certain property, plant and equipment, and in determining the useful lives of such tangible and identifiable intangible assets acquired. Such a valuation requires significant estimates and assumptions including but not limited to: determining the timing and expected costs to complete the in-process projects, determining the product life and term of estimated future cash flows, and developing appropriate costs, expenses, depreciation and amortization assumptions, tax rates, discount rates and probability rates by project. We believe the fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions. These assumptions are based on the best available information that we had at the time. Additionally, certain estimates for the purchase price allocation including inventory and taxes may change as subsequent information becomes available.

Marketable Securities

As part of our strategic product development efforts, we invest in equity securities of certain biotechnology companies with which we have collaborative agreements. Statement of Financial Accounting Standards or SFAS No. 115 or SFAS 115, “Accounting for Certain Investments in Debt and Equity Securities”, addresses the accounting for investment in marketable equity securities. As a matter of policy, we determine on a quarterly basis whether any decline in the fair value of a marketable security is temporary or other than temporary. Unrealized gains and losses on marketable securities are included in other comprehensive income in shareholders’ equity, net of related tax effects. If a decline in the fair value of a marketable security below our cost basis is determined to be other than temporary, such marketable security is written down to its estimated fair value with a charge to current earnings. The factors that we consider in our assessments include the fair market value of the security, the duration of the security’s decline, prospects for the company, including favorable clinical trial results, new product initiatives and new collaborative agreements. Any future determinations that unrealized losses are other than temporary could have an impact on earnings. In connection with our assessment at December 31, 2003, $2.7 million of unrealized losses related to these marketable securities were determined to be temporary. The fair market value of these marketable securities totaled $27.1 million at December 31, 2003.

We also invest in equity securities of certain companies whose securities are not publicly traded and fair value is not readily available. These investments are recorded using the cost method of accounting and, as a matter of policy, we monitor these investments in private securities on a quarterly basis, and determine whether any impairment in their value would require a charge to current earnings, based on the implied value from any recent rounds of financing completed by the investee, market prices of comparable public companies, and general market conditions. At December 31, 2003, we included approximately $25.3 million of investments in private securities in other assets. There were no charges to current earnings in 2003, 2002, or 2001 for impairments of these investments. Recognition of impairments for these securities may cause variability in earnings.

Inventory Capitalization

Inventories are stated at the lower of cost or market with cost determined under the first-in, first-out ("FIFO") method. Included in inventory are raw materials used in the production of pre-clinical and clinical products, which are expensed as research and development costs when consumed.

We capitalize inventory costs associated with certain products prior to regulatory approval, based on management's judgment of probable future commercialization. We could be required to expense previously capitalized costs related to pre-approval inventory upon a change in such judgment, due to, among other potential factors, a denial or delay of approval by necessary regulatory bodies. We recognized ZEVALIN antibodies manufactured prior to FDA approval in February 2002 as research and development expenses.

We write down obsolete or otherwise unmarketable inventory to its estimated net realizable value. If the actual realizable value is less than that estimated by us, additional inventory write-downs may be required. We wrote down $173.9 million of unmarketable inventory during 2003, which was charged to cost of product revenues and consisted of $160.8 million related to AVONEX, $1 million related to AMEVIVE and $12.1 million related to ZEVALIN. AVONEX was written down to net realizable value when it was determined that the inventory did not meet quality specifications. Included in the AVONEX writedown was $149.6 million in fair market value adjustments related to purchase accounting. ZEVALIN was written down to net realizable value due to product expiration.

Income Taxes

Income tax expense includes a provision for income tax contingencies which we believe is adequate and appropriate.

In preparing our consolidated financial statements, we estimate our income tax liability in each of the jurisdictions in which we operate by estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and financial statement purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. Significant management judgment is required in assessing the realizability of our deferred tax assets. In performing this assessment, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Our estimates of future taxable income are derived from, among other items, our estimates of future deductions related to stock options. In the event that actual results differ from our estimates or we adjust our estimates in future periods, we may need to establish a valuation allowance which could materially impact our financial position and results of operations.

Research and Development Expenses

Research and development expenses are comprised of costs incurred in performing research and development activities including salaries and benefits, facilities costs, overhead costs, clinical trial and related clinical manufacturing costs, contract services and other outside costs. Research and development costs, including upfront fees and milestones paid to collaborators, are expensed as incurred. The timing of upfront fees and milestone payments in the future may cause variability in future research and development expense. Clinical trial costs include costs associated with contract research organizations, or CROs. The invoicing from CROs for services rendered can lag several months. We accrue the cost of services rendered in connection with CRO activities based on our estimate of management fees, site management and site monitoring costs, and data management costs. We maintain regular communication with our CRO vendors to gauge the reasonableness of our estimates. Differences between actual clinical trial costs and estimated clinical trial costs have not been material and are adjusted for in the period which they become known. Under this policy, research and development expense can vary due to accrual adjustments related to clinical trials.

Contingencies and Litigation

There has been, and we expect there may be significant litigation in the industry regarding commercial practices, regulatory issues, pricing, and patents and other intellectual property rights. Certain adverse unfavorable rulings or decisions in the future, including in the litigation described under "Legal Matters", could create variability or have a material adverse effect on our future results of operations and financial position.

New Accounting Standards

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51." FIN 46 requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. Variable interest entities that effectively disperse risk will not be consolidated unless a single party holds an interest or combination of interests that effectively recombines risks that were previously dispersed. FIN 46 also requires enhanced disclosure requirements related to variable interest entities. FIN 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after March 15, 2004 to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of FIN 46 is not expected to have a material effect on our financial statements.

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". The adoption of SFAS 149 is not expected to have a material effect on our financial statements.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after December 15, 2004. The adoption of SFAS150 is not expected to have a material effect on our financial statements.

In June 2003, the EITF issued EITF 00-21, "Revenue Arrangements with Multiple Deliverables." EITF 00-21 establishes an approach to be used in determining when a revenue arrangement that involves multiple deliverables should be divided into separate units of accounting for revenue recognition purposes, if separation of an arrangement is appropriate, how the arrangement consideration should be allocated to the identified accounting units. This Statement is effective for arrangements entered into or modified after June 30, 2003. The adoption of EITF 00-21 did not have a material effect on our financial statements.

In December 2003, the FASB issued SFAS 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits." The revised SFAS 132 retains all of the disclosure requirements of the original SFAS 132 and amends APB Opinion No. 28 "Interim Financial Reporting", to require interim-period disclosure of the components of net periodic pension cost, and if significantly different from previously disclosed amounts, the amounts of contributions and projected contributions to fund pension plans and other postretirement benefit plans. This Statement is effective for interim period disclosures beginning after December 15, 2003. We have complied with the disclosure provision of SFAS 132.

On December 17, 2003, the Staff of the Securities and Exchange Commission (SEC or the Staff) issued SAB 104, *Revenue Recognition*, which amends SAB 101, *Revenue Recognition in Financial Statements*. SAB 104's primary purpose is to rescind accounting guidance contained in SAB 101 related to multiple

element revenue arrangements, superseded as a result of the issuance of EITF 00-21. Additionally, SAB 104 rescinds the SEC's *Revenue Recognition in Financial Statements Frequently Asked Questions and Answers* (the FAQ) issued with SAB 101 that had been codified in SEC Topic 13, *Revenue Recognition*. Selected portions of the FAQ have been incorporated into SAB 104. While the wording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104. The adoption of SAB 104 did not have a material impact on our financial statements.

EITF 03-01, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* was issued in February 2004. EITF 03-01 stipulates disclosure requirements for investments with unrealized losses that have not been recognized as other-than-temporary impairments. The provisions of EITF 03-01 are effective for fiscal years ending after December 15, 2003. We have complied with the disclosure provisions of EITF 03-01.

Use of Non-GAAP Financial Measures

We use a pro forma gross margin of product sales measure in the "Cost of Sales" section and a pro forma effective tax rate measure in the "Income Tax Provision" section. These are non-GAAP financial measures. The most directly comparable GAAP financial measures of each non-GAAP financial measure as well as the reconciliation between each non-GAAP financial measure and the GAAP financial measure are presented in the discussions of the non-GAAP financial measures. Management believes that the non-GAAP financial measures provide useful information to investors. In particular, management believes that the non-GAAP financial measures allow investors to monitor and evaluate our ongoing operating results and trends and gain a better understanding of our past performance as well as period-to-period performance.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk.***

See the sections from "Item 1 — Business — Forward Looking Information and Risk Factors that May Affect Future Results" entitled "We are Subject to Market Risk," "Our Financial Position, Results of Operations and Cash Flows can be Affected by Fluctuations in Foreign Currency Exchange Rates," and "We are Exposed to Risk of Interest Rate Fluctuations."

Item 8. ***Consolidated Financial Statements and Supplementary Data.***

The information required by this Item 8 is contained on pages F-1 through F-40 of this Annual Report on Form 10-K.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

Previously reported.

Item 9A. ***Controls and Procedures.***

We have carried out an evaluation, under the supervision and the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the fiscal year covered by this report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective in providing reasonable assurance that (a) the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (b) such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As a result of the merger with Biogen, Inc. and the relocation of our corporate headquarters to Cambridge, Massachusetts, we made a number of changes in our internal controls over financial reporting during the fourth quarter of 2003 that, in the aggregate, have materially affected our internal control over financial reporting. The changes consisted of adding certain Biogen, Inc. internal controls to our internal controls, combining certain of our internal controls with Biogen, Inc. internal controls and replacing certain of our internal controls with Biogen, Inc. internal controls. The evaluation of the effectiveness of our disclosure controls and procedures described in the first paragraph of this Item 9A by our principal executive officer and principal financial officer included an evaluation of our internal control over financial reporting and they have concluded that our internal controls over financial reporting were adequate and effective as of the end of the period covered by this report.

PART III

Item 10. ***Directors and Executive Officers of the Registrant.***

The information concerning our Executive Officers is set forth in Part I of this Form 10-K. The text of our code of business conduct, which includes the code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions, is posted on our website, www.biogenidec.com, under the "Corporate Governance" subsection of the "Company" section of the site. Disclosure regarding any amendments to, or waivers from, provisions of our code of business conduct will be included in a Current Report on Form 8-K within five business days following the date of the amendment or waiver, unless website posting of such amendments or waivers is permitted by the rules of The Nasdaq Stock Market, Inc. Under our corporate governance principles (also posted on www.biogenidec.com), our Board of Directors is not permitted to grant any waiver of the code of ethics for any of our directors or executive officers. We include our web site address in this Annual Report on Form 10-K only as an inactive textual reference and do not intend it to be an active link to our web site.

The response to the remainder of this item is incorporated by reference from the discussion responsive thereto in the sections labeled "Proposal 1 — Election of Directors — Information about our Directors" and "Stock Ownership — Section 16(a) Beneficial Ownership Reporting Compliance" contained in the Proxy Statement for our 2004 Annual Meeting of Stockholders.

Item 11. ***Executive Compensation.***

The response to this item is incorporated by reference from the discussion responsive thereto in the section labeled "Executive Compensation and Related Information" contained in the Proxy Statement for our 2004 Annual Meeting of Stockholders.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

The response to this item is incorporated by reference from the discussion responsive thereto in the sections labeled "Stock Ownership" and "Disclosure with Respect to our Equity Compensation Plans" contained in the Proxy Statement for our 2004 Annual Meeting of Stockholders.

Item 13. ***Certain Relationships and Related Transactions.***

The response to this item is incorporated by reference from the discussion responsive thereto in the sections labeled "Proposal 1 — Election of Directors — Information about our Board of Directors and its Committees," "Executive Compensation and Related Information — Employment Agreements and Change of Control Arrangements" and "Certain Relationships and Related Transactions" contained in the Proxy Statement for our 2004 Annual Meeting of Stockholders.

Item 14. ***Principal Accounting Fees and Services.***

The response to this item is incorporated by reference from the discussion responsive thereto in the sections labeled "Proposal 2 — Ratification of the Selection of our Independent Accountants" contained in the Proxy Statement for our 2004 Annual Meeting of Stockholders.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K.***

a. (1) *Consolidated Financial Statements and Schedule:*

The Financial Statements required to be filed by Item 8 of this Annual Report on Form 10-K, and filed in this Item 15, are as follows:

(2) *Financial Statement Schedules*

The following financial statement schedule[s] are included in the Annual Report on Form 10-K:

(3) *Exhibits:*

The following exhibits are referenced or included in this Form 10-K.

Exhibit Number	Description
2.1(14)	Agreement and Plan of Merger, dated as of June 20, 2003, by and among us, Bridges Merger Corporation and Biogen, Inc
3.1	Amended and Restated Certificate of Incorporation.
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation, dated as of May 21, 2001.
3.3	Certificate Increasing the Number of Authorized Shares of Series X Junior Participating Preferred Stock, dated as of July 26, 2001.
3.4	Certificate of Amendment of Amended and Restated Certificate of Incorporation, dated as of November 12, 2003.
3.5	Bylaws.
3.6	Amendment to Bylaws, dated as of December 21, 2001.
3.7	Amendment to Bylaws, dated as of November 12, 2003.
4.1	Reference is made to Exhibit 3.1 for a description of the rights, preferences and privileges of our Series A Preferred Stock and Series X Junior Participating Preferred Stock.
4.2	Specimen Common Stock Certificate.
4.3(8)	Indenture dated as of February 16, 1999 between us and Chase Manhattan Bank and Trust Company, National Association, as Trustee.
4.4(5)	Form of Registered Liquid Yield Option™ Note due 2019.
4.5(11)	Amended and Restated Rights Agreement dated as of July 26, 2001 between us and Mellon Investor Services LLC.

Exhibit Number	Description
4.6(14)	Amendment No. 1 to Amended and Restated Rights Agreement dated as of June 23, 2003 between us and Mellon Investor Services LLC.
4.7(13)	Indenture dated as of April 29, 2002 between us and JP Morgan Trust Company, N.A., as Trustee.
4.8(13)	Registration Rights Agreement, dated as of April 29, 2002, between us and Merrill Lynch, Pierce, Fenner & Smith Incorporated.
4.9(13)	Form of Liquid Yield Option™ Note dated April 29, 2002.
10.1(15)*	IDEC Pharmaceuticals Corporation 1988 Stock Option Plan, as amended and restated through February 19, 2003.
10.2(6)	Letter Agreement between the Registrant and Genentech, Inc., dated May 21, 1996.
10.3(2)†	License Agreement between us and Coulter Immunology (now Corixa Corporation), dated May 16, 1991.
10.4(3)	Lease Agreement between us and Torrey Sorrento, Inc., dated July 9, 1992 (the Torreyana Lease).
10.5(15)	IDEC Pharmaceuticals Corporation 1993 Non-Employee Directors Stock Option Plan, as amended and restated through February 19, 2003.
10.6(4)†	Expression Technology Agreement between us and Genentech. Inc., dated March 16, 1995.
10.7(7)	Lease Agreement between us and All Spectrum Services, Inc., dated August 13, 1996 (the Callan Lease).
10.8(1)*	Form of Indemnification Agreement for certain Directors and executive officers of IDEC Pharmaceuticals Corporation.
10.9(8)	Indenture dated as of February 16, 1999 between us and Chase Manhattan Bank and Trust Company, National Association.
10.10(13)	Indenture dated as of April 29, 2002 between us and JP Morgan Trust Company, N.A., as Trustee.
10.11(9)†	Collaboration & License Agreement between us and Schering Aktiengesellschaft, dated June 9, 1999.
10.12(10)†	Isotope Agreement between us and MDS Nordion Inc. as amended by a first amendment on January 21, 2000 and a second amendment on March 16, 2001.
10.13*	Biogen Idec Inc. Voluntary Executive Supplemental Savings Plan (as amended and restated; effective January 1, 2004).
10.14(12)†	Third Amendment to Agreement between MDS Canada Inc., MDS Nordion division, successor to MDS Nordion Inc. and us dated November 12, 2001.
10.15(16)†	Commercial Supply Agreement between us and Baxter Pharmaceutical Solutions LLC dated June 1, 2002.
10.16(17)*	2003 Omnibus Equity Plan.
10.17(17)*	2003 Performance Based Management Incentive Plan.
10.18(21)*	Form of Indemnification Agreement between Biogen, Inc. and certain directors and executive officers.
10.19(20)	Cambridge Center Lease dated October 4, 1982 between Mortimer Zuckerman, Edward H. Linde and David Barrett, as Trustees of Fourteen Cambridge Center Trust, and B. Leasing, Inc.
10.20(22)	First Amendment to Lease dated January 19, 1989, amending Cambridge Center Lease dated October 4, 1982.
10.21(22)	Second Amendment to Lease dated March 8, 1990, amending Cambridge Center Lease dated October 4, 1982.
10.22(22)	Third Amendment to Lease dated September 25, 1991, amending Cambridge Center Lease dated October 4, 1982.

Exhibit Number	Description
10.23(23)	Fourth Amendment to Lease dated October 6, 1993, amending Cambridge Center Lease dated October 4, 1982.
10.24(23)	Fifth Amendment to Lease dated October 9, 1997, amending Cambridge Center Lease dated October 4, 1982.
10.25(24)	Lease dated October 6, 1993 between North Parcel Limited Partnership and Biogen Idec Realty Limited Partnership.
10.26(25)*	Biogen, Inc. 1985 Non-Qualified Stock Option Plan (as amended and restated through February 7, 2003).
10.27(25)*	Biogen, Inc. 1987 Scientific Board Stock Option Plan (as amended and restated through February 7, 2003).
10.28*	Biogen Idec Inc. Voluntary Board of Directors Savings Plan (as amended and restated; effective January 1, 2004).
10.29*	Biogen Idec Inc. Executive Severance Policy — Senior/ Executive Vice Presidents.
10.30(25)#	ANTEGREN Development and Marketing Collaboration Agreement between us and Elan Pharma International Limited, dated August 15, 2000.
10.31(18)*	Employment Agreement between us and James C Mullen, dated June 20, 2003.
10.32(18)*	Employment Agreement between us and William R Rastetter, Ph.D., dated June 20, 2003.
10.33(19)†	Amended and Restated Collaboration Agreement between us and Genentech, Inc., dated June 19, 2003.
10.34	Fourth Amendment to Agreement between us, MDS (Canada) Inc., MDS Nordion division, successor to MDS Nordion Inc., dated June 10, 2003.
10.35##	Fifth Amendment to Agreement between us, MDS (Canada) Inc., MDS Nordion division, successor to MDS Nordion Inc., dated December 17, 2003.
10.36	First Amendment to Lease dated October 1, 1999, amending Callan Lease Agreement dated August 13, 1996.
10.37	Second Amendment to Lease dated June 16, 2000, amending Callan Lease Agreement dated August 13, 1996.
10.38	Third Amendment to Lease dated October 13, 2000, amending Callan Lease Agreement dated August 13, 1996.
10.39	First Amendment to Lease dated November 9, 1992, amending Torreyana Lease Agreement July 9, 1992.
10.40	Lease Amendment dated December 30, 1994, amending Torreyana Lease Agreement dated July 9, 1992.
10.41	Lease Agreement between us and ARE-10933 North Torrey Pines, LLC (Science Park Lease), dated June 24, 1999.
10.42	First Amendment to Lease dated September 12, 2000, amending Science Park Lease Agreement June 24, 1999.
10.43	Second Amendment to Lease dated November 1, 2000, amending Science Park Lease Agreement dated June 24, 1999.
10.44	Single-Tenant Fully-Net Lease Agreement between us and 10996 Torreyana Road, L.P. dated January 17, 2002.
10.45*	Form of letter agreement regarding employment arrangement between us and our Chief Operating Officer and all of our Executive Vice Presidents.
10.46(26)	Letter agreement regarding employment arrangement of Peter N. Kellogg, dated June 21, 2000.
12.1	Computation of Ratio of Earnings to Fixed Charges.
21.1	Subsidiaries.
23.1	Consent of PricewaterhouseCoopers LLP.

Exhibit Number	Description
23.2	Consent of KPMG LLP.
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Reference to "our" in these cross-references mean filings made by Biogen Idec and filings made by IDEC Pharmaceuticals Corporation prior to the merger with Biogen, Inc..

* Management contract or compensatory plan or arrangement.

† Confidential Treatment has been granted with respect to portions of this agreement.

Confidential Treatment was granted to Biogen, Inc. with respect to portions of this agreement, and it has been requested on behalf of Biogen Idec Inc.

Confidential Treatment has been requested with respect to portions of this agreement.

TM Trademark of Merrill Lynch & Co., Inc.

(1) Incorporated by reference from an exhibit filed with our Registration Statement on Form 8-B filed on June 2, 1997.

(2) Incorporated by reference from an exhibit filed with our Registration Statement on Form S-1, File No. 33-40756.

(3) Incorporated by reference from an exhibit filed with our Annual Report on Form 10-K for the year ended December 31, 1992.

(4) Incorporated by reference from an exhibit filed with our Quarterly Report on Form 10-Q for the quarter ended March 31, 1995.

(5) Incorporated by reference from an exhibit filed with our Registration Statement on Form S-3/A, File No. 333-85339, filed on November 10, 1999.

(6) Incorporated by reference from an exhibit filed with our Current Report on Form 8-K, filed on June 6, 1996.

(7) Incorporated by reference from an exhibit filed with our Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.

(8) Incorporated by reference from an exhibit filed with our Annual Report on Form 10-K for the fiscal year ended December 31, 1998.

(9) Incorporated by reference from an exhibit filed with our Quarterly Report on Form 10-Q for the quarter ended June 30, 1999.

(10) Incorporated by reference from an exhibit filed with our Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.

(11) Incorporated by reference from an exhibit filed with our Registration Statement on Form 8-A, File No. 333-37128, dated July 27, 2001.

(12) Incorporated by reference from an exhibit filed with our Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

(13) Incorporated by reference from an exhibit filed with our Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.

(14) Incorporated by reference from an exhibit filed with our Current Report on Form 8-K filed on June 23, 2003.

(15) Incorporated by reference from an appendix filed with our Definitive Proxy Statement on Schedule 14A filed on April 11, 2003.

(16) Incorporated by reference from an exhibit filed with our Annual Report on Form 10-K for the year ended December 31, 2002.

(17) Incorporated by reference from an exhibit filed with our Current Report on Form 8-K filed on November 12, 2003.

(18) Incorporated by reference from an exhibit filed with our Registration Statement on Form S-4, File No. 333-107098 filed with the SEC on July 16, 2003.

(19) Incorporated by reference from an exhibit filed with our Current Report on Form 8-K filed on July 31, 2003.

(20) Incorporated by reference from an exhibit filed with Biogen's Registration Statement on Form S-1, File No. 2-81689.

(21) Incorporated by reference from an exhibit filed with Biogen, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1988, File No. 0-12042.

(22) Incorporated by reference from an exhibit filed with Biogen, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992, File No. 0-12042.

(23) Incorporated by reference from an exhibit filed with Biogen, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1997, File No. 0-12042.

(24) Incorporated by reference from an exhibits filed with Biogen, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1993, File No. 0-12042.

(25) Incorporated by reference from an exhibit filed with Biogen, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2002, File No. 0-12042.

(26) Incorporated by reference from an exhibit filed with Biogen, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001, File No. 0-12042.

b. *Reports on Form 8-K.*

(1) On October 3, 2003, we filed a Current Report on Form 8-K/ A (Item 5) solely for the purpose of re-filing the redacted amended and restated collaboration agreement dated as of June 19, 2003 between us and Genentech, Inc.

(2) On October 14, 2003, we furnished a Current Report on Form 8-K to furnish a press release under Item 9 and Item 12 of Form 8-K that included non-GAAP financial measures for completed fiscal periods.

(3) On November 12, 2003, we filed a Current Report on Form 8-K (Item 2) to report that Bridges Merger Corporation, or merger sub, our wholly owned subsidiary, was merged with and into Biogen, Inc. with Biogen, Inc. continuing as the surviving corporation and our wholly owned subsidiary, and that we filed an amendment to our certificate of incorporation to change our name to Biogen Idec Inc. The merger and name change were made pursuant to an Agreement and Plan of Merger, dated as of June 20, 2003, by and among us, merger sub and Biogen, Inc., or the Merger Agreement. In addition, we disclosed under Item 2 of Form 8-K that, at our special meeting of stockholders held on November 12, 2003, the issuance of our common stock under the Merger Agreement and our name change were approved by our stockholders.

We also reported under Item 5 that our stockholders approved the following proposals at the special meeting: (a) an amendment to our certificate of incorporation to increase the number of our authorized shares of common stock from 500,000,000 to 1,000,000,000; (b) a new equity incentive plan entitled the 2003 Omnibus Equity Plan; and (c) a new performance based management incentive plan entitled the Performance Based Management Incentive Plan.

We also filed under Item 7(a) the requisite financial statements of Biogen, Inc. as an acquired business and our intention to file under Item 7(b) our pro forma financial information giving effect to the Merger as a purchase of Biogen, Inc. by us by amendment within 60 days after the date that the Current Report on Form 8-K was required to have been filed.

(4) We filed Current Reports on Form 8-K and Form 8-K/ A (Item 4) on November 21, 2003 and November 25, 2003, respectively, reporting that upon the recommendation of our finance and audit committee, our board of directors approved the appointment of PricewaterhouseCoopers LLP as our independent accountant and dismissed KPMG LLP as our independent accountant.

(5) On November 25, 2003, we filed a Current Report on Form 8-K (Item 5) reporting that William Rohn, our chief operating officer, extended his nondiscretionary Rule 10b5-1 sales plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BIOGEN IDEC INC.

By: /s/ JAMES C. MULLEN

James C. Mullen
Chief Executive Officer and President

Date: March 9, 2004

Pursuant to the requirements the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Capacity	Date
/s/ JAMES C. MULLEN James C. Mullen	Director, Chief Executive Officer and President (Principal Executive Officer)	March 9, 2004
/s/ WILLIAM H. RASTETTER, PH.D. William H. Rastetter, Ph.D.	Executive Chairman	March 9, 2004
/s/ PETER N. KELLOGG Peter N. Kellogg	Executive Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	March 9, 2004
/s/ ALAN BELZER Alan Belzer	Director	March 9, 2004
/s/ LAWRENCE C. BEST Lawrence C. Best	Director	March 9, 2004
/s/ ALAN B. GLASSBERG, M.D. Alan B. Glassberg, M.D.	Director	March 9, 2004
/s/ MARY L. GOOD, PH.D. Mary L. Good, Ph.D.	Director	March 9, 2004
/s/ THOMAS F. KELLER, PH.D. Thomas F. Keller, Ph.D.	Director	March 9, 2004
/s/ ROBERT W. PANGIA Robert W. Pangia	Director	March 9, 2004
/s/ BRUCE R. ROSS Bruce R. Ross	Director	March 9, 2004
/s/ PHILLIP A. SHARP, PH.D. Phillip A. Sharp, Ph.D.	Director	March 9, 2004
/s/ LYNN SCHENK Lynn Schenk	Director	March 9, 2004
/s/ WILLIAM D. YOUNG William D. Young	Director	March 9, 2004

BIOGEN IDEC INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

BIOGEN IDEC INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	For the Years Ended December 31,		
	2003	2002	2001
	(In thousands, except per share amounts)		
Revenues:			
Product	$ 171,561	$ 13,711	$ —
Revenue from unconsolidated joint business	493,049	385,809	251,428
Royalties	12,010	—	—
Corporate partner	2,563	4,702	21,249
Total revenues	679,183	404,222	272,677
Costs and expenses:			
Cost of product revenues	283,813	1,457	—
Cost of royalty revenues	926	—	—
Research and development	233,337	100,868	90,458
Selling, general & administrative	174,596	88,021	51,082
Acquisition of in-process research and development	823,000	—	—
Amortization of acquired intangible assets	33,180	—	—
Total costs and expenses	1,548,852	190,346	141,540
Income (loss) from operations	(869,669)	213,876	131,137
Other income (expense), net	(10,955)	17,646	30,467
Income (loss) before income taxes (benefit)	(880,624)	231,522	161,604
Income taxes (benefit)	(5,527)	83,432	59,945
Net Income (Loss)	$ (875,097)	$148,090	$101,659
Basic earnings (loss) per share	$ (4.92)	$ 0.97	$ 0.67
Diluted earnings (loss) per share	$ (4.92)	$ 0.85	$ 0.59
Shares used in calculating:			
Basic earnings (loss) per share	177,982	153,086	150,756
Diluted earnings (loss) per share	177,982	179,634	181,481

See accompanying notes to consolidated financial statements.

BIOGEN IDEC INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2003	2002
	(In thousands, except share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 314,850	$ 350,129
Marketable securities available-for-sale	521,109	437,645
Accounts receivable, less allowance for doubtful accounts of $2,074 and $732, respectively	198,524	4,920
Due from unconsolidated joint business	117,342	100,288
Deferred tax assets	123,945	27,675
Inventory	496,349	33,665
Other current assets	66,545	23,288
Total current assets	1,838,664	977,610
Marketable securities available-for-sale	1,502,327	660,091
Property and equipment, net	1,252,783	264,537
Intangible assets, net	3,638,812	9,280
Goodwill	1,151,066	—
Deferred tax assets	—	85,197
Restricted cash	—	22,500
Investments and other assets	120,293	40,474
	$9,503,945	$2,059,689
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 63,364	$ 3,886
Deferred revenue	7,155	732
Current taxes payable	94,176	—
Accrued expenses and other	240,130	51,607
Total current liabilities	404,825	56,225
Notes payable	887,270	866,205
Long-term deferred tax liability	1,108,318	—
Other long-term liabilities	50,204	27,569
Commitments and contingencies	—	—
Shareholders' equity		
Convertible preferred stock, par value $0.001 per share (8,221 shares authorized; 8,221 shares and 36,214 shares issued and outstanding at December 31, 2003 and 2002, respectively; $551 and $5,875 liquidation value at December 31, 2003 and 2002, respectively)	—	—
Common stock, par value $0.0005 per share (1,000,000 shares authorized; 330,410 shares and 154,391 shares issued and outstanding at December 31, 2003 and 2002, respectively)	166	78
Additional paid-in capital	7,801,170	977,672
Accumulated other comprehensive income	1,054	3,764
Deferred stock-based compensation	(2,141)	—
(Accumulated deficit) retained earnings	(611,921)	263,176
	7,188,328	1,244,690
Less treasury stock, at cost; 2,209 shares at December 31, 2003 and 2002	135,000	135,000
Total shareholders' equity	7,053,328	1,109,690
	$9,503,945	$2,059,689

See accompanying notes to consolidated financial statements.

BIOGEN IDEC INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2003	2002	2001
	(In thousands)		
Cash Flows from Operating Activities			
Net Income (Loss)	$ (875,097)	$ 148,090	$ 101,659
Adjustments to reconcile net income (loss) to net cash provided from operating activities			
Write-off of acquired in-process research and development	823,000	—	—
Depreciation and amortization	61,308	10,156	6,306
Non-cash interest expense	41,226	26,905	7,284
Deferred income taxes and tax benefit from stock options	(3,894)	74,415	60,431
Realized gain on sale of marketable securities available-for-sale	(2,153)	(2,779)	(1,726)
Writedown of inventory to net realizable value	173,896	—	—
Impact of inventory step-up	79,097	—	—
Other	2,643	1,665	101
Changes in, net of assets and liabilities acquired:			
Accounts receivable	22,618	(3,927)	704
Due from unconsolidated joint business	(17,054)	(32,637)	(25,898)
Inventory	(8,720)	(33,141)	—
Other current and other assets	(35,076)	(27,434)	(1,622)
Restricted cash	22,500	(17,498)	(5,002)
Accrued expenses and other current liabilities	(40,029)	24,648	12,116
Deferred revenue	2,700	(1,575)	(687)
Other long-term liabilities	(27,752)	12,333	648
Net cash flows from operating activities	219,213	179,221	154,314
Cash Flows from Investing Activities			
Cash received from acquisition of Biogen, Inc., net of cash paid	136,793	—	—
Purchases of marketable securities available-for-sale	(1,233,251)	(1,501,404)	(670,892)
Proceeds from sales of marketable securities available-for-sale	585,460	544,139	227,293
Proceeds from maturities of marketable securities available-for-sale	533,315	297,086	354,759
Acquisitions of property and equipment, net	(301,248)	(165,904)	(67,380)
Increase in investments and other assets	—	(13,071)	(500)
Net cash flows from investing activities	(278,931)	(839,154)	(156,720)
Cash Flows from Financing Activities			
Proceeds from issuance of notes payable, net	—	696,004	—
Repayments on notes payable	—	—	(743)
Purchases of treasury stock	—	(135,000)	—
Issuance of common stock and option exercises	24,439	23,059	28,096
Other	—	—	—
Net cash flows from financing activities	24,439	584,063	27,353
Net increase (decrease) in cash and cash equivalents	(35,279)	(75,870)	24,947
Cash and cash equivalents, beginning of the year	350,129	425,999	401,052
Cash and cash equivalents, end of the year	$ 314,850	$ 350,129	$ 425,999
Supplemental Cash Flow Data			
Cash paid during the year for:			
Interest	$ —	$ —	$ 21
Income taxes	$ 41,249	$ 356	$ 152

For information associated with assets and liabilities assumed in the merger with Biogen, Inc., see Note 2.

See accompanying notes to consolidated financial statements.

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BIOGEN IDEC INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Deferred Stock Compensation	Retained Earnings	Treasury Stock	Total Shareholders' Equity
	Shares	Amount	Shares	Amount						
						(In thousands)				
Balance, December 31, 2000	153	$ —	146,866	$ 73	$ 680,602	$ 517	$ —	$ 13,427	$ —	$ 694,619
Comprehensive income:										
Net income								101,659		101,659
Unrealized gains (losses) on securities available for sale, net of tax of $359						568				568
Total comprehensive income										102,227
Issuance of common stock under stock option and stock purchase plans, net			4,315	2	28,093					28,095
Issuance of common stock from conversion of series A-1 and A-6 convertible preferred stock	(105)		1,594	1						1
Tax benefit from stock option and stock purchase plan					131,537					131,537
Balance, December 31, 2001	48	—	152,775	76	840,232	1,085	—	115,086	—	956,479
Comprehensive income:										
Net income								148,090		148,090
Unrealized gains (losses) on securities available for sale, net of tax of $1,945						2,679				2,679
Total comprehensive income										150,769
Issuance of common stock under stock option and stock purchase plans, net			3,112	2	23,057					23,059
Issuance of common stock from conversion of series A-2 convertible preferred stock	(12)		708							
Issuance of common stock from conversion of notes payable due 2019			5		46					46
Repurchase of common stock for treasury, at cost			(2,209)						(135,000)	(135,000)
Tax benefit from stock option and stock purchase plan					114,337					114,337
Balance, December 31, 2002	36	—	154,391	78	977,672	3,764	—	263,176	(135,000)	1,109,690
Comprehensive income:										
Net loss								(875,097)		(875,097)
Unrealized gains (losses) on securities available for sale, net of tax of $1,408						(1,262)				(1,262)
Unrealized losses on foreign currency forward contracts, net of tax of $1,862						(3,268)				(3,268)
Translation adjustment, net of tax of $823						1,820				1,820
Total comprehensive income										(877,807)
Issuance of common stock under stock option and stock purchase plans, net			2,401	1	24,438					24,439
Issuance of common stock and assumption of stock options related to merger with Biogen, Inc			171,938	86	6,775,652					6,775,738
Issuance of common stock from conversion of series A-2 and A-3 convertible preferred stock	(28)		1,680	1	(1)					—
Deferred stock-based compensation related to unvested Biogen, Inc. options assumed in the merger, net of amortization of $120							(2,141)			(2,141)
Compensation expense related to stock options					36					36
Tax benefit from stock option and stock purchase plan					23,373					23,373
Balance, December 31, 2003	8	$ —	330,410	$166	$7,801,170	$ 1,054	$(2,141)	$(611,921)	$(135,000)	$7,053,328

See accompanying notes to consolidated financial statements.

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Overview

On November 12, 2003, IDEC Pharmaceuticals Corporation and Biogen, Inc. entered into a merger transaction resulting in Biogen, Inc. becoming a wholly owned subsidiary of IDEC Pharmaceuticals Corporation. The business combination was treated as an acquisition of Biogen, Inc. by IDEC Pharmaceuticals Corporation for accounting purposes. In connection with the merger, IDEC Pharmaceuticals Corporation changed its name to Biogen Idec Inc. Biogen Idec's primary focus is to create new standards of care in oncology and immunology.

We currently have four commercial products: AVONEX (interferon beta-1a) for the treatment of relapsing multiple sclerosis, or MS; RITUXAN (rituximab) and ZEVALIN (ibritumomab tiuxetan), both of which treat certain B-cell non-Hodgkin's lymphomas, or B-cell NHLs; and AMEVIVE (alefacept) for the treatment of adult patients with moderate-to-severe chronic plaque psoriasis who are candidates for systemic therapy or phototherapy. We also receive revenues from royalties on sales by our licensees of a number of products covered under patents that we control and for sales of RITUXAN outside the U.S. through our collaborator Genentech. In addition, we have a pipeline of development stage products and a number of research programs in our core therapeutic areas and in other areas of interest.

Principles of Consolidation

The consolidated financial statements include our financial statements and those of our wholly owned subsidiaries. All material intercompany balances and transactions have been eliminated. On November 12, 2003, we completed our merger with Biogen, Inc. and changed our name to Biogen Idec Inc. (see Note 2, Merger of IDEC Pharmaceuticals Corporation and Biogen, Inc.). Our results of operations for the year-ended December 31, 2003 include the results of operations of Biogen, Inc. from November 13, 2003 through December 31, 2003.

Use of Estimates

The preparation of consolidated financial statements requires our management to make estimates and judgments that may affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition and related allowances, marketable securities, derivatives and hedging activities, inventories, patents, impairment of intangible assets and goodwill, income taxes including the valuation allowance for deferred tax assets, valuation of long-lived assets and investments, research and development, loans, pensions, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Translation of Foreign Currencies

The functional currency for most of our foreign subsidiaries is the local currency. Assets and liabilities are translated at current rates of exchange. Income and expense items are translated at the average exchange rates for the year. Adjustments resulting from the translation of the financial statements of our foreign operations into U.S. dollars are excluded from the determination of net income and are accumulated in a separate component of shareholders' equity. The U.S. dollar is the functional currency for certain foreign subsidiaries. Our subsidiaries that have the U.S. dollar as the functional currency are remeasured into U.S. dollars using current rates of exchange for monetary assets and liabilities and historical rates of exchange for nonmonetary

assets. Foreign exchange transaction gains and losses are included in the results of operations in other income (expense), net. We had foreign exchange gains totaling $1.3 million in 2003.

Cash and Cash Equivalents

We consider only those investments, which are highly liquid, readily convertible to cash and which mature within three months from date of purchase to be cash equivalents.

Fair Value of Financial Instruments

The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents, accounts receivable, due from unconsolidated joint business, other current assets, accounts payable, and accrued expenses and other, approximate fair value due to their short-term maturities. Our marketable securities available-for-sale are carried at fair value based on quoted market prices. The fair values of our foreign currency forward contracts are based on quoted market prices or pricing models using current market rates.

Inventories

Inventories are stated at the lower of cost or market with cost determined under the first-in, first-out (“FIFO”) method. Included in inventory are raw materials used in the production of pre-clinical and clinical products which are expensed as research and development costs when consumed.

The components of inventories for the periods ending December 31 are as follows:

	2003	2002
	(In thousands)	
Raw materials	$ 36,247	$ 2,911
Work in process	443,666	30,582
Finished goods	16,436	172
	$496,349	$33,665

The inventory as of December 31, 2002 consisted primarily of ZEVALIN inventory, while the inventory as of December 31, 2003 consisted of inventory for AVONEX, AMEVIVE and ZEVALIN.

We periodically review our inventories for excess or obsolete inventory and write down obsolete or otherwise unmarketable inventory to its estimated net realizable value. If the actual realizable value is less than that estimated by us, additional inventory write-downs may be required. We wrote down $173.9 million of unmarketable inventory during 2003, which was charged to cost of product revenues and consisted of $160.8 million related to AVONEX, $1 million related to AMEVIVE and $12.1 million related to ZEVALIN. AVONEX was written down to net realizable value when it was determined that the inventory did not meet quality specifications. Included in the AVONEX writedown was $149.6 million in fair market value adjustments related to purchase accounting. ZEVALIN was written down to net realizable value due to product expiration. We did not have any material writedowns of inventory for the years ended December 31, 2002 or 2001. Pre-launch production of ZEVALIN antibodies manufactured prior to FDA approval in February 2002 were recognized as research and development expenses.

Marketable Securities

We invest our excess cash balances in short-term and long-term marketable securities, principally corporate notes and government securities. At December 31, 2003, substantially all of our securities were

classified as “available-for-sale”. All available-for-sale securities are recorded at fair market value and unrealized gains and losses are included in accumulated other comprehensive income in shareholders’ equity, net of related tax effects. Realized gains and losses and declines in value, if any, judged to be other than temporary on available-for-sale securities are reported in other income (expense). The cost of available-for-sale securities sold is based on the specific identification method. We have the ability and intent to hold securities with maturities greater than one year. We have established guidelines that maintain safety and provide adequate liquidity in our available-for-sale portfolio. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates.

As part of our strategic product development efforts, we invest in equity securities of certain biotechnology companies with which we have collaborative agreements. As a matter of policy, we determine on a quarterly basis whether any decline in the fair value of a marketable security is temporary or other than temporary. Unrealized gains and losses on marketable securities are included in other comprehensive income in shareholders’ equity, net of related tax effects. If a decline in the fair value of a marketable security below our cost basis is determined to be other than temporary, such marketable security is written down to its estimated fair value with a charge to current earnings. The factors that we consider in our assessments include the fair market value of the common stock, the duration of the stock’s decline, prospects for favorable clinical trial results, new product initiatives and new collaborative agreements.

We also invest in equity securities of certain companies whose securities are not publicly traded and fair value is not readily available. These investments are recorded using the cost method of accounting and are adjusted only for other-than-temporary declines in fair value, distributions of earning and additional investments. As a matter of policy, we monitor these investments in private securities on a quarterly basis and determine whether any impairment in their value would require a charge to current earnings, based on the implied value from any recent rounds of financing completed by the investee, market prices of comparable public companies, and general market conditions.

Property and Equipment

Property and equipment are carried at cost, subject to review of impairment for significant assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful life or the term of the respective lease. Maintenance costs are expensed as incurred. Buildings and building components are depreciated over estimated useful lives ranging from 15 to 40 years, machinery and equipment from 5 to 15 years, and furniture and fixtures 7 years. We capitalize certain incremental costs associated with the validation effort required for licensing by the FDA of manufacturing equipment for the production of a commercially approved drug. These costs include primarily direct labor and material and are incurred in preparing the equipment for its intended use. The validation costs are amortized over the life of the related equipment.

Intangible Assets and Goodwill

In connection with our merger with Biogen, Inc. (see Note 2), we recorded intangible assets related to patents, trademarks, and core technology as part of the purchase price. These intangible assets were recorded at fair value and at December 31, 2003 net of accumulated amortization. Intangible assets related to patents and core technology are amortized over their estimated useful lives, ranging from 12 to 21 years. These amortization costs are included in “amortization of acquired intangible assets” in the accompanying consolidated statements of income. Intangible assets related to trademarks have indefinite lives, and as a result are not amortized, but are subject to review for impairment.

Goodwill associated with the merger with Biogen, Inc. represents the difference between the purchase price and the fair value of the identifiable tangible and intangible net assets when accounted for by the

purchase method of accounting. Goodwill is not amortized, but rather subject to periodic review for impairment. Goodwill will be reviewed at least annually and whenever events or changes in circumstances indicate that the carrying amount of the goodwill might not be recoverable.

As of December 31, 2003, intangible assets and goodwill related to the merger, net of accumulated amortization, as follows (amounts in thousands):

	Estimated Life	Fair Value	Accumulated Amortization
Out-licensed patents	12 years	$ 578,000	$ 6,422
Core/developed technology	15-21 years	3,022,000	26,758
Trademarks & tradenames	Indefinite	64,000	—
Total		$3,664,000	$33,180
Goodwill	Indefinite	$1,151,066	—

Amortization on intangible assets will approximate $249 million for each of the next five years.

Impairment of Long-Lived Assets

Long-lived assets to be held and used, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. In the event that such cash flows are not expected to be sufficient to recover the carrying amount of the assets, the assets are written down to their estimated fair values. Long-lived assets to be disposed of are carried at fair value less costs to sell.

Loans

In connection with certain of our research collaborations, we have extended loans or made loan commitments to collaborators. On a quarterly basis, the loans are monitored for potential impairment, based on the probability of the collection of the full amount due under the loan according to each loan's terms. If it is determined that it is not probable that we will be able to collect all interest and principal due, we will recognize a corresponding impairment charge to current earnings.

Derivatives and Hedging Activities

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", ("SFAS 133") requires that all derivatives be recognized on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. We assess, both at its inception and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in cash flows of hedged items. We also assess hedge ineffectiveness on a quarterly basis and record the gain or loss related to the ineffective portion to current earnings to the extent significant. If we determine that a forecasted transaction is no longer probable of occurring, we discontinue hedge accounting for the affected portion of the hedge instrument, and any related unrealized gain or loss on the contract is recognized in current earnings.

Comprehensive Income

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", ("SFAS 130"), requires us to display comprehensive income and its components as part of our full set of financial statements. Comprehensive income is comprised of net income and other comprehensive income. Other comprehensive income includes certain changes in equity that are excluded from net income, such as translation adjustments and unrealized holding gains and losses on available-for-sale marketable securities and certain derivative instruments, net of tax.

Segment Information

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information", ("SFAS 131") establishes standards for reporting information on operating segments in interim and annual financial statements. We operate in one segment, which is the business of development, manufacturing and commercialization of novel therapeutics for human health care. Our chief operating decision-makers review our operating results on an aggregate basis and manage our operations as a single operating segment.

Revenue Recognition and Accounts Receivable

SEC Staff Accounting Bulletin No. 101 ("SAB 101"), superceded in part by SAB 104, provides guidance on the recognition, presentation, and disclosure of revenue in financial statements. SAB 101 establishes the SEC's view that it is not appropriate to recognize revenue until all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller's price to the buyer is fixed or determinable; collectibility is reasonably assured, and requires that both title and the risks and rewards of ownership be transferred to the buyer before revenue can be recognized. We believe that our revenue recognition policies are in compliance with SAB 101.

Prior to 2003, our product sales consisted solely of sales of ZEVALIN, our radioimmunotherapy product which was approved by the FDA for the treatment of certain B-cell NHLs, in February 2002. We have retained all United States marketing and distribution rights to ZEVALIN and have granted marketing and distribution rights outside the United States to Schering AG. As a result of our merger with Biogen, Inc., our product sales include sales of AVONEX and AMEVIVE for the period November 13, 2003 through December 31, 2003.

Revenues from product sales are recognized when product is shipped and title and risk of loss has passed to the customer. Revenues are recorded net of applicable allowances for returns, rebates and other applicable discounts and allowances. We prepare our estimates for sales returns and allowances, discounts and rebates quarterly based primarily on historical experience updated for changes in facts and circumstances, as appropriate.

Revenues from unconsolidated joint business arrangement consist of our share of the pretax copromotion profits generated from our copromotion arrangement with Genentech, reimbursement from Genentech of our RITUXAN-related sales force and development expenses and royalties which are paid to Genentech for sales of rituximab outside the United States by Roche and Zenyaku. Under the copromotion arrangement, all U.S. sales of RITUXAN and associated costs and expenses are recognized by Genentech and we record our share of the pretax copromotion profits on a quarterly basis, as defined in our collaborative agreement with Genentech. Pretax copromotion profits under the copromotion arrangement are derived by taking U.S. net sales of RITUXAN to third-party customers less cost of sales, third-party royalty expenses, distribution, selling and marketing expenses and joint development expenses incurred by Genentech and us. Our profit-

sharing formula with Genentech has two tiers; we earn a higher percentage of the pretax copromotion profits at the upper tier once a fixed pretax copromotion profit level is met. The profit-sharing formula resets annually at the beginning of each year to the lower tier. We record our Roche royalty revenue with a one-quarter lag.

In February 2002, the FASB Emerging Issues Task Force ("EITF") released EITF Issue No. 01-09 ("EITF 01-09"), "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)". EITF 01-09 states that cash consideration (including a sales incentive) given by a vendor to a customer is presumed to be a reduction of the selling prices of the vendor's products or services and, therefore, should be characterized as a reduction of revenue when recognized in the vendor's income statement, rather than a sales and marketing expense. We have various contracts with distributors that provide for discounts and rebates. These contracts are classified as a reduction of revenue. We also maintain select customer service contracts with distributors and other customers in the distribution channel. In accordance with EITF 01-09, we have established the fair value of these contracts and, as provided by EITF 01-09, classified these customer service contracts as sales and marketing expense. If we had concluded that sufficient evidence of the fair value did not exist for these contracts, we would have been required to classify these costs as a reduction of revenue.

We receive royalty revenues under license agreements with a number of third parties that sell products based on technology we have developed or to which we have rights. The license agreements provide for the payment of royalties to us based on sales of the licensed product. We record these revenues based on estimates of the sales that occurred during the relevant period. The relevant period estimates of sales are based on interim data provided by licensees and analysis of historical royalties we have been paid (adjusted for any changes in facts and circumstances, as appropriate). We maintain regular communication with our licensees in order to gauge the reasonableness of our estimates. Differences between actual royalty revenues and estimated royalty revenues are reconciled and adjusted for in the period which they become known, typically the following quarter. Historically, adjustments have not been material based on actual amounts paid by licensees. There are no future performance obligations on our part under these license agreements. To the extent we do not have sufficient ability to accurately estimate revenue, we record it on a cash basis.

Research and Development Expenses

Research and development expenses are comprised of costs incurred in performing research and development activities including salaries and benefits, facilities costs, overhead costs, clinical trial and related clinical manufacturing costs, contract services and other outside costs. Research and development costs, including upfront fees and milestones paid to collaborators, are expensed as incurred. We have entered into certain research agreements in which we share costs with our collaborator. We have entered into other collaborations where we are reimbursed for work performed by our collaborative partners. We record these costs as research and development expenses. If the arrangement is a cost-sharing arrangement and there is a period during which we receive payments from the collaborator, we record payments by the collaborator for their share of the development effort as a reduction of research and development expense. If the arrangement is a reimbursement of research and development costs, we record the reimbursement as corporate partner revenue.

Reclassification

Certain reclassifications of prior years amounts have been made to conform with current year presentation.

Earnings per Share

We calculate earnings per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). SFAS 128 requires the presentation of "basic" earnings per share and "diluted" earnings per share. Basic earnings per share is computed by dividing the net income available to common shareholders by the weighted average number of shares of common stock outstanding. For purposes of calculating diluted earnings per share, net income is adjusted for the after-tax amount of interest associated with convertible debt, and the denominator includes both the weighted average number of shares of common stock outstanding and the number of dilutive common stock equivalents such as stock options and other convertible securities.

Shares used in calculating basic and diluted earnings per share for the periods ending December 31, are as follows:

	2003	2002	2001
		(In thousands)	
Numerator:			
Net income (loss)	$(875,097)	$148,090	$101,659
Adjustment for interest, net of interest capitalized, net of tax	—	4,926	4,588
Net income (loss) used in calculating diluted earnings (loss) per share	$(875,097)	$153,016	$106,247
Denominator:			
Weighted average number of common shares outstanding	177,982	153,086	150,756
Effect of dilutive securities:			
Stock options	—	9,783	13,422
Convertible preferred stock	—	2,829	3,364
Convertible promissory notes due 2019	—	13,936	13,939
Dilutive potential common shares	—	26,548	30,725
Shares used in calculating diluted earnings (loss) per share	177,982	179,634	181,481

The effect of dilutive securities were excluded from the calculation of diluted earnings per share for the year ended December 31, 2003 because their effect was antidilutive as a result of the net loss. The dilutive potential common shares that would have been included at December 31, 2003 if we had net income would include 7.1 million shares of stock options, 2.2 million shares of common stock from the assumed conversion of our convertible preferred stock, 13.9 million shares of common stock from the assumed conversion of our 20-year subordinated convertible promissory notes due 2019, and 8.7 million shares of common stock from the assumed conversion of our 30-year senior convertible promissory notes due 2032. Excluded from the calculation of diluted earnings per share for the year ended December 31, 2002 were 5.9 million shares of common stock from the assumed conversion of our 30-year senior convertible promissory notes due 2032 and options to acquire 5.4 million shares of common stock because their effect was antidilutive. Excluded from the calculation of diluted earnings per share for the year ended December 31, 2001 were options to acquire 2.5 million shares of common stock because their effect was antidilutive.

Accounting for Stock Based Compensation

We have several stock-based compensation plans which are described more fully in Note 12. We apply APB Opinion No. 25 "Accounting for Stock Issued to Employees" in accounting for our plans and apply Statement of Financial Accounting Standards No. 123 "Accounting for Stock Issued to Employees"

("SFAS 123") for disclosure purposes only. The SFAS 123 disclosures include pro forma net income and earnings per share as if the fair value-based method of accounting had been used. Stock issued to non-employees is accounted for in accordance with SFAS 123 and related interpretations.

If compensation cost for our 2003, 2002 and 2001 grants under the stock-based compensation plans, including costs related to prior years grants, had been determined based on SFAS 123, our pro forma net income, and pro forma earnings per share for the years ending December 31, would have been as follows:

	2003	2002	2001
	(In thousands, except per share data)		
Reported net income (loss)	$(875,097)	$148,090	$101,659
Pro forma stock compensation expense, net of tax	51,850	54,662	40,309
Pro forma net income (loss)	$(926,947)	$ 93,428	$ 61,350
Reported basic earnings (loss) per share	$ (4.92)	$ 0.97	$ 0.67
Pro forma basic earnings (loss) per share	$ (5.21)	$ 0.61	$ 0.41
Reported diluted earnings (loss) per share	$ (4.92)	$ 0.85	$ 0.59
Pro forma diluted earnings (loss) per share	$ (5.21)	$ 0.54	$ 0.36

The fair value of each option granted under our stock option plans and each purchase right granted under our employee stock purchase plan is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Option Grants		
	2003	2002	2001
Expected dividend yield	0%	0%	0%
Expected stock price volatility	41%	48%	50%
Risk-free interest rate	2.8%	2.7%	4.1%
Expected option life in years	5.8	5.8	5.9
Per share grant date fair value	$16.41	$28.90	$29.10

	Purchase Rights		
	2003	2002	2001
Expected dividend yield	0%	0%	0%
Expected stock price volatility	48%	48%	50%
Risk-free interest rate	1.3%	1.0%	5.0%
Expected option term in years	0.13 – 2.0	0.3 – 2.0	0.3 – 2.0
Per share grant date fair value	$21.46	$19.73	$16.52

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts. SFAS 123 did not apply to awards prior to 1995, and additional awards in future years are anticipated.

2. Merger of IDEC Pharmaceuticals Corporation and Biogen, Inc.

On November 12, 2003, IDEC Pharmaceuticals Corporation and Biogen, Inc. entered into a merger transaction resulting in Biogen, Inc. becoming a wholly owned subsidiary of IDEC Pharmaceuticals Corporation. The business combination was treated as an acquisition of Biogen, Inc. by IDEC Pharmaceuti-

cals Corporation for accounting purposes. In connection with the merger, IDEC Pharmaceuticals Corporation changed its name to Biogen Idec Inc. Biogen Idec's primary focus is to create new standards of care in oncology and immunology.

As a result of the merger, Biogen, Inc. stockholders received 1.15 shares of Biogen Idec common stock for each share of Biogen, Inc. common stock. As a result, Biogen Idec issued approximately 171.9 million shares at a fair value of approximately $6.48 billion. In addition, options to purchase Biogen, Inc. common stock outstanding at November 12, 2003 were assumed by Biogen Idec and converted into options to purchase approximately 20.7 million shares of Biogen Idec common stock at a fair value of approximately $295 million. We paid approximately $19.8 million in fees for banking, legal, accounting and tax related services related to the merger. Merger related fees paid by Biogen, Inc. prior to completion of the merger are not included in this amount as they were expensed as incurred. The total merger purchase price was approximately $6.8 billion. The merger qualifies as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Purchase price

The purchase price is as follows (table in thousands):

Fair value of Biogen Idec common stock	$6,480,339
Fair value of replacement stock options	295,399
Cash paid for fractional shares	27
Acquisition related costs	19,833
Total purchase price	$6,795,598

The fair value of Biogen Idec's shares used in determining the purchase price was $37.69 per share based on the average of the closing price of IDEC Pharmaceuticals Corporation's common stock for the period two days before through two days after the announcement of the merger on June 23, 2003. The fair value of Biogen Idec's stock options issued was determined using the Black-Scholes option pricing model with the following assumptions: stock price of $37.69, which is the value ascribed to Biogen Idec shares in determining the purchase price; volatility of 40%; risk-free interest rate of 1.8%; and an expected life of 4.0 years.

Purchase price allocation

The estimated purchase price has been allocated to the acquired tangible and intangible assets and liabilities based on their estimated fair values as of November 12, 2003, the date that the merger was consummated (table in thousands):

Inventory	$ 706,957
Accounts receivable	216,221
Property, plant and equipment	713,719
Acquired identifiable intangible assets	3,664,000
Goodwill	1,151,066
In-process research and development	823,000
Deferred stock-based compensation	2,261
Other current and long-term assets	1,106,112
Assumed liabilities	(424,648)
Increase benefit plan liability to fair value	(26,650)
Deferred tax liabilities arising from fair value adjustments	(1,136,440)
Total purchase price	$ 6,795,598

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The allocation of the purchase price was based, in part, on a third-party valuation of the fair value of in-process research and development, identifiable intangible assets, and certain property, plant and equipment. The excess of the purchase price over the fair value of assets and liabilities acquired is allocated to goodwill. We believe the fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions. These assumptions are based on the best available information that we had at the time. Additionally, certain estimates for the purchase price allocation including inventory and taxes may change as subsequent information becomes available.

Identifiable intangible assets

The amount allocated to acquired identifiable intangible assets has been attributed to the following categories (table in thousands):

Patents	$ 578,000
Trademarks	64,000
Core Technology	3,022,000
	$3,664,000

The estimated fair value attributed to core technology, which relates to Biogen, Inc.'s existing FDA-approved products, was determined based on a discounted forecast of the estimated net future cash flows to be generated from the technology. The estimated fair value attributed to core technology will be amortized over 15 to 21 years which is the estimated period over which cash flows will be generated from the technology.

The estimated fair value attributed to patents represents only those patents from which Biogen, Inc. derives cash flows through contractual third-party out-licensing activity and not patents related to Biogen, Inc.'s current product portfolio or in-process research projects. The estimated fair value was determined based on a discounted forecast of the estimated net future cash flows to be generated from the patents. The estimated fair value attributed to patents will be amortized over 12 years which is the estimated period over which cash flows will be generated from the patents.

The amount allocated to in-process research and development represents an estimate of the fair value of purchased in-process technology for research projects that, as of the date of the merger, had not reached technological feasibility and have no alternative future use. Only those research projects that had advanced to a stage of development where management believed reasonable net future cash flow forecasts could be prepared and a reasonable likelihood of technical success existed were included in the estimated fair value. Accordingly, the in-process research and development primarily represents the estimated fair value of ANTEGREN, currently in Phase III development for Crohn's disease and multiple sclerosis. The estimated fair value of the in-process research and development was determined based on a discounted forecast of the estimated net future cash flows for each project, adjusted for the estimated probability of technical success and FDA approval for each research project. In-process research and development was expensed immediately following consummation of the merger.

Pro forma results of operations (unaudited)

The following unaudited pro forma information presents a summary of the historical consolidated statements of income of IDEC Pharmaceuticals Corporation and Biogen, Inc. for the years ended December 31, 2003 and 2002, giving effect to the merger as if it occurred on January 1, 2002 and 2003 (in thousands, except per share amounts):

	Year Ended December 31,	
	2003	2002
Product sales	$1,228,493	$1,048,068
Total revenue	1,853,233	1,552,586
Net loss	(252,429)	(168,476)
Pro forma earnings per share:		
Basic	(0.77)	(0.52)
Diluted	(0.77)	(0.52)

The pro forma net income and earnings per share for each period presented exclude the acquired IPR&D charge. Amortization of the acquired intangibles is included on a straight-line basis. This unaudited pro forma information does not purport to indicate the results that would have actually been obtained had the merger been completed on the assumed date or for the periods presented, or which may be realized in the future. To produce the pro forma financial information, Biogen Idec allocated the purchase price using its best estimates of fair value. These estimates are based on the most recently available information.

3. Financial Instruments

Financial instruments that potentially subject us to concentrations of credit risk are accounts receivable and marketable securities. Wholesale distributors and large pharmaceutical companies account for the majority of our accounts receivable and collateral is generally not required. We sell ZEVALIN primarily to distributors and radiopharmacies throughout the U.S., and collateral is generally not required. To mitigate the risk, we monitor the financial performance and credit worthiness of our customers. We invest our excess cash balances in marketable debt securities, primarily U.S. government securities and corporate bonds and notes, with strong credit ratings. We limit the amount of investment exposure as to institution, maturity and investment type.

The average maturity of our marketable securities as of December 31, 2003 was 16 months. Proceeds from maturities and other sales of marketable securities, which were primarily reinvested, for the years ended December 31, 2003, 2002 and 2001 were approximately $1.1 billion, $841 million and $582 million, respectively. Realized losses on these sales for the years ended December 31, 2003, 2002 and 2001 were $2.1 million, $2.8 million and $1.7 million, respectively.

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following is a summary of marketable securities:

	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
		(In thousands)		
December 31, 2003:				
Foreign debt				
Current	$ 10,102	$ 30	$ —	$ 10,072
Corporate debt securities				
Current	347,865	883	(9)	346,991
Noncurrent	768,840	3,280	(520)	766,080
U.S. Government securities				
Current	163,142	733	(4)	162,413
Noncurrent	733,487	2,680	(511)	731,318
Total securities available-for-sale	$2,023,436	$7,606	$(1,044)	$2,016,874
Other marketable securities, noncurrent	29,766	138	(2,789)	27,115

	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
		(In thousands)		
December 31, 2002:				
Foreign debt				
Current	$ 11,172	$ 73	$ —	$ 11,099
Noncurrent	10,547	130	—	10,417
Corporate debt securities				
Current	286,249	1,266	(92)	285,075
Noncurrent	314,588	1,985	(67)	312,670
Commercial paper				
Current	20,785	299	—	20,486
Noncurrent	—	—	—	—
U.S. Government securities				
Current	119,439	713	—	118,726
Noncurrent	334,956	2,045	(6)	332,917
Total securities available-for-sale	$1,097,736	$6,511	$(165)	$1,091,390

The amortized cost and estimated fair value of securities available-for-sale at December 31, 2003 by contractual maturity are as follows:

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 519,476	$ 521,109
Due after on year	1,497,398	1,502,327
	$2,016,874	$2,023,436

We have foreign currency forward contracts to hedge specific forecasted transactions denominated in foreign currencies. All foreign currency forward contracts have durations of ninety days to 12 months. These

contracts have been designated as cash flow hedges and accordingly, to the extent effective, any unrealized gains or losses on these foreign currency forward contracts are reported in other comprehensive income. Realized gains and losses for the effective portion are recognized with the underlying hedge transaction. We assess hedge ineffectiveness on a quarterly basis and record the gain or loss related to the ineffective portion to current earnings to the extent significant. If we determine that a forecasted transaction is no longer probable of occurring, we discontinue hedge accounting for the affected portion of the hedge instrument and any related unrealized gain or loss on the contract is recognized in current earnings. The notional settlement amount of the foreign currency forward contracts outstanding at December 31, 2003 was approximately $109.4 million. These contracts had a fair value of $5.9 million, representing an unrealized loss, and were included in other current liabilities at December 31, 2003.

We recognized $1.3 million of losses in product revenue and $0.5 million of losses in royalty revenue for the settlement of certain effective cash flow hedge instruments at December 31, 2003. These settlements were recorded in the same period as the related forecasted transactions affecting earnings. We expect approximately $5.1 million of unrealized losses at December 31, 2003 to affect earnings in 2004 related to our foreign currency forward contracts.

4. Notes Payable

In April and May 2002, we issued 30-year senior convertible promissory notes, or senior notes, for gross proceeds of approximately $714.4 million, or $696 million net of underwriting commissions and expenses of $18.4 million. Simultaneously with the issuance of the senior notes, we used a portion of the proceeds to fund the repurchase of $135 million of our outstanding common stock. The senior notes are zero coupon and were priced with a yield to maturity of 1.75% annually. We will pay contingent cash interest to the holders of these senior notes during any six-month period commencing on or after April 30, 2007 if the average market price of the senior notes for a five-trading-day measurement period preceding such six-month period equals 120% or more of the sum of the issue price and accrued original issue discount for such senior note. The contingent interest payable per senior note in respect of any quarterly period within such six-month period where contingent interest is determined to be payable will equal the greater of (1) the amount of regular cash dividends paid by us per share on our common stock during that quarterly period multiplied by the then applicable conversion rate or (2) 0.0625% of the average market price of a senior note for the five-trading-day measurement period preceding such six-month period, provided that if we do not pay regular cash dividends during a semiannual period, we will pay contingent interest semiannually at a rate of 0.125% of the average market price of a senior note for the five-trading-day measurement period immediately preceding such six-month period.

Upon maturity, the senior notes will have an aggregate principal face value of $1.2 billion. Each one thousand dollar aggregate principal face value senior note is convertible at the holder’s option at any time through maturity into 7.1881 shares of our common stock at an initial conversion price of $82.49, resulting in total potential common shares to be issued upon conversion of 8.7 million shares. In addition, holders of the senior notes may require us to purchase all or a portion of the senior notes on April 29, 2005, 2007, 2012 and 2017 at a price equal to the issue price plus the accrued original issue discount to the date of purchase, payable at our option in cash, our common stock or a combination thereof. In addition, if a change in control in our company occurs on or before April 29, 2007, holders may require us to purchase all or a portion of their senior notes for cash. We have the right to redeem at a price equal to the issue price plus the accrued original issue discount to the date of redemption all or a portion of the senior notes for cash at any time on or after April 29, 2007.

In February 1999, we raised approximately $112.7 million, net of underwriting commissions and expenses of $3.9 million, through the issuance of 20-year subordinated convertible promissory notes, or subordinated notes. Upon maturity, the subordinated notes will have an aggregate principal face value of $345 million.

The subordinated notes were priced with a yield to maturity of 5.5% annually. Each one thousand dollar aggregate principal face value subordinated note is convertible at the holders' option at any time through maturity into 40.404 shares of our common stock at an initial conversion price of $8.36 per share. Additionally, the holders of the subordinated notes may require us to purchase the subordinated notes on February 16, 2009 or 2014 at a price equal to the issue price plus the accrued original issue discount to the date of purchase, payable at our option in cash, our common stock or a combination thereof. We have the right to redeem at a price equal to the issue price plus the accrued original issue discount to the date of redemption all or a portion of the senior notes for cash at any time.

Notes payable at December 31, consists of the following:

	2003	2002
	(In thousands)	
20-year subordinated convertible promissory notes, due 2019 at 5.5%	$151,772	$143,408
30-year senior convertible promissory notes, due 2032 at 1.75%	735,498	722,797
	$887,270	$866,205

5. Consolidated Balance Sheets Details

Property and equipment:

	December 31,	
	2003	2002
	(In thousands)	
Land	$ 90,282	$ 58,879
Buildings	305,326	—
Leasehold improvements	57,907	30,469
Furniture and fixtures	15,808	5,466
Machinery and equipment	401,642	52,167
Construction in progress	450,122	159,139
Total cost	1,321,087	306,120
Less accumulated depreciation	68,304	41,583
	$1,252,783	$264,537

Depreciation expense was $26.7 million, $10.2 million and $6.3 million for 2003, 2002 and 2001, respectively.

During 2003 and 2002, we capitalized to construction in progress a total of $6.8 million and $0.4 million, respectively, of interest costs related to the development of our West Coast headquarters and research and development campus in San Diego, California and our large-scale manufacturing facility in Oceanside, California.

Accrued expenses and other:

	December 31,	
	2003	2002
	(In thousands)	
Employee compensation and benefits	$ 55,277	$12,473
Royalties and licensing fees	42,074	—
Clinical development expenses	19,303	2,528
Construction costs	21,888	17,082
Legal settlement costs	20,000	—
Technology license and development fees	—	2,992
Other	81,588	16,532
	$240,130	$51,607

6. Employee Benefit Plans

401(k) Employee Savings Plan

We have a qualified 401(k) employee savings plan, or 401(k) Plan, available to substantially all U.S. employees over the age of 21. Participants may make voluntary contributions. We make matching contributions according to the 401(k) Plan's matching formula. The matching contributions vest over four years of service by the employee. Discretionary contributions for the years ended December 31, 2003, 2002 and 2001 totaled $2.4 million, $1.8 million and $0.8 million, respectively.

Deferred Compensation Plan

We have a non-qualified deferred compensation plan that allows a select group of management and highly compensated U.S. employees to defer a portion of their compensation and that provides for certain company credits to participants' accounts. The deferred compensation amounts and are accrued when earned but unfunded. Such deferred compensation is distributable in cash. Deferred compensation amounts under such plan at December 31, 2003 and 2002, totaled approximately $17.6 million and $3.1 million, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets. Participant contributions are immediately 100% vested. Distributions to participants can be either in a one lump sum payment or annual installments as elected by the participants.

Pension

In connection with our merger with Biogen, Inc., we assumed the Biogen, Inc. pension plan. Prior to November 13, 2003, we did not have a pension plan. The Biogen, Inc. plan is a tax-qualified defined benefit pension plan which provides benefits to all of Biogen, Inc.'s U.S. employees based on compensation credits and interest credits to participants' accounts using a "cash balance" method. Biogen, Inc. also has an unfunded supplemental retirement benefit plan which covers a select group of highly compensated U.S. employees. The pension plans are noncontributory with benefit formulas based on employee earnings and credited years of service. Biogen, Inc.'s funding policy for its pension plans has been to contribute amounts deductible for federal income tax purposes. Funds contributed to the plans have been invested in fixed income and equity securities. At October 31, 2003, Biogen, Inc. ceased allowing new participants into its pension plans. At November 12, 2003, as a result of the merger, we assumed $36.2 million in pension liability related to these plans. We have requested Internal Revenue Service approval of the termination the defined benefit pension plan. We credited participants' cash balance accounts under the defined benefit pension plan in respect to compensation and interest earned through December 31, 2003, no further compensation credits will

be made, but interest credits will be made until the defined benefit pension plan is terminated and benefits are distributed to participants. In December we contributed $10 million into the defined benefit pension plan. We also intend to terminate the supplemental retirement benefit plan as of April 1, 2004. We credited participants' accounts under the supplemental retirement benefit plan in respect to compensation and interest earned through December 31, 2003. No further compensation credits will be made, but interest credits will be made until the supplemental retirement benefit plan is terminated. As of December 31, 2003 we had a liability of $26.9 million related to these plans which included $12.9 million of accrued liability for transition benefits associated with the plan terminations.

The components of net periodic pension cost for the year ended December 31, 2003 are summarized below:

	2003
	(In thousands)
Service cost	$ 511
Interest cost	332
Expected return on plan assets	(149)
Amortization of prior service cost	—
Amortization of net actuarial loss	—
Net pension cost	$ 694

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Reconciliations of projected benefit obligations, fair value of plan assets and the funded status of the plans as of December 31, are presented below:

	2003
	(In thousands)
Change in projected benefit obligation	
Net projected benefit obligation at November 13, 2003	$(51,964)
Service cost	(511)
Interest cost	(332)
Actuarial loss	353
Gross benefits paid	10
Net projected benefit obligation at the end of the year	(52,444)
Change in plan assets	
Fair value of plan assets at the beginning of the year	28,639
Actual return on plan assets	(202)
Employer contributions	10,004
Gross benefits paid	(10)
Administrative expenses	—
Fair value of plan assets at the end of the year	38,431
Funded status at the end of the year	
Funded status at the end of the year	(14,013)
Unrecognized net actuarial gain	(2)
Unrecognized prior service cost	—
Net amount recognized at the end of the year	$(14,015)
Weighted average assumptions at the end of the year	
Discount rate	5.68%
Expected return on plan assets	5.63%
Rates of compensation increase	—

As of December 31, 2003, the unfunded supplemental retirement plan has a projected benefit of $6.6 million.

Amounts recognized in the state of financial position consist of (in thousands):

	December 31, 2003
Prepaid Benefit Cost	$ 0
Accrued Benefit Cost	(14,015)
Intangible Assets	0
Accumulated other comprehensive income	0
Net Amount Recognized	$(14,015)

The accumulated benefit obligation for all defined benefit pension plans was $52.4 million at December 31, 2003.

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Assumptions

The weighted-average assumptions used to determine net periodic benefit cost for the period November 12, 2003 through December 31, 2003:

Discount Rate	5.63%
Expected long-term return on plan assets	5.00%
Rate of compensation increase	N/A

Weighted-average assumptions used to determine benefit obligations were:

	December 31, 2003
Discount Rate	5.68%
Rate of compensation increase	N/A

Plan Assets

The Biogen Retirement Plan weighted-average asset allocations at December 31, 2003 by asset category are as follows:

	December 31, 2003
Equity securities	—
Debt securities	11.9%
Real estate	—
Cash and cash equivalents	88.1%
Total	100.0%

Contributions

The Company is not expected to make a contribution to the Biogen Retirement Plan in 2004. The Company is expected to contribute approximately $54,000 to the SERP in 2004 in the form of benefit payments paid from the company assets.

7. Other Income (Expense), Net

Total other income (expense), net consists of the following:

	December 31,		
	2003	2002	2001
		(In thousands)	
Interest income	$ 33,610	$ 34,528	$38,528
Interest expense	(15,182)	(16,073)	(7,304)
Other expense	(29,383)	(809)	(757)
Total other income (expense), net	$(10,955)	$ 17,646	$30,467

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other expense included the following:

	December 31,		
	2003	2002	2001
	(In thousands)		
Donation to Biogen Idec Foundation	$(10,000)	$ —	$ —
Settlement of patent disputes	(20,668)	—	—
Miscellaneous	1,285	(809)	(757)
Total other expense	$(29,383)	$(809)	$(757)

In October 2002, Biogen, Inc. established The Biogen Foundation, a private, U.S. based, non-profit philanthropic organization. In December 2002, Biogen, Inc. made a charitable contribution of $15 million to fund the Biogen Foundation. As a result of the merger, we changed the name of the foundation to The Biogen Idec Foundation and, in December 2003 contributed an additional $10 million. The foundation is to operate exclusively for the benefit of funding charitable, educational and scientific causes. Certain executive officers and other employees serve as directors and officers of the foundation. We classify charitable contributions to other income (expense).

In December 2003, we recorded charges of $2.5 million and $18.2 million to other expense related to the final settlement of patent infringement disputes with Apoxis S.A. and Corixa Corporation, respectively. See Note 11.

8. Income Taxes

The components of income (loss) before income taxes (benefit) and of income tax expense (benefit) for each of the three years ended December 31 are as follows:

	2003	2002	2001
	(In thousands)		
Income (loss) before income taxes (benefit):			
Domestic	$(846,711)	$231,522	$161,604
Foreign	(33,913)	—	—
	$(880,624)	$231,522	$161,604
Income tax expense (benefit):			
Current			
Federal	$ 15,075	$ 65,653	$ 46,147
State	6,872	14,414	11,284
Foreign	192	—	—
	$ 22,139	$ 80,067	$ 57,431
Deferred			
Federal	$ (31,988)	$ 6,195	$ 2,447
State	4,322	(2,830)	67
	(27,666)	3,365	2,514
Total income tax expense (benefit)	$ (5,527)	$ 83,432	$ 59,945

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred tax assets (liabilities) are comprised of the following at December 31:

	2003	2002
	(In thousands)	
Tax credits	$ 86,263	$107,946
Net operating loss carryforwards	1,439	5,610
Inventory and other reserves	21,656	8,090
Capitalized costs	49,013	5,343
Intangibles, net	2,414	4,532
Other	1,756	582
Deferred tax assets	$ 162,541	$132,103
Fair value adjustment	$(1,055,358)	$ —
Interest expense on notes payable	(31,776)	(13,930)
Depreciation, amortization and other	(45,844)	(2,719)
Unrealized gain on investments and cumulative translation adjustment	(13,936)	(2,582)
Deferred tax liabilities	$(1,146,914)	$ (19,231)

A reconciliation of the U.S. federal statutory tax rate to the effective tax rate for the periods ending December 31 is as follows:

	2003	2002	2001
Statutory rate	35.0%	35.0%	35.0%
In process R&D	(32.71)	—	—
State taxes	(0.83)	3.2	4.5
Change in valuation allowance	—	(0.8)	(0.2)
Foreign taxes	1.28		—
Credits and net operating loss utilization	0.71	(1.6)	(3.7)
Fair value step-up	(2.74)	—	—
Other	(0.08)	0.2	1.4
Effective tax rate	0.63%	36.0%	37.0%

At December 31, 2003, we had general business credit carryforwards for federal income tax purposes of approximately $79 million, which expire from 2020 through 2023. Additionally, for state income tax purposes, we had net operating loss and research credit carryforwards of approximately $25 million and $9 million, respectively. The net operating loss carryforwards expire in 2012 and the research credits do not expire.

In assessing the realizability of our deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Our estimates of future taxable income are derived from, among other items, our estimates of future deductions related to stock options. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are utilizable, we believe it is more likely than not that we will realize the benefits of our deferred tax assets. In the event that actual results differ from our estimates or we adjust our estimates in future periods, we may need to establish a valuation allowance which could materially impact our financial position and results of operations.

As of December 31, 2003, undistributed foreign earnings of non-U.S. subsidiaries included in consolidated retained earnings aggregated $351.9 million, exclusive of earnings that would result in little or no tax expense under current U.S. tax law. We intend to reinvest these earnings indefinitely in operations outside the U.S. It is not practicable to estimate the amount of additional tax that might be payable if such earnings were remitted to the U.S.

9. Research Collaborations

In September 2001, we entered into a collaborative development agreement with Mitsubishi Pharma to support clinical development of anti-CD80 (anti-B7.1) antibody products developed using our Primatized® antibody technology. Under the terms of an existing license agreement with Mitsubishi Pharma, entered into in November 1993, Mitsubishi Pharma had an exclusive license in Asia to develop and commercialize anti-CD80 (anti-B7.1) antibody products. These agreements were terminated in December 2003. As a result of the termination of each of these agreements, we have no continuing financial obligations under any of these agreements. During 2003, 2002 and 2001, we recognized revenues from our agreements with Mitsubishi Pharma of $1.5 million, $1.4 million and $4.7 million, respectively, which are included in corporate partner revenues.

In June 2000, we entered into a collaborative research and development agreement with Taisho Pharmaceutical Co. Ltd. of Tokyo to develop and commercialize antibody therapeutics against macrophage migration inhibitory factor, or MIF, for the treatment of inflammatory and autoimmune diseases. This agreement was terminated in 2002. During 2002 and 2001, we recognized revenues from our agreement with Taisho of $0.7 million and $4.8 million, respectively, which are included in corporate partner revenues.

In June 1999, we entered into a collaboration and license agreement with Schering AG aimed at the development and commercialization of ZEVALIN. Under the terms of the agreement, we may receive milestone and research and development support payments totaling up to $47.5 million, subject to the attainment of product development objectives. Schering received exclusive marketing and distribution rights to ZEVALIN outside the U.S., and we will receive royalties on product sales by Schering. Under the terms of a separate supply agreement, we are obligated to meet Schering AG’s clinical and commercial requirements for ZEVALIN. Schering may terminate these agreements for any reason. During 2003, 2002 and 2001, we recognized revenues from our agreements with Schering of $0.2 million, $0.3 million and $9.5 million, respectively, which are included in corporate partner revenues. Of the revenue recognized in 2001, $6.0 million was for the attainment of product development objectives and a milestone payment when the European Medicines Evaluation Agency accepted for filing the submission of an application for approval of ZEVALIN in the EU. Additionally, as a result of implementing SAB No. 101, we recognized $3.3 million of revenues in 2001, which was previously recognized as revenue in 1999, prior to the implementation of SAB No. 101. In the first quarter of 2004, we expect to receive a $10 million payment from Schering AG for the EMEA grant of marketing approval of ZEVALIN in the EU.

In December 1995, we entered into a collaborative development agreement and a license agreement with Eisai Co, Ltd aimed at the development and commercialization of anti-CD40L antibodies. Under the terms of these agreements, we may receive milestone payments totaling up to $12.5 million and research and development support payments totaling up to $25.0 million, subject to the attainment of certain product development objectives and satisfaction of other criteria to be agreed upon between us and Eisai. Eisai received exclusive rights in Asia and Europe to develop and market products resulting from the collaboration, and we will receive royalties on product sales by Eisai. Eisai may terminate these agreements based on a reasonable determination that the products do not justify continued product development or marketing. During 2003, we did not recognize any revenue related to this collaboration. During 2002 and 2001, we recognized revenues from our agreements with Eisai of $0.7 million and $2.2 million, respectively, which are included in corporate partner revenues.

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In December 1994, we entered into a collaborative development agreement and a license agreement with Seikagaku Corporation, aimed at the development and commercialization of an anti-CD23 antibody using Primatized antibody technology. During 2003 and 2002, we recognized revenues from our agreement with Seikagaku of $0.6 million and $1.6 million, respectively, which are included in corporate partner revenues. No revenues were recognized under our agreement with Seikagaku during 2001. Although this agreement was terminated effective January 17, 2004, we have certain continuing obligations that remain under the agreement that we may fulfill in the first half of 2004 and for which we would receive revenue from Seikagaku.

Under the above agreements, amounts earned by us and recognized as revenue for contract research and development approximate the research and development expenses incurred under the related agreement.

In connection with our research and development efforts, we have also entered into various collaboration arrangements which provide us with rights to develop, produce and market products using certain know-how, technology and patent rights maintained by the parties. Terms of the various license agreements may require us to make milestone payments upon the achievement of certain product development objectives and pay royalties on future sales, if any, of commercial products resulting from the collaboration. It is not anticipated that the aggregate of any royalty or milestone obligations under these arrangements will be material to our operations.

In September 2003, Biogen, Inc. entered into a license agreement with Fumapharm, under which Biogen, Inc. obtained exclusive rights to develop and market a second-generation fumarate derivative with an immunomodulatory mechanism of action, currently in clinical trials in Europe. Under the terms of this agreement, we obtained an exclusive worldwide marketing and distribution license, excluding Germany, for psoriasis, and a production and exclusive marketing and distribution license for the entire world for MS. We have committed to paying Fumapharm additional amounts upon the completion of certain future research milestones and first and second indication development milestones. If all the milestones were to be achieved, we would be required to pay up to an additional 25 million Swiss francs plus royalties over the life of the agreement.

In August 2003, Biogen, Inc. entered into a collaboration agreement with Vetter Pharma-Fertigung GmbH & Co. KG for the fill-finish of Biogen Idec products. Under the terms of this agreement, Biogen, Inc. paid a partial advance payment to Vetter of 35 million Euros in return for reserving certain capacity at Vetter's fill-finish facility. Upon signing the agreement in August 2003, Biogen, Inc. paid Vetter $5.7 million (5.25 million Euros), which is included as a prepayment in other current assets as of December 31, 2003. The remaining balance of advance payments will become due and payable by us upon the achievement of certain milestones by Vetter. The next two milestones are expected to be achieved in the first quarter of 2004, at which time we will make payments to Vetter of 10.5 million euros and 3.5 million euros, respectively.

In June 2003, Biogen, Inc. entered into a collaboration agreement with Genentech under which Biogen, Inc. and Genentech will collaborate on the development of a BR3 (BAFF-R) protein therapeutic from Biogen, Inc.'s pipeline of early-stage product candidates. Under the terms of this agreement, Genentech initially will be responsible for the development costs of the product candidates, until that time, if any, when we exercise our opt-in rights (which must be done within a certain timeframe). Prior to exercising our opt-in rights, to the extent that we incur any development costs in relation to the programs covered by this agreement, they will be recorded as research and development expenses. The reimbursement by Genentech of these costs will be recorded as corporate partner revenue. We have recorded $0.3 million in corporate partner revenues related to the collaboration for the period November 13 through December 31, 2003.

In December 2002, Biogen, Inc. entered into a collaboration agreement with Sunesis Pharmaceuticals, Inc. related to the discovery and development of oral therapeutics for the treatment of inflammatory and autoimmune diseases. We will apply Sunesis' proprietary fragment-based drug discovery technology, known as "tethering," to generate small molecule leads that target select cytokines in the immune system. Under the

terms of this agreement, we purchased 1.25 million shares of preferred stock of Sunesis for $6 million, the fair value of the shares. We have acquired certain exclusive licenses to develop and commercialize certain compounds resulting from the collaboration. We account for our investment in Sunesis, which is included in other assets, using the cost method of accounting, subject to periodic review of impairment. We will pay Sunesis a quarterly license maintenance fee of $357,500 during the period commencing on April 1, 2004 through July 1, 2005. Additionally, we have a Credit Facility Agreement with Sunesis under which we are obligated to loan Sunesis up to $4 million. At December 31, 2003, there is $1.6 million of borrowings outstanding. We have committed to paying Sunesis additional amounts upon the completion of certain future research milestones and first and second indication development milestones. If all the milestones were to be achieved, we would be required to pay up to an additional $60.5 million over the life of the agreement.

In August 2000, Biogen, Inc. entered into a development and marketing collaboration agreement with Elan Pharma International, Ltd, an affiliate of Elan Corporation, plc to collaborate in the development, manufacture and commercialization of ANTEGREN® (natalizumab), a humanized monoclonal antibody. Biogen Idec and Elan are currently developing ANTEGREN as a potential treatment for MS and Crohn's disease. Under the terms of this agreement, we share costs with Elan for on-going development activities. There were no material charges that were charged to research and development expense from November 13, 2003 through December 31, 2003. As of December 31, 2003, Elan owed us $6.3 million, representing development expenses incurred by Biogen, Inc. and Biogen Idec to be reimbursed by Elan. We have committed to paying Elan additional amounts upon the completion of certain future milestones. If all the future milestones were to be achieved, we would be required to pay up to an additional $14 million over the remaining life of the agreement. We do not believe that business issues facing Elan will have a material adverse impact on our rights to develop or commercialize ANTEGREN.

As part of previous agreements that Biogen, Inc. had with Targeted Genetics Corporation, or Targeted, for gene therapy research and development, we own approximately 12.1 million shares of Targeted common stock with a fair value of $26.6 million, which is included in investments and other assets. We have no remaining commitments or obligations with Targeted.

10. Unconsolidated Joint Business Arrangement

In June 2003, we amended and restated our collaboration agreement with Genentech to include the development and commercialization of one or more humanized anti-CD20 antibodies targeting B-cell disorders for a broad range of indications. The original collaboration agreement was entered into in 1995 for the clinical development and commercialization of our anti-CD20 monoclonal antibody, RITUXAN. Under the terms of the amended and restated agreement, we continue to receive a share of the operating profits in the U.S. from RITUXAN and will share in operating profits or losses in the U.S. relating to any new products developed under the agreement. In connection with the agreement, we paid Genentech $20 million which we recorded as research and development expense.

We copromote RITUXAN with Genentech, and share responsibility with Genentech for continued development of RITUXAN, in the U.S. Such continued development includes conducting supportive research and post-approval clinical studies and seeking potential approval for additional indications. Genentech provides the support functions for the commercialization of RITUXAN in the U.S., including marketing, customer service, order entry, distribution, shipping and billing, as well as fulfilling all worldwide manufacturing responsibilities. We share responsibility with Genentech for development in the U.S. of any new products developed under the agreement, and we will also copromote with Genentech any such new products in the U.S.

The amended and restated collaboration agreement provides that, upon the occurrence of a Biogen Idec change-in-control as described in the agreement, Genentech may present an offer to us to purchase our rights to RITUXAN. We must then accept Genentech's offer or purchase Genentech's rights to RITUXAN for an

amount proportioned (using the profit sharing ratio between us) to Genentech's offer. If Genentech presents such an offer in such a situation, then Genentech will be deemed concurrently to have exercised a right, in exchange for a share in the operating profits or net sales in the U.S. of any new products developed under the agreement, to purchase our interest in each such product.

Concurrent with the original collaboration agreement, we also entered into an expression technology license agreement with Genentech (for a proprietary gene expression technology developed by us) and a preferred stock purchase agreement providing for certain equity investments in us by Genentech (see Note 12 — Shareholders' Equity).

Under the terms of separate agreements with Genentech, commercialization of RITUXAN outside the U.S. is the responsibility of Roche, except in Japan where it copromotes RITUXAN in collaboration with Zenyaku. We receive royalties from Genentech on sales by Roche and Zenyaku of RITUXAN outside the U.S., except in Canada. Royalties on sales of RITUXAN in Canada are received directly from Roche (and are included in revenues from unconsolidated joint business arrangement in the accompanying consolidated statements of income).

During 2003, we purchased certain clinical data from Roche related to RITUXAN supporting potential label expansion. Additionally, in 2003 Genentech and IDEC agreed that payments were owed to Columbia University for royalties related to past sales of RITUXAN in the U.S. As a result, we recognized $2.6 million in royalty payments and $500,000 in interest charges related to these royalties.

Revenues from unconsolidated joint business arrangement for the years ended December 31 consist of the following (in thousands):

	2003	2002	2001
Copromotion profits	$419,197	$324,498	$228,614
Reimbursement of selling and development expenses	18,400	15,879	8,160
Royalty revenue on sales of RITUXAN outside the U.S., including royalties received directly from Roche	67,869	45,432	14,654
RITUXAN clinical data purchased from Roche	(9,353)	—	—
Columbia patent royalty and interest payment	(3,064)	—	—
	$493,049	$385,809	$251,428

11. Commitments and Contingencies

We rent laboratory and office space and certain equipment under noncancellable operating leases. The rental expense under these leases, which terminate at various dates through 2015, amounted to $12.9 million in 2003, $9.8 million in 2002, and $7.1 million in 2001. The lease agreements contain various clauses for renewal at our option and, in certain cases, escalation clauses linked generally to rates of inflation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

At December 31, 2003, minimum annual rental commitments under noncancellable leases were as follows:

Year	(In thousands)
2004	$ 31,713
2005	25,366
2006	20,184
2007	19,500
2008	16,364
Thereafter	48,213
Total minimum lease payments	$161,340

In September 2001, we purchased approximately 42.6 acres of land in San Diego, California for approximately $31.7 million in cash where we are building a consolidated research and development and administration campus. Construction is expected to be completed in the fourth quarter of 2004 at an estimated total cost of $177 million. As of December 31, 2003, we have invested approximately $58.2 million in the construction of these facilities.

In September 2000, we purchased a 60-acre site in Oceanside, California for approximately $18.9 million in cash. In December 2002, we purchased an additional 27 acres of land at the Oceanside site for $7.9 million in cash. We are building a large-scale manufacturing facility at this location, which we anticipate using to commercialize our products currently in clinical trials if they are approved by the FDA. We expect the facility to be mechanically completed in 2005. We are working towards commissioning and validation in 2006. Total costs of this facility upon completion are estimated to be $400 million. As of December 31, 2003, we have invested approximately $298 million in the construction of this large-scale manufacturing facility.

In May 1999, we entered into an arrangement with MDS (Canada) Inc., MDS Nordion Division, successor to MDS Nordion Inc., or MDS (Canada), under which MDS (Canada) agreed to supply us yttrium-90, a radioisotope used in connection with administering ZEVALIN. MDS (Canada) initially supplied product for use in the ZEVALIN clinical trials. In anticipation of commercial launch of ZEVALIN, we subsequently determined that additional commercial production capacity for yttrium-90 would be necessary. To obtain a commitment from MDS (Canada) that sufficient commercial supply would be available, we agreed to minimum purchase commitments of $55 million, and to make periodic cash payments totaling $25 million into an escrow account of which $22.5 million was recorded as restricted cash at December 31, 2002. The supply agreement was amended in November 2001 to give effect to these mutual commitments.

In December 2003, in light of the reduced expectations for ZEVALIN sales levels, we agreed to release the $25 million of escrowed funds to MDS (Canada), and MDS (Canada) agreed to eliminate the minimum purchase commitments from the supply arrangement. MDS (Canada)’s obligation to supply yttrium-90 remains in effect. We are amortizing the prepayment over the economic life of the agreement.

On September 10, 2001, we filed a lawsuit in the federal district court in the Southern District of California against Corixa Corporation, GlaxoSmithKline (Corixa’s marketing partner) and the University of Michigan seeking declaratory judgment that ZEVALIN and its use in the treatment of various B-cell NHLs does not infringe certain issued U.S. patents licensed to Corixa regarding products and processes relating to radioimmunotherapy, also known as the Kaminski patents, and a further declaration that Corixa’s patents are invalid. On September 12, 2001, Corixa, Glaxo and the University of Michigan filed a lawsuit in the federal district court in the District of Delaware against us for patent infringement. The lawsuit claims that we infringe the patents that are the subject of our declaratory judgment action against Corixa. The lawsuit seeks damages and to permanently enjoin us from commercializing ZEVALIN. This action has been transferred to San Diego and was consolidated with our lawsuit. On February 27, 2004 the parties entered into a

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Memorandum of Agreement for Settlement of all outstanding disputes. The terms of the Memorandum include mutual releases and dismissal with prejudice of all claims and counterclaims in the current litigation between the parties, with each party bearing their own costs, expenses and fees. In addition, the parties will enter into worldwide, non-exclusive licenses, with a right to sublicense, under the patents in suit for the life of such patents. Biogen Idec will pay $20 million in settlement of all outstanding claims in the litigation upon execution of a definitive settlement and license agreement, which is expected to be concluded by the end of March. In addition, Biogen Idec will pay royalties on U.S. net sales of ZEVALIN and may pay a one-time payment in the future subject to the attainment of a certain net sales level of ZEVALIN in the U.S.

On May 20, 2003, another patent in the family of Kaminski patents, or the ‘827 patent, was issued to the University of Michigan. The patent is licensed by the University of Michigan to Corixa. On June 3, 2003, we filed a lawsuit in the federal district court in the Southern District of California against Corixa, Glaxo and the University of Michigan seeking declaratory judgment that ZEVALIN and its use in the treatment of various B-cell NHLs does not infringe the ‘827 patent and a further declaration that the patent is invalid. On December 16, 2003, we filed a Voluntary Notice of Dismissal without Prejudice of this lawsuit based on a covenant by the defendants that they would not sue us for infringement as to any claim of the ‘827 patent based upon ZEVALIN, or the ZEVALIN therapeutic regimen, as currently approved by the FDA, or for any current or past off-label use. The dispute related to the ‘827 patent is included in the Memorandum agreed to by the parties on February 27, 2004.

On February 25, 2003, we filed an additional complaint against Corixa and Glaxo in the federal district court in the Southern District of California. The complaint alleges that Corixa’s and Glaxo’s conduct since recommendation by the Oncologic Drugs Advisory Committee for approval of BEXXAR constitutes, or will constitute, infringement of a patent owned by us. The complaint seeks available remedies under patent laws, including monetary damages and permanent injunctive relief. Claims and counterclaims related to this lawsuit is included in the Memorandum agreed to by the parties on February 27, 2004.

On July 15, 2003, Biogen, Inc., along with Genzyme Corporation and Abbott Bioresearch Center, Inc., filed suit against Trustees of Columbia University in the City of New York in the United States District Court for the District of Massachusetts, contending that we no longer have any obligation to pay royalties to Columbia on sales of our products under a 1993 License Agreement between us and Columbia related to U.S. Patent Nos. 4,399,216; 4,634,665; and 5,179,017, also referred to as the Original Patents, or under a newly issued patent, U.S. Patent No. 6,455,275, also referred to as the ’275 Patent. In our suit, we are seeking a declaratory judgment that we have no obligation to pay any further royalties under the license agreement because the Original Patents have expired and the ’275 Patent is invalid and unenforceable; and that Columbia should be permanently enjoined from demanding any further royalties based on the ’275 Patent or on any pending continuations, continuations-in-part, or divisional applications of the Original Patents. Columbia has taken the position that we still owe it royalties under the license agreement on the basis of the ’275 Patent which was issued on September 24, 2002, over two years after the expiration of the Original Patents. In the event that we are unsuccessful in the present litigation, we may be liable for damages suffered by Columbia with respect to withheld royalties and such other relief as Columbia may seek and be granted by the Court. As a result of our assessment of the invalidity of the ’275 Patent, we determined that it was probable that no additional amounts are payable to Columbia.

Along with most other major pharmaceutical and biotechnology companies, Biogen, Inc. was named as a defendant in a lawsuit filed by each of the County of Suffolk, New York, the County of Westchester, New York, and the County of Rockland, New York. All three cases are pending in the U.S. District Court for the District of Massachusetts. The complaints allege that the defendants overstated the Average Wholesale Price for drugs for which Medicaid provides reimbursement, also referred to as Covered Drugs, marketed and promoted the sale of Covered Drugs to providers based on the providers ability to collect inflated payments from the government and Medicaid beneficiaries that exceeded payments possible for competing drugs,

provided financing incentives to providers to over-prescribe Covered Drugs or to prescribe Covered Drugs in place of competing drugs, and overcharged Medicaid for illegally inflated Covered Drugs reimbursements. The complaints further allege that the defendants failed to accurately report the "best price" on the Covered Drugs to New York's Medicaid program. Under Medicaid, pharmaceutical and biotechnology companies agree to pay Medicaid programs a rebate for each product reimbursed by Medicaid. The amount of the rebate is often the difference between the average manufacturers price and the best price reported by companies to the Medicaid program. Plaintiffs claim that they were harmed because they could have allotted the dollars that they wrongfully spent on Medicaid to other public needs. Plaintiffs have brought the actions under the Racketeering Influence and Corrupt Organizations Act (RICO), and for breach of contract, unjust enrichment, unfair trade practices, Medicaid fraud, common law fraud, and violation of each of the federal Medicaid Statute, the New York Social Services Law and the New York Department of Health Regulations. In September 2003, Biogen, Inc. joined other named defendants in filing with the U.S. District Court for the District of Massachusetts a Motion to Dismiss the Amended Suffolk County Complaint. In December 2003, the plaintiffs withdrew the RICO claims from the Suffolk County case. We intend to vigorously defend ourselves against all of the allegations and claims in these lawsuits. As a result, an estimate of any potential loss or range of loss cannot be made at this time.

On June 25, 2003, prior to the effective date of the merger, a suit was filed in the Superior Court of California, County of San Diego, on behalf of a purported class of Biogen, Inc. stockholders against Biogen, Inc., IDEC Pharmaceuticals Corporation and certain members of Biogen, Inc.'s board of directors alleging, among other things, that the members of Biogen, Inc.'s board of directors breached their fiduciary duties of candor, loyalty, due care, independence, good faith and fair dealing by tailoring the structural terms of the merger to meet the specific needs of IDEC Pharmaceuticals Corporation rather than attempting to obtain the highest price reasonably available for Biogen, Inc. An agreement in principal to resolve the suit has been reached based upon the disclosure of certain additional information in the joint proxy statement/ prospectus in the registration statement on Form S-4 filed by IDEC Pharmaceuticals Corporation in connection with the merger and the payment of attorneys' fees in an amount to be determined by the court. We do not expect the settlement and related attorney fees to be material.

In addition, we are involved in certain other legal proceedings generally incidental to our normal business activities. While the outcome of any of these proceedings cannot be accurately predicted, we do not believe the ultimate resolution of any of these existing matters would have a material adverse effect on our business or financial condition.

12. Shareholders' Equity

Convertible Preferred Stock: Our convertible preferred stock, which is held solely by Genentech, is convertible into shares of our common stock at anytime at the option of the holder. At December 31, 2003, Genentech converted 5,000 of the Series A-2 preferred shares and 22,993 of the Series A-3 preferred shares into approximately 1.7 million common shares.

The terms of our convertible preferred stock and the number of issued and outstanding shares at December 31, 2003 are as follows:

Nonvoting Convertible Preferred Stock	Issue Date	Preferred Shares Issued and Outstanding	Liquidation Preference Per Share	Common Conversion
Series A-2	August 1995	8,221	$67.00	60 shares

Stockholder Rights Plan: Effective July 26, 2001, our Board of Directors amended and restated the terms of our stockholder rights plan, originally adopted by the Board of Directors in 1997. Under the plan, we declared a dividend distribution of one "Right" for each outstanding share of our common stock to

stockholders of record at the close of business on August 11, 1997. Since that time, we have issued one Right with each newly issued share of common stock. As amended, each Right, when exercisable, entitles the holder to purchase from us one one-thousandth of a share of our Series X Junior Participating Preferred Stock at a purchase price of $500.00. In general, under the amended and restated plan, if a person or affiliated group acquires beneficial ownership of 15% or more of our shares of common stock, then each Right (other than those held by such acquiring person or affiliated group) will entitle the holder to receive, upon exercise, shares of common stock (or, under certain circumstances, a combination of securities or other assets) having a value of twice the underlying purchase price of the Right. In addition, if following the announcement of the existence of an acquiring person or affiliated group we are involved in a business combination or sale of 50% or more of our assets or earning power, each Right (other than those held by the acquiring person or affiliated group) will entitle the holder to receive, upon exercise, shares of common stock of the acquiring entity having a value of twice the underlying purchase price of the Right. The Board of Directors also has the right, after an acquiring person or affiliated group is identified, to cause each Right to be exchanged for common stock or substitute consideration. We may redeem the Rights at a price of $0.001 per Right prior to the identification of an acquiring person or affiliated group. The Rights expire on July 26, 2011.

Stock Option Plans: We currently have five stock option plans.

Directors Plan:

We maintain the 1993 Non-Employee Directors Stock Option Plan, or the Directors Plan. Options granted annually under the Directors Plan have a term of up to ten years and vest one year from the date of grant. Options granted to directors upon their appointment or election to the Board of Directors have a term of up to ten years and vests over four years from the date of grant. The options are exercisable at a price per share not less than the fair market value of the underlying common stock on the date of grant. As of December 31, 2003, the aggregate number of shares authorized for issuance under the Directors Plan was 3.1 million shares.

Omnibus Plan:

We maintain the 2003 Omnibus Equity Plan, or the Omnibus Plan. Awards granted from the Omnibus Plan may include options, shares of restricted stock, shares of phantom stock, stock bonuses, stock appreciation rights and other awards in such amounts and with such terms and conditions subject to the provisions of the Plan. Options granted under the plan have a term of up to ten years and are exercisable at a price per share not less than the fair market value of the underlying common stock on the date of grant. At December 31, 2003, the maximum number of shares of Common Stock reserved for issuance under the Omnibus Plan was 17.4 million shares.

Other Plans:

We maintain the 1988 Stock Option Plan. We have not issued any shares from these plans since the merger, and do not intend to issue any shares from these plans in the future. Under this plan, options for the purchase of our common stock were granted to key employees (including officers) and directors. Options were designated as incentive stock options or as nonqualified stock options and generally vest over four years, except under a provision of this plan which, under certain circumstances, allows accelerated vesting due to change in control events. Options under this plan, which have a term of up to ten years, are exercisable at a price per share not less than the fair market value of the underlying common stock on the date of grant. The aggregate number of shares authorized for issuance under this plan as of December 31, 2003 was 58.6 million shares. Additionally, in conjunction with the merger, we assumed two stock-based compensation plans from Biogen, Inc., the 1985 Non-Qualified Stock Option Plan and the 1987 Scientific Board Stock Option Plan. Options under these plans were granted prior to the merger at no less than 100% of the fair market value on the date of grant. These options generally are exercisable over various periods, typically 4 to 7 years for employees and

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

3 years for Directors and the former Scientific Board members, and have a maximum term of 10 years. We have not issued any shares from these plans since the merger, and do not intend to issue any shares from these plans in the future.

A summary of stock option activity is presented in the following table (shares are in thousands):

	All Option Plans	
	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2000	21,061	$12.36
Granted	3,980	56.23
Exercised	(4,239)	6.34
Cancelled	(824)	25.29
Outstanding at December 31, 2001	19,978	21.83
Granted	4,964	52.49
Exercised	(3,015)	6.58
Cancelled	(814)	44.02
Outstanding at December 31, 2002	21,113	$30.36
Granted	4,872	34.29
Granted to Biogen, Inc employees (including 11.5 million vested options)	20,728	37.56
Exercised	(2,254)	9.04
Cancelled	(936)	46.08
Outstanding at December 31, 2003	43,523	$35.01

The following table summarizes combined information about options outstanding under all our stock option plans as of December 31, 2003 (shares are in thousands):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.00 - $10.00	7,413	3.45	$ 5.65	7,413	$ 5.65
10.01 - 20.00	4,056	3.06	14.72	4,044	14.72
20.01 - 30.00	1,567	6.43	24.73	1,230	24.31
30.01 - 40.00	13,310	8.02	35.49	5,329	35.78
40.01 - 50.00	9,071	7.61	47.09	4,850	46.96
50.01 - 60.00	4,385	7.10	55.16	2,879	55.48
60.01 - 70.00	3,551	7.09	64.50	2,383	64.13
Over 70.00	170	5.80	74.89	141	74.97
Total	43,523	6.46	$35.01	28,269	$30.88

At December 31, 2003, 2002, and 2001, options to purchase 28.3 million, 13.3 million, and 12.7 million shares, respectively, were exercisable at weighted average exercise prices of $30.88, $19.26, and $11.43 per share, respectively.

Employee Stock Purchase Plan: We also maintain the 1995 Employee Stock Purchase Plan, or the Purchase Plan. As of December 31, 2003, a total of 0.9 million shares of our common stock were reserved for

issuance. Under the terms of the Purchase Plan, employees can elect to have up to ten percent of their annual compensation withheld to purchase shares of our common stock. The purchase price of the common stock is at 85 percent of the lower of the fair market value of the common stock at the enrollment or purchase date. During 2003, 2002 and 2001, 0.2 million, 0.1 million and 0.1 million shares, respectively, were issued under the Purchase Plan.

Stock Repurchase Program:

In February 2004, our Board of Directors authorized the repurchase of up to 12 million shares of our common stock. The repurchased stock will provide us with treasury shares for general corporate purposes, such as stock to be issued under employee stock option and stock purchase plans. To date, we have not repurchased any shares under the program.

13. Segment Information

We operate in one segment, which is the business of development, manufacturing and commercialization of novel therapeutics for human health care. Our chief operating decision-makers review our operating results on an aggregate basis and manage our operations as a single operating segment. We currently have four commercial products: AVONEX for the treatment of relapsing MS, RITUXAN and ZEVALIN, both of which treat certain B-cell non-Hodgkin's lymphomas, or B-cell NHLs, and AMEVIVE for the treatment of adult patients with moderate-to-severe chronic plaque psoriasis who are candidates for systemic therapy or phototherapy. We also receive revenues from royalties on sales by our licensees of a number of products covered under patents that we control including sales of RITUXAN outside the U.S. Revenues are primarily attributed from external customers to individual countries where earned based on location of the customer or licensee.

Approximately 73%, 95%, and 92% of our total revenues in 2003, 2002, and 2001, respectively, are derived from our joint business arrangement with Genentech (see Note 10). We have not disclosed geographic information separately, as substantially all 2003 revenue was attributable to the U.S.

14. Guarantees

In November 2002, the FASB issued FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34, or FIN No. 45. FIN No. 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of certain guarantees. The initial recognition and initial measurement provisions of FIN No. 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. Since January 1, 2003, we have not issued or modified any guarantees as defined by FIN No. 45.

We enter into indemnification provisions under our agreements with other companies in the ordinary course of business, typically with business partners, contractors, clinical sites and customers. Under these provisions, we generally indemnify and hold harmless the indemnified party for losses suffered or incurred by the indemnified party as a result of our activities. These indemnification provisions generally survive termination of the underlying agreement. The maximum potential amount of future payments we could be required to make under these indemnification provisions is unlimited. However, to date we have not incurred material costs to defend lawsuits or settle claims related to these indemnification provisions. As a result, the estimated fair value of these agreements is minimal. Accordingly, we have no liabilities recorded for these agreements as of December 31, 2003.

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

15. Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
	(In thousands, except per share amounts)				
2003					
Total revenues	$117,246	$123,562	$138,530	$ 299,845	$ 679,183
Product revenue	5,663	4,980	4,427	156,491	171,561
Royalties revenue	—	—	—	12,010	12,010
Total expenses and taxes	79,356	98,049	95,016	1,270,904	1,543,325
Other income (expense), net	3,310	3,253	1,986	(19,504)	(10,955)
Net income (loss)	41,200	28,766	45,500	(990,563)	(875,097)
Basic earnings (loss) per share	0.27	0.19	0.29	(4.03)	(4.92)
Diluted earnings (loss) per share	0.24	0.17	0.26	(4.03)	(4.92)
2002					
Total revenues	$ 79,741	$ 97,131	$103,698	$ 123,652	$ 404,222
Product revenue	—	3,300	4,958	5,453	13,711
Royalties revenue	—	—	—	—	—
Total expenses and taxes	54,070	66,145	70,096	83,467	273,778
Other income (expense), net	4,002	4,397	4,838	4,409	17,646
Net income	29,673	35,383	38,440	44,594	148,090
Basic earnings per share	0.19	0.23	0.25	0.29	0.97
Diluted earnings per share	0.17	0.20	0.22	0.26	0.85

16. New Accounting Pronouncements

In January 2003, the FASB issued FASB Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities, an interpretation of ARB No. 51.” FIN 46 requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. Variable interest entities that effectively disperse risk will not be consolidated unless a single party holds an interest or combination of interests that effectively recombines risks that were previously dispersed. FIN 46 also requires enhanced disclosure requirements related to variable interest entities. FIN 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after March 15, 2004 to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. FIN 46 is not expected to have a material effect on our financial statements.

In April 2003, the FASB issued SFAS 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities.” SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities”. The adoption of SFAS 149 is not expected to have a material effect on our financial statements.

In May 2003, the FASB issued SFAS 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.” SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances).

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Many of those instruments were previously classified as equity. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after December 15, 2004. The adoption of SFAS 150 is not expected to have a material effect on our financial statements.

In June 2003, the EITF issued EITF 00-21, "Revenue Arrangements with Multiple Deliverables." EITF 00-21 establishes an approach to be used in determining when a revenue arrangement that involves multiple deliverables should be divided into separate units of accounting for revenue recognition purposes, if separation of an arrangement is appropriate, how the arrangement consideration should be allocated to the identified accounting units. This Statement is effective for arrangements entered into or modified after June 30, 2003. The adoption of EITF 00-21 did not have a material effect on our financial statements.

In December 2003, the FASB issued SFAS 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits." The revised SFAS 132 retains all of the disclosure requirements of the original SFAS 132 and amends APB Opinion No. 28, "Interim Financial Reporting", to require interim-period disclosure of the components of net periodic pension cost, and if significantly different from previously disclosed amounts, the amounts of contributions and projected contributions to fund pension plans and other postretirement benefit plans. This Statement is effective for interim period disclosures beginning after December 15, 2003. We have complied with the disclosure provision of SFAS 132.

On December 17, 2003, the Staff of the Securities and Exchange Commission (SEC or the Staff) issued SAB 104, *Revenue Recognition*, which amends SAB 101, *Revenue Recognition in Financial Statements*. SAB 104's primary purpose is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, superseded as a result of the issuance of EITF 00-21. Additionally, SAB 104 rescinds the SEC's *Revenue Recognition in Financial Statements Frequently Asked Questions and Answers* (the FAQ) issued with SAB 101 that had been codified in SEC Topic 13, *Revenue Recognition*. Selected portions of the FAQ have been incorporated into SAB 104. While the wording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104. The adoption of SAB 104 did not have a material impact on our financial statements.

EITF 03-01, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* was issued in February 2004. EITF 03-01 stipulates disclosure requirements for investments with unrealized losses that have not been recognized as other-than-temporary impairments. The provisions of EITF 03-01 are effective for fiscal years ending after December 15, 2003. We have complied with the disclosure provisions of EITF 03-01.

REPORT OF INDEPENDENT AUDITORS

To The Board of Directors and Shareholders of Biogen Idec Inc:

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Biogen Idec Inc. and its subsidiaries at December 31, 2003, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit. We conducted our audit 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 audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Boston, Massachusetts
March 8, 2004

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders of

Biogen Idec Inc.:

We have audited the accompanying consolidated balance sheet of Biogen Idec Inc. (formerly known as IDEC Pharmaceuticals Corporation) and subsidiaries as of December 31, 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2002. In connection with our audits of the consolidated financial statements, we have also audited the consolidated financial statement schedule for each of the years in the two-year period ended December 31, 2002, as listed in the accompanying Index. These consolidated financial statements and consolidated financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IDEC Pharmaceuticals Corporation and subsidiaries as of December 31, 2002, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related consolidated financial statement schedule when considered in relation to the basic consolidated financial statements taken as a whole presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

KPMG LLP

San Diego, California

January 29, 2003

BIOGEN IDEC INC.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
Years Ended December 31, 2003, 2002 and 2001

Description	Balance at Beginning of Year	Additions	Other Additions(1)	Deductions	Balance at End of Year
			(In thousands)		
Allowance for Doubtful accounts(2)					
Year Ended December 31, 2003	$361	$ 357	$ 1,920	$ 565	$ 2,074
Year Ended December 31, 2002	$ —	$ 361	$ —	$ —	$ 361
Year Ended December 31, 2001	$ —	$ —	$ —	$ —	$ —
Sales Returns & Allowances, Discounts, and Rebates(3)					
Year Ended December 31, 2003	$371	$14,729	$18,816	$13,161	$20,756
Year Ended December 31, 2002	$ 99	$ 767	$ —	$ 495	$ 371
Year Ended December 31, 2001	$353	$ —	$ —	$ 254	$ 99

(1) As a result of the merger, we assumed the allowance for doubtful accounts of $1.9M and other reserves of $18.8M from Biogen, Inc. as of the merger date.

(2) Additions to allowance for doubtful accounts are recorded as an expense.

(3) Additions to sales returns and allowances, discounts, and rebates are recorded as a reduction of revenue.

EXHIBIT 3.1

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 05:00 PM 12/01/1999
991512488 - 2726078

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

IDEC PHARMACEUTICALS CORPORATION

PURSUANT TO THE GENERAL CORPORATION LAW
OF THE STATE OF DELAWARE

IDEC Pharmaceuticals Corporation (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: The original Certificate of Incorporation of IDEC Pharmaceuticals Corporation was filed with the Secretary of State of Delaware on April 1,1997.

SECOND: The Amended and Restated Certificate of Incorporation, as herein amended, and the Rights, Preferences and Restrictions of the Series X Junior Participating Preferred Stock of the Corporation are hereby restated and integrated into the single instrument which is hereinafter set forth, and which is entitled Amended and Restated Certificate of Incorporation of IDEC Pharmaceuticals Corporation, without any further amendments other than the amendments herein certified and without any discrepancy between the provisions of the Amended and Restated Certificate of Incorporation, as herein amended, and the Rights, Preferences and Restrictions of the Series X Junior Participating Preferred Stock and the provisions of the said single instrument hereinafter set forth.

THIRD: The amendment and the restatement of the Amended and Restated Certificate of Incorporation set forth herein has been duly adopted in accordance with the provisions of Sections 245, 242 and 211 of the General Corporation Law of the State of Delaware by the directors and stockholders of the Corporation.

FOURTH: Effective upon the filing of this Amended and Restated Certificate of Incorporation, each issued and outstanding share of Common Stock of the Corporation shall be split into two shares of Common Stock.

FIFTH: The text of the Corporation's Amended and Restated Certificate of Incorporation so adopted reads in full as set forth in Exhibit A attached hereto and is hereby incorporated herein by this reference.

IN WITNESS WHEREOF, IDEC Pharmaceuticals Corporation has caused this Amended and Restated Certificate of Incorporation to be signed by the President and the Secretary this 1st day of December, 1999.

IDEC PHARMACEUTICALS CORPORATION

By: /s/ William H. Rastetter, Ph.D.

William H. Rastetter, Ph.D.
President and Chief Executive Officer

ATTEST:

By: /s/ Kenneth J. Woolcott, Secretary

Kenneth J. Woolcott, Secretary

EXHIBIT A

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

IDEC PHARMACEUTICALS CORPORATION

ARTICLE I

The name of this corporation is IDEC Pharmaceuticals Corporation.

ARTICLE II

The address of the registered office of the corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III

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

ARTICLE IV

(A) Classes of Stock. This corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the corporation is authorized to issue is Two Hundred Eight Million (208,000,000) shares. Two Hundred Million (200,000,000) shares shall be Common Stock, par value $0.0005 per share, and Eight Million (8,000,000) shares shall be Preferred Stock, par value $0.001 per share.

(B) Rights, Preferences and Restrictions of Preferred Stock. The Preferred Stock authorized by this Certificate of Incorporation may be issued from time to time in series. The rights, preferences, privileges, and restrictions granted to and imposed on the Series A Preferred Stock, which series shall consist of One Million Seven Hundred Fifty Thousand (1,750,000) shares, which may be issued in seven subseries designated as (i) "Series A-l Preferred Stock," consisting of One Hundred Thousand (100,000) authorized shares; (ii) "Series A-2 Preferred Stock," consisting of One Hundred Fifty Thousand (150,000) authorized shares; (iii) "Series A-3 Preferred Stock," consisting of Seven Hundred Thousand (700,000) authorized shares; (iv) "Series A- 4 Preferred Stock," consisting of Two Hundred Fifty Thousand (250,000) authorized shares; (v) "Series A-5 Preferred Stock," consisting of Three Hundred Fifty Thousand (350,000) authorized shares; (vi) "Series A-6 Preferred Stock," consisting of One Hundred Thousand (100,000) authorized shares; and (vii) "Series A-7 Preferred Stock," consisting of One Hundred Thousand (100,000) authorized shares; and on the Series X Junior Participating Preferred Stock, consisting of Fifty-Eight Thousand (58,000) authorized shares, are as set forth

below in this Article IV(B). The Board of Directors is hereby authorized to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon additional series of Preferred Stock, and the number of shares constituting any such additional series and the designation thereof, or of any of them. Subject to compliance with applicable protective voting rights which have been or may be granted to the Preferred Stock or series thereof in the Corporation's Certificate of Incorporation, as amended and restated from time to time, and requirements and restrictions of applicable law ("Protective Provisions"), the rights, privileges, preferences and restrictions of any such additional series may be subordinated to, pari passu with (including, without limitation, inclusion in provisions with respect to liquidation and acquisition preferences, redemption and/or approval of matters by vote or written consent), or senior to any of those of any present or future class or series of Preferred or Common Stock. Subject to compliance with applicable Protective Provisions, the Board of Directors is also authorized to increase the number of shares of any series (other than the Series A Preferred Stock), or decrease the number of shares of any series prior or subsequent to the issue of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series. The Series A Preferred Stock and the subseries thereof shall have the relative rights, preferences and restrictions set forth in Annex A hereto, which is incorporated by reference herein and made a part hereof. The Series X Junior Participating Preferred Stock shall have the relative rights, preferences and restrictions set forth in Annex B hereto, which is incorporated by reference herein and made a part hereof.

(C) Common Stock.

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

2. Liquidation Rights. Upon the liquidation, dissolution or winding up of the Corporation, the assets of the Corporation shall be distributed to the holders of the Common Stock as provided in Annex A and Annex B hereto.

3. Redemption. The Common Stock is not redeemable.

4. Voting Rights. The holder of each share of Common Stock shall have the right to one vote, and shall be entitled to notice of any stockholders' meeting in accordance with the Bylaws of the Corporation, and shall be entitled to vote upon such matters and in such manner as may be provided by law.

ARTICLE V

The Board of Directors may from time to time make, amend, supplement or repeal the bylaws of the corporation by the requisite affirmative vote of directors as set forth in the bylaws of the corporation; provided, however, that the stockholders may change or repeal any bylaw adopted by the Board of Directors by the requisite affirmative vote of stockholders as

set forth in the bylaws of the corporation; and, provided further, that no amendment or supplement to the bylaws of the corporation adopted by the Board of Directors shall vary or conflict with any amendment or supplement thus adopted by the stockholders.

ARTICLE VI

The number of directors of the corporation shall be fixed from time to time by, or in the manner provided in, the bylaws or amendment thereof duly adopted by the board of directors or by the stockholders of the corporation.

ARTICLE VII

Elections of directors need not be by written ballot unless the bylaws of the corporation shall so provide. The directors shall be classified into three classes, as nearly equal in number as possible as determined by the board of directors, with (i) the term of office of the first class to expire at the 1998 Annual Meeting of Stockholders, (ii) the term of office of the second class to expire at the 1999 Annual Meeting of Stockholders and (iii) the term of office of the third class to expire at the 2000 Annual Meeting of Stockholders. At each Annual Meeting of Stockholders, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding Annual Meeting of Stockholders after their election. Additional directorships resulting from an increase in the number of directors shall be apportioned among the classes as equally as possible as determined by the board of directors.

ARTICLE VIII

The Corporation is to have perpetual existence.

ARTICLE IX

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

ARTICLE X

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

shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended. Any repeal or modification of the foregoing provisions of this Article X shall not adversely affect any right or protection of a director of the Corporation with respect to any acts or omissions of such director occurring prior to such repeal or modification.

ARTICLE XI

To the fullest extent permitted by applicable law, the Corporation is also authorized to provide indemnification of (and advancement of expenses to) such agents (and any other persons to which Delaware law permits the Corporation to provide indemnification) though bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the Delaware General Corporation Law, subject only to limits created by applicable Delaware law (statutory or non-statutory), with respect to actions for breach of duty to the Corporation, its stockholders, and others. Any repeal or modification of any of the foregoing provisions of this Article XI shall not adversely affect any right or protection of a director, officer, agent or other person existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director, officer or agent occurring prior to such repeal or modification.

ARTICLE XII

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 all rights conferred upon stockholders herein are granted subject to this reservation.

RIGHTS, PREFERENCES AND RESTRICTIONS OF THE SERIES A-1, A-2, A-3, A-4, A-5, A-6 AND A-7 PREFERRED STOCK

The rights, preferences, restrictions and other matters relating to the Series A Preferred Stock are as follows:

1. Certain Definitions.

"Affiliate" means an entity that, directly or indirectly, through one or more intermediaries, is controlled by IDEC or Genentech, As used herein, the term "control" will mean the direct or indirect ownership of fifty percent (50%) or more of the stock having the right to vote for directors thereof or the ability to otherwise control the management of the corporation or other business entity.

"Approval Process Event" means a determination by the Joint Development Committee that the formulation of C2B8 and the process for C2B8 recovery are commercially viable as more fully described in Appendix I to the Development Plan.

"C2B8" means that certain monoclonal antibody to B cells more particularly described on Exhibit B to the Collaboration Agreement.

"Co-Promotion Territory" means the United States and Canada.

"Collaboration Agreement" shall mean the Collaboration Agreement dated the Effective Date between the Corporation and Genentech.

"Controlled," unless specified otherwise herein, means possession of the ability to grant a license or sublicense as provided for herein without violating the terms of any agreement or other arrangement with any entity other than the Corporation or Genentech.

"Development Plan" means the comprehensive plan for the development of C2B8, designed to generate the preclinical, process development/manufacturing scale-up, clinical and regulatory information required to obtain Regulatory Approval in the Co-Promotion Territory, and may be modified from time to time by the JDC. Development shall refer to all activities related to preclinical testing, toxicology, formulation, process development, manufacturing scale-up, quality assurance/quality control, clinical studies and regulatory affairs for a Licensed Product in connection with obtaining Regulatory Approvals of such Products.

"Effective Date " means March 16, 1995.

"First Anniversary Date " means the date which is twelve (12) calendar months following March 16, 1995.

"FDA Approval Date " means the date on which the United States Food and Drug Administration grants Regulatory Approval of C2B8 for manufacture and sale in the United States.

"FDA Approval Event" means the FDA Approval Date occurs on or before the Fifty-Four Month Anniversary Date.

"Fifty-Four Month Anniversary Date" means that date which is fifty-four (54) calendar months following March 16,1995.

"Genentech" means Genentech, Inc., a Delaware corporation, and its Affiliates.

"IDEC" means IDEC Pharmaceuticals Corporation, a Delaware corporation, and its Affiliates.

"Joint Development Committee" or "JDC" means that committee established pursuant to Section 3.2 of the Collaboration Agreement.

"Licensed Product(s)" means any compound or composition of matter whose mechanism of action is initiated by interaction with the CD20 or CD19 B-cell determinant (including C2B8, but excluding Y2B8 (as defined in Section 2.2. of the Collaboration Agreement) and In2B8 (as defined in Section 2.2. of the Collaboration Agreement) unless the option set forth in Section 2.3 of the Collaboration Agreement is exercised) (a) developed by IDEC or (b) the intellectual property rights to which are owned or Controlled, in whole or in part, by IDEC, in either (a) or (b) as of the Effective Date or during the term of the Collaboration Agreement.

"Major European Country" means the United Kingdom, Italy, Germany, France or Spain.

"ML/MS Agreement" means the Preferred and Common Stock Purchase Agreement dated March 16,1995 by and between ML/MS Associates, L.P. and IDEC, whereby IDEC reacquired the rights to certain technologies for the treatment of B-cell lymphomas funded and developed by ML/MS Partners pursuant to a Development Agreement and related agreements, dated as of February 17,1988 and October 27,1988.

"ML/MS Partners" shall mean ML Technology Ventures, L.P. and Morgan Stanley Ventures, L.P., and any assignee or successor to ML/MS Partners.

"National Exchange" shall mean the Nasdaq National Market or any other national exchange on which the Common Stock of the Corporation is listed.

"Option Agreement" means the Option Agreement to be dated as of the Effective Date between Genentech and the Corporation.

"Patent Milestone Event" means the notice of grant in the European Patent Office or issuance in a Major European Country of the first valid and enforceable letters patent covering C2B8.

"Preferred Stock Purchase Agreement" means the Preferred Stock Purchase Agreement dated the Effective Date between the Corporation and Genentech.

"Regulatory Approval" means any approvals (including pricing and reimbursement approvals), licenses, registrations or authorizations of any federal, state or local regulatory agency, department, bureau or other governmental entity, necessary for the manufacture and sale of a Licensed Product in a regulatory jurisdiction.

"Registration Rights Agreement" means the 1995 Registration Rights Agreement dated as of the Effective Date between Genentech, ML/MS Associates, L.P. and the Corporation.

"Third Anniversary Date" means that date which is thirty-six months following March 16, 1995.

2. Dividend Provisions.

a. Series A-1, A-2, A-3, A-4, A-5, and A-6 Preferred Stock Dividend Provisions. No dividend or other distribution shall be paid, or declared and set apart for payment (other than dividends of Common Stock on the Common Stock of the Corporation and dividends payable on the Series A-7 Preferred Stock pursuant to Section 2(b) below), on the shares of any class or series of capital stock of the Corporation unless and until a dividend of equal or greater amount (calculated as if the shares of Series A-1, A-2, A-3, A-4, A-5 and A-6 Preferred Stock had been converted Common Stock on the date the dividend is declared) is first declared and paid with respect to any series of Series A Preferred Stock.

b. Series A-7 Preferred Stock Dividend Provisions. Cumulative dividends shall accrue from the date of issuance of the Series A-7 Preferred Stock at a fluctuating rate per annum equal to the sum of two percent (2%) plus the "Prime Rate" as announced by the Bank of America, San Francisco Branch, from time to time. Accrued dividends shall be payable quarterly in arrears on the first day of each quarter, commencing with the first day of the first quarter following the earlier of the FDA Approval Date or the Fifty-Four Month Anniversary Date. On the earlier of the FDA Approval Date or the Fifty-Four Month Anniversary Date, all dividends accrued through such date shall be paid. Any accumulation of dividends on the Series A-7 Preferred Stock shall not bear interest. No dividend or other distribution shall be paid, or declared and set apart for payment (other than dividends of Common Stock on the Common Stock of the Corporation), on the shares of any class or series of capital stock of the Corporation unless and until such dividends have been paid. The Corporation shall take any and all corporate action necessary to declare and pay such dividends described in this Section 2(b).

3. Liquidation Preference. The holders of Series A Preferred Stock share a liquidation preference as follows:

a. Series A-1, A-2, A-3, A-4, A-5, A-6 and A-7 Preferred Stock Liquidation Preference. In the event of any liquidation, dissolution or winding up of this Corporation, either voluntary or involuntary, subject to the rights of series of Series A Preferred Stock that may from time to time come into existence, the holders of Series A-1, Series A-2, Series A-3, Series A-4, Series A-5, Series A-6 and Series A-7 Preferred Stock, shall be entitled to receive, prior and in preference to any distribution of any of the assets of this Corporation to

the holders of Common Stock and any other series of Series A Preferred Stock by reason of their ownership thereof, an amount per share equal to the Original Issue Price (defined below) for such subseries plus an amount equal to (i) the declared but unpaid dividends and distributions on such share in the case of the Series A-1, Series A-2, Series A-3, Series A-4, Series A-5 and Series A-6 Preferred Stock and (ii) the accrued but unpaid dividends and distributions on such share in the case of the Series A-7 Preferred Stock. If upon the occurrence of such event, the assets and funds thus distributed among the holders of the Series A-1, Series A-2, Series A-3, Series A-4, Series A-5, Series A-6 and Series A-7 Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then, subject to the rights of series of Series A Preferred Stock that may from time to time come into existence, the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of the Series A-1, Series A-2, Series A-3, Series A-4, Series A-5, Series A-6 and Series A-7 Preferred Stock on an as-converted to Common Stock basis in proportion to the amount of such stock owned by each such holder. The "Original Issue Price" for each subseries shall mean the price at which the initial share of such subseries is issued.

b. Upon the completion of the distribution required by subparagraph (a) of this Section 3 and any other distribution that may be required with respect to series of Series A Preferred Stock that may from time to time come into existence, if assets remain in this Corporation, the holders of the Common Stock of this Corporation, shall receive all of the remaining assets of this Corporation.

c. If (i) a single shareholder or group of affiliated shareholders, other than a holder of the Series A Preferred Stock, or a Controlled Affiliate thereof, who would be required to file a Schedule 13D under the Securities Exchange Act of 1934, as amended, acquires or obtains the right to acquire voting stock of the Corporation so that its total holdings of such stock equal or exceed fifty percent (50%) of the then outstanding voting stock of the Corporation, or (ii) any third party (i.e., a party other than a holder or a Controlled Affiliate) acquires or obtains the right to acquire all or substantially all of the assets of the Corporation, then such event shall be considered a liquidation under this Section 3. For purposes hereunder, "Controlled Affiliate" shall mean a party that, directly or indirectly, through one or more intermediaries, is controlled by such holder.

4. Series A Preferred Stock Conversion. The holders of the Series A-1, Series A-2, Series A-3, Series A-4, Series A-5, Series A-6 and Series A-7 Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

a. Series A-1, Series A-2, Series A-3, Series A-4 and Series A-5, Preferred Stock Conversion. Each share of Series A-1, Series A-2, Series A-3, Series A-4 and Series A-5 Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of this Corporation or any transfer agent for such stock, into ten (10) fully paid and nonassessable shares of Common Stock (the "Conversion Rate" for the Series A-1 Preferred Stock, Series A-2 Preferred Stock, Series A-3 Preferred Stock, Series A-4 Preferred Stock and the Series A-5 Preferred Stock).

b. [Intentionally omitted.]

c. Series A-6 Preferred Stock Conversion.

(1) "Series A-6 Conversion Number" means the number calculated according to the following formulas: (i) If the FDA Approval Date occurs prior to the Fifty-Four Month Anniversary Date, then the Series A-6 Conversion Number shall equal the average closing price for the Common Stock during the period beginning on the FDA Approval Date and ending on the date which is twenty (20) trading days following the FDA Approval Date, as reported on the National Exchange; or (ii) if the Fifty-Four Month Anniversary Date occurs prior to the FDA Approval Date, then the Series A-6 Conversion Number shall equal the average closing price for the Common Stock during the period beginning on the date which is twenty (20) trading days prior to the Fifty-Four Month Anniversary Date and ending on the Fifty-Four Month Anniversary Date, as reported on the National Exchange.

(2) The Series A-6 Preferred Stock shall not be convertible until the earlier of (i) twenty (20) trading days following the FDA Approval Date or (ii) the Fifty-Four Month Anniversary Date. Thereafter, each share of Series A-6 Preferred Stock shall be convertible, at the option of the holder thereof, into the number of shares of fully paid and nonassessable shares of Common Stock as equals seventy-five (75) divided by the Series A-6 Conversion Number (the "Conversion Rate" for the Series A-6 Preferred Stock).

d. Series. A-7 Preferred Stock Conversion.

(1) "Series A-7 Conversion Number" means the average closing price for the Common Stock during the period beginning on the twentieth (20th) trading day preceding the date on which the holder gives notice of such holder's intention to convert (the "Notice Date") and ending on the Notice Date, as reported on the National Exchange.

(2) Each share of Series A-7 Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the Fifty-Four Month Anniversary Date at the office of this Corporation or any transfer agent for such stock, into such number of shares of fully paid and nonassessable shares of Common Stock as equals (A) one hundred (100) divided by (B) the Series A-7 Conversion Number (the "Conversion Rate" for the Series A-7 Preferred Stock).

e. Automatic Conversion, (i) Each share of Series A-1, Series A-2, Series A-3, Series A-4 and Series A-5 Preferred Stock; (ii) each share of Series A-6 Preferred Stock that has become convertible at the option of the holder pursuant to Section 4(c); and (iii) each share of Series A-7 Preferred Stock that has become convertible at the option of the holder pursuant to Section 4(d), shall, in each case, automatically be converted into shares of Common Stock at its then effective Conversion Rate immediately upon the transfer of ownership by the initial holder to a third party which is not an Affiliate of such holder. For purposes hereunder, "Affiliate" shall mean a party that, directly or indirectly, through one or more intermediaries, controls or is controlled by such holder.

f. Mechanics of Conversion of Series A Preferred Stock. Before any holder of Series A Preferred Stock shall be entitled to convert the same into shares of Common

Stock, such holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of this Corporation or of any transfer agent for the Series A Preferred Stock, and shall give written notice to this Corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued; provided, however, that in the event of an automatic conversion pursuant to Section 4(e), the outstanding shares of Series A Preferred Stock shall be converted automatically without any further action by the holder of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent, and provided further that the Corporation shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such automatic conversion unless the certificates evidencing such shares of Series A Preferred Stock are delivered to the Corporation or its transfer agent as provided herein. This Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid and shall promptly pay in cash or, to the extent sufficient funds are not then legally available therefor, in Common Stock (at the Common Stock's fair market value determined by the Board of Directors as of the date of such conversion), any declared and unpaid dividends on the shares of Series A-1, Series A-2, Series A-3, Series A-4, Series A-5 and Series A-6 Preferred Stock being converted and any accrued but unpaid dividends on the shares of Series A-7 Preferred Stock being converted. 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 Series A Preferred Stock to be converted, or in the case of automatic conversion pursuant to Section 4(e), on the date of transfer to the new non-Affiliate holder; and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date.

g. Conversion Rate Adjustments of Series A Preferred Stock for Splits and Combinations. The Conversion Rate of the Series A-1, Series A-2, Series A-3, Series A-4, Series A-5, Series A-6 and Series A-7 Preferred Stock shall be subject to adjustment from time to time as follows:

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

(2) If the number of shares of Common Stock outstanding at any time after the Purchase Date is decreased by a combination of the outstanding shares of Common Stock, then, following the record date of such combination, the Conversion Rate for the applicable series of Series A Preferred Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in outstanding shares. Any adjustment under Section 4(g)(l) or (2) shall become effective at the close of business on the date the split, subdivision, stock dividend, other distribution or combination becomes effective.

h. Distributions. In the event this Corporation shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by this Corporation or other persons, assets (excluding cash dividends), then, in each such case for the purpose of this subsection 4(h), the holders of the Series A Preferred Stock shall be entitled to a proportionate share of any such distribution as though they were the holders of the number of shares of Common Stock of the Corporation into which their shares of Series A Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock of the Corporation entitled to receive such distribution,

i. Recapitalizations. If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision or combination provided for elsewhere in this Section 4 or a change in control provided for in Section 3(c)) provision shall be made so that the holders of the Series A-1, Series A-2, Series A-3, Series A-4, Series A-5, Series A-6 and Series A-7 Preferred Stock shall thereafter be entitled to receive upon conversion of the Series A Preferred Stock the number of shares of stock or other securities or property of the Corporation or otherwise, to which a holder of Common Stock deliverable upon conversion would have been entitled on such recapitalization, all subject to further adjustment as provided herein or with respect to such other securities or property by the terms thereof. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the holders of the Series A Preferred Stock after the recapitalization to the end that the provisions of this Section 4 (including adjustment of the applicable Conversion Rate then in effect and the number of shares purchasable upon conversion of the Series A Preferred Stock) shall be applicable after that event as nearly equivalent as may be practicable.

j. No Impairment. This Corporation will not, by amendment of its Certificate of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by this Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Series A Preferred Stock against impairment.

k. No Fractional Shares and Certificate as to Adjustments.

(1) No fractional shares shall be issued upon the conversion of any share or shares of the Series A Preferred Stock, and the number of shares of Series A Preferred Stock or Common Stock to be issued shall be rounded to the nearest whole share.

Whether or not fractional shares are issuable upon such conversion shall be determined on the basis of the total number of shares of Series A Preferred Stock the holder is at the time converting into Series A Preferred Stock or Common Stock and the number of shares of Series A Preferred Stock or Common Stock issuable upon such aggregate conversion.

(2) Upon the occurrence of each adjustment or readjustment of the Conversion Rate of Series A Preferred Stock pursuant to this Section 4, this Corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Series A Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. This Corporation shall, upon the written request at any time of any holder of Series A Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (a) such adjustment and readjustment, (b) the Conversion Rate for such Series A Preferred Stock at the time in effect, and (c) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of a share of Series A Preferred Stock.

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

m. Reservation of Stock Issuable Upon Conversion. This Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Series A-1, Series A-2, Series A-3, Series A-4, Series A-5, Series A-6 and Series A-7 Preferred Stock, respectively, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series A-1, Series A-2, Series A-3, Series A-4, Series A-5, Series A-6 and Series A-7 Preferred Stock, respectively, and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series A-1, Series A-2, Series A-3, Series A-4, Series A-5, Series A-6 and Series A-7 Preferred Stock, respectively, in addition to such other remedies as shall be available to the holder of such Preferred Stock, this Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to its Certificate of Incorporation.

n. Notices. Any notice required to be given to the holders of shares of Series A Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of this Corporation.

5. Voting Rights. The holders of shares of Series A Preferred Stock shall not have any voting rights, except as required under the General Corporation Law of Delaware.

6. Status of Unissued. Converted or Redeemed Stock. In the event any shares shall be converted pursuant to Section 4 hereof, the shares so converted shall be cancelled and shall not be issuable by the Corporation. The Certificate of Incorporation of this Corporation shall be appropriately amended to effect the corresponding reduction in the Corporation's authorized capital stock. In the event the Corporation issues less than the number of authorized shares of any subseries of Series A Preferred Stock, the Certificate of Incorporation of this Corporation shall be appropriately amended to effect a corresponding reduction in such subseries of Preferred Stock.

7. Cancellation of Series A-3 Preferred Stock. If the Approval Process Event has not occurred on or before the First Anniversary Date and if the Patent Milestone Event occurs prior to the Third Anniversary Date, then this Corporation may, at its option, cancel that number of shares of Series A-3 Preferred Stock (or if an insufficient number of shares of Series A-3 Preferred Stock are outstanding, then an equivalent number of outstanding shares of other subseries of Series A Preferred Stock or Common Stock) equal to $2,500,000 divided by the Series A-3 Cancellation Price, where the "Series A-3 Cancellation Price" equals the higher of the (i) price paid per share for the Series A-3 Preferred Stock on the date of issuance, or (ii) fair market value of the Series A-3 Preferred Stock calculated as (A) the average closing price for the Corporation's Common Stock during the period beginning twenty- three (23) trading days prior to the date of cancellation and ending three (3) trading days prior to the date of cancellation, as reported on the National Exchange, multiplied by (B) the Conversion Rate for the Series A-3 Preferred Stock.

8. Cancellation of Series A-7 Preferred Stock. If the FDA Approval Date occurs on or before the Fifty-Four Month Anniversary Date, the Corporation shall cancel all of the then outstanding shares of Series A-7 Preferred Stock by crediting therefor an amount equal to the liquidation preference of such shares (including accrued but unpaid dividends) against the milestone payments due the Corporation pursuant to the Collaboration Agreement, such amount to be credited first to the milestone payment payable upon Regulatory Approval in the United States (as described in Section 7.4 of the Collaboration Agreement) and second, to the extent the aforesaid liquidation preference remains unpaid, to the milestone payment then payable on the date of regulatory approval in the first Major European Country (as described in Section 7.4 of the Collaboration Agreement) (collectively, the "Milestone Payments"). If at any time there is a Default Event (defined below), the Corporation shall immediately cancel all of the outstanding shares of Series A-7 Preferred Stock by paying the holders in cash an amount equal to the liquidation preference of such shares (including accrued but unpaid dividends) (an "Acceleration Event"). If the Corporation is unable to cancel such shares of Series A-7 Preferred Stock within seven (7) calendar days from the occurrence of the Default Event, then notwithstanding any provision herein to the contrary, the holder of such shares may, at its sole election, convert such shares into shares of Common Stock of the Corporation equal to the liquidation preference of such shares (including accrued but unpaid dividends) divided by the Original Issue Price for such subseries multiplied by the Conversion Rate for the Series A-7 Preferred Stock. If there is an Acceleration Event and the holder receives cash or converts to

Common Stock in exchange for cancellation of the outstanding shares of Series A-7 Preferred Stock as described in the preceding sentence, the holder shall be obligated to pay, in cash, to the Corporation, any and all Milestone Payments as such payments become due under the Collaboration Agreement.

A "Default Event" shall mean the occurrence of any of the following events:

(i) Distributions. Failure to make a required payment or distribution hereunder;

(ii) Material Adverse Event. At the end of any fiscal quarter, the total cash, cash equivalents and marketable debt investments of the Corporation shall be valued at less than the sum of the principal of and unpaid accrued interest on (i) all indebtedness of the Corporation to banks, insurance companies or financial institutions regularly engaged in the business of lending money, which is for money borrowed by the Corporation; (ii) all purchase money security interests in an amount not to exceed $5,000,000 (as defined in the California Uniform Commercial Code); and (iii) the liquidation preference of the outstanding Series A-7 Preferred Stock. In such event, the Corporation shall provide holder with written notice thereof within twenty-four (24) hours of determining that such event has occurred.

(iii) Bankruptcy Commenced by the Corporation. If the Corporation:

(a) shall commence any proceeding in bankruptcy or seek reorganization, arrangement, readjustment of its debts, dissolution, liquidation, winding-up, composition or any other relief under the United States Bankruptcy Act, as amended, or under any other insolvency, liquidation, dissolution, arrangement, composition, readjustment of debt or any other similar act or law, of any jurisdiction, domestic or foreign, now or hereafter existing;

(b) shall admit is inability to pay its debts as they mature in any petition or pleading in connection with any such proceeding;

(c) shall apply for, or, in writing, consent to or acquiesce in, an appointment of a receiver, conservator, trustee or similar officer for it or for all or substantially all of its assets;

(d) shall make a general assignment for the benefit of creditors; or

(e) shall admit in writing its inability to pay its debts as they mature;

(iv) Bankruptcy Commenced Against the Corporation. If any proceedings are commenced or any other action is taken against the Corporation in bankruptcy or seeking reorganization, arrangement, readjustment of its debts, dissolution, liquidation, winding-up, composition or any other relief under the United States Bankruptcy Act, as amended, or under any other insolvency, reorganization, liquidation, dissolution, arrangement,

composition, readjustment of debt or any other similar act or law, of any jurisdiction, domestic or foreign, now or hereafter existing; or a receiver, conservator, trustee or similar officer for the Corporation or for all or substantially all of its assets is appointed; and in each such case, such event continues for ninety (90) days undismissed, unbounded and undischarged; and

(v) Material Breach. (A) Any breach of any material representation, warranty, covenant or obligation of the Corporation under (i) the Collaboration Agreement, which breach is not cured within sixty (60) days of written notice thereof from Genentech (or if such breach is not susceptible of cure within such period, the Corporation is not making diligent good faith efforts to cure such breach); (ii) the Preferred Stock Purchase Agreement, the Option Agreement or the Registration Rights Agreement, which breach is not cured within thirty (30) days after receipt of written notice of such breach from Genentech to the Corporation; or (iii) the ML/MS Agreement, to the extent such breach materially adversely affects the Corporation's ability to perform its obligations under the Collaboration Agreement; or (B) if, at any time, any of the Collaboration Agreement, the Series A Preferred Stock Agreement, the Option Agreement or the Registration Rights Agreement ceases to be in full force and effect.

RIGHTS, PREFERENCES AND RESTRICTIONS OF THE SERIES X JUNIOR PARTICIPATING PREFERRED STOCK

The rights, preferences, restrictions and other matters relating to the Series X Junior Participating Preferred Stock shall be as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series X Junior Participating Preferred Stock" (the "Series X Preferred Stock") and the number of shares constituting the Series X Preferred Stock shall be Fifty Eight Thousand (58,000). Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series X Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation which are convertible into Series X Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series X Preferred Stock with respect to dividends, the holders of shares of Series X Preferred Stock, in preference to the holders of the Common Stock of the Corporation (the "Common Stock), and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series X Preferred Stock, in an amount per share (rounded to the nearest cent) equal to, subject to the provision for adjustment hereinafter set forth, 1000 times the aggregate per share amount of all cash dividends, and 1000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series X Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series X Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares

of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series X Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series X Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series X Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series X Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series X Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series X Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series X Preferred Stock shall entitle the holder thereof to 1000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series X Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Designation creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series X Preferred Stock and the holders of shares of Common Stock

and any other capital stock or the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series X Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series X Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series X Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series X Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series X Preferred Stock, except dividends paid ratably on the Series X Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series X Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series X Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series X Preferred Stock, or any shares of stock ranking on a parity with the Series X Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation

unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series X Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designation creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series X Preferred Stock unless, prior thereto, the holders of shares of Series X Preferred Stock shall have received $1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series X Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1000 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series X Preferred Stock, except distributions made ratably on the Series X Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series X Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series X Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth

in the preceding sentence with respect to the exchange or change of shares of Series X Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series X Preferred Stock shall not be redeemable.

Section 9. Rank. The Series X Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock.

Section 10. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series X Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least a majority of the outstanding shares of Series X Preferred Stock, voting together as a single class.

EXHIBIT 3.2

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 04:30 PM 05/24/2001
010251883 - 2726078

CERTIFICATE OF AMENDMENT OF

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

IDEC PHARMACEUTICALS CORPORATION

IDEC Pharmaceuticals Corporation, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

FIRST: That the Board of Directors of said corporation, at a meeting duly held, adopted a resolution proposing and declaring advisable the following amendment to the Amended and Restated Certificate of Incorporation:

RESOLVED, that the Amended and Restated Certificate of Incorporation of this corporation be amended by changing Section A of Article IV thereof so that, as amended, said Section A of Article IV shall be and read as follows:

"(A) Classes of Stock. This corporation is authorized to issue two classes of stock to be designated, respectively, "COMMON STOCK" and "PREFERRED STOCK." The total number of shares which the corporation is authorized to issue is Five Hundred Eight Million (508,000,000), shares. Five Hundred Million (500,000,000) shares shall be Common Stock, par value $0.0005 per share, and Eight Million (8,000,000) shares shall be Preferred Stock, par value $0.001 per share".

SECOND: That thereafter, pursuant to resolution of the Board of Directors, the annual meeting of the stockholders of said corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH: That the capital of said corporation shall not be reduced under or by reason of said amendment.

IN WITNESS WHEREOF, said IDEC Pharmaceuticals Corporation has caused this certificate to be signed by its President and Chief Executive Officer, William H. Rastetter, this 21st day of May, 2001.

/s/ William H. Rastetter

William H. Rastetter
President and Chief Executive Officer

EXHIBIT 3.3

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 10:00 AM 07/26/2001
010363636 - 2726078

CERTIFICATE
INCREASING THE NUMBER OF AUTHORIZED SHARES OF
SERIES X JUNIOR PARTICIPATING PREFERRED STOCK
OF
IDEC PHARMACEUTICALS CORPORATION

IDEC Pharmaceuticals Corporation (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "DGCL"), the Certificate of Incorporation of which was originally filed in the office of the Secretary of State of Delaware on April 1, 1997, does hereby certify as follows:

FIRST: Pursuant to the authority vested in the board of directors (the "Board") of the Corporation pursuant to the Certificate of Incorporation and Section 151 of the DGCL, the Board, by resolution thereof and a subsequent filing of a certificate of designation with the Secretary on August 1,1997, designated the Series X Junior Participating Preferred Stock of the Corporation (the "Series X"), established the rights preferences and restrictions of the Series X and authorized the issuance of fifty-eight thousand (58,000) shares of the Series X.

SECOND: The Corporation's Certificate of Incorporation, as amended, and the rights, preferences and restrictions of the Series X were restated and integrated into a single Amended and Restated Certificate of Incorporation duly filed with the Secretary on December 1, 1999 (the "Amended and Restated Certificate").

THIRD: No shares of Series X have been issued.

FOURTH: Pursuant to the authority reserved to the Board under the Amended and Restated Certificate and Section 151(g) of the DGCL, the Board at a meeting duly convened and held on July 18,2001, adopted the following resolution:

"RESOLVED, that, pursuant to the authority vested in the Board in accordance with the provisions of the Corporation's Certificate of Incorporation, the Board does hereby increase the number of shares of the Corporation's Series X Junior Participating Preferred Stock to 1,000,000 shares."

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by the President and the Secretary this 26th day of July, 2001.

IDEC PHARMACEUTICALS CORPORATION

By: /s/ William H. Rastetter

William H. Rastetter, Ph.D.
Chairman, President and Chief Executive Officer

Attest:

By: /s/ Kenneth J. Woolcott

Kenneth J. Woolcott, Secretary

EXHIBIT 3.4

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
DELIVERED 01:41 PM 11/12/2003
FILED 01:41 PM 11/12/2003
SRV 030725724 - 2726078 FILE

CERTIFICATE OF AMENDMENT TO THE CERTIFICATE OF INCORPORATION OF IDEC PHARMACEUTICALS CORPORATION

PURSUANT TO SECTION 242 OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE

IDEC Pharmaceuticals Corporation, a Delaware corporation (hereinafter called the "Corporation"), does hereby certify as follows:

FIRST: Article I of the Corporation's Amended and Restated Certificate of Incorporation is hereby amended to read in its entirely as set forth below:

ARTICLE I

The name of this corporation is "Biogen Idec Inc."

SECOND: Article IV(A) of the Corporation is Amended and Restated Certificate of Incorporation is hereby amended to read in its entirely as set forth below:

(A) Classes of Stock. The 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 One Billon Eight Million (1,008,000,000) shares. One Billion (1,000,000,000) shares shall be Common stock, par value $0.0005 per share, and Eight Million (8,000,000) shares shall be Preferred Stock, par value $0,001 per share.

THIRD: The foregoing amendments were duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be duly executed in its corporate name this 12th day of November, 2003.

IDEC PHARMACEUTECALS
CORPORATION

By: /s/ William H. Rastetter, Ph. D.

Name: William H. Rastetter, Ph. D.
Title: Chairman of the Board and
Chief Executive Officer

EXHIBIT 3.5

BYLAWS
OF
IDEC PHARMACEUTICALS CORPORATION

ARTICLE I

OFFICES

Section 1. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. The corporation 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

MEETINGS OF STOCKHOLDERS

Section 1. All meetings of the stockholders for the election of directors shall be held in the City of San Diego, State of California, at such place as may be fixed from time to time by the Board of Directors, or at such other place either within or without the State of California as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of California, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual meetings of stockholders, commencing with the year 1998, shall be held at such date and time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which they shall elect by a plurality vote

a board of directors, and transact such other business as may properly be brought before the meeting.

Section 3. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not fewer than ten (10) nor more than sixty (60) days before the date of the meeting.

Section 4. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may only be called by the president or the Chairman of the Board and shall be called by the president or secretary at the request in writing of a majority of the Board of Directors.

Section 6. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not fewer than ten (10) nor more than sixty (60) days before the date of the meeting, to each stockholder entitled to vote at such meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. The holders of fifty percent (50%) of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 9. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation, a different vote is

required, in which case such express provision shall govern and control the decision of such question.

Section 10. Unless otherwise provided in the certificate of incorporation each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three years from its date, unless the proxy provides for a longer period.

Section 11. Unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III

DIRECTORS

Section 1. The number of directors which shall constitute the whole board shall be determined by resolution of the Board of Directors or by the stockholders at the annual meeting of the stockholders, except as provided in Section 2 of this Article, and each director

elected shall hold office until his successor is elected and qualified. Directors need not be stockholders.

The directors shall be classified into three classes, as nearly equal in number as possible as determined by the board of directors, with the term of office of the first class to expire at the 1998 Annual Meeting of Stockholders, the term of office of the second class to expire at the 1999 Annual meeting of Stockholders and the term of office of the third class to expire at the 2000 Annual Meeting of Stockholders. At each Annual Meeting of Stockholders, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding Annual Meeting of Stockholders after their election. Additional directorships resulting from an increase in the number of directors shall be apportioned among the classes as equally as possible as determined by the board of directors. The number of directors which shall constitute the whole board of directors shall be fixed by resolution of the board of directors, with the number initially fixed at eight (8),

Section 2. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent of the total

number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

Section 3. The business of the corporation shall be managed by or under the direction of its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

Meetings of the Board of Directors

Section 4. The Board of Directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 5. The first meeting of each newly elected Board of Directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event of the failure of the stockholders to fix the time or place of such first meeting of the newly elected Board of Directors, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the directors.

Section 6. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

Section 7. Special meetings of the board may be called by the president on two (2) days' notice to each director by mail or forty-eight (48) hours notice to each director either personally or by telegram; special meetings shall be called by the president or secretary in like manner and on like notice on the written request of two directors unless the board consists of only one director, in which case special meetings shall be called by the president or secretary in like manner and on like notice on the written request of the sole director.

Section 8. At all meetings of the board a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Unless otherwise restricted by the certificate of incorporation of these bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

Section 10. Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any 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 such participation in a meeting shall constitute presence in person at the meeting.

Committees of Directors

Section 11. 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 of disqualification of a 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.

Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the bylaws of the corporation; and, unless the resolution or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend

or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 12. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

Compensation of Directors

Section 13. Unless otherwise restricted by the certificate of incorporation or these bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Removal of Directors

Section 14. Unless otherwise restricted by the certificate of incorporation or bylaw, any director or the entire Board of Directors may be removed, with cause, by the holders of a majority of shares entitled to vote at an election of directors.

ARTICLE IV

NOTICES

Section 1. Whenever, under the provisions of the statutes or of the certificate of incorporation or of these bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of

the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram.

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

ARTICLE V

OFFICERS

Section 1. The officers of the corporation shall be chosen by the Board of Directors and shall be a president, a chief financial officer and a secretary. The Board of Directors may elect from among its members a Chairman of the Board and a Vice Chairman of the Board, The Board of Directors may also choose one or more vice-presidents, assistant chief financial officers and assistant secretaries. Any number of offices may be held by the same person, unless the certificate of incorporation or these bylaws otherwise provide.

Section 2. The Board of Directors at its first meeting after each annual meeting of stockholders shall choose a president, a chief financial officer and a secretary and may choose vice presidents.

Section 3. The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

Section 4. The salaries of all officers and agents of the corporation shall be fixed by the Board of Directors.

Section 5. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

The Chairman of the Board

Section 6. The Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he shall be present. He shall have and may exercise such powers as are, from time to tune, assigned to him by the Board and as may be provided by law.

Section 7. In the absence of the Chairman of the Board, the Vice Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he shall be present. He shall have and may exercise such powers as are, from time to time, assigned to him by the Board and as may be provided by law.

The President and Vice-Presidents

Section 8. The president shall be the chief executive officer of the corporation; and in the absence of the Chairman and Vice Chairman of the Board he shall preside at all meetings of the stockholders and the Board of Directors; he shall have general and active management of the business of the corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect.

Section 9. He shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the corporation.

Section 10. In the absence of the president or in the event of his inability or refusal to act, the vice-president, if any, (or in the event there be more than one vice-president, the vice-presidents in the order designated by the directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. The vice-presidents shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

The Secretary and Assistant Secretary

Section 11. The secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or president, under whose supervision he shall be. He shall have custody of the corporate seal of the corporation and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such assistant

secretary. The Board of Directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Section 12. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

The Chief Financial Officer

Section 13. The chief financial officer may also be designated by the alternate title of "treasurer". The chief financial officer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors.

Section 14. He shall disburse the funds of the corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the president and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as chief financial officer or treasurer and of the financial condition of the corporation.

Section 15. If required by the Board of Directors, he shall give the corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties

as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

Section 16. The assistant chief financial officer or assistant treasurer, or if there shall be more than one, the assistant chief financial officers or assistant treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the chief financial officer or treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the chief financial officer or treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

ARTICLE VI

CERTIFICATE OF STOCK

Section 1. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by, the chairman or vice- chairman of the Board of Directors, or the president or a vice-president and the chief financial officer or treasurer or an assistant chief financial officer or treasurer, or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by him in the corporation.

Certificates may be issued for partly paid shares and in such case upon the face or back of the certificates issued to represent any such partly paid shares, the total amount of the consideration to be paid therefor, and the amount paid thereon shall be specified.

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 qualification, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, 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 2. Any of or all the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at me date of issue.

Lost Certificates

Section 3. The Board of Directors may direct a new certificate or certificates to 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. When authorizing such issue of

a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum 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.

Transfer of Stock

Section 4. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Fixing Record Date

Section 5. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholder or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or 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 shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to

any other action. 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.

Registered Stockholders

Section 6. 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 to hold liable for calls and assessments a person registered on its books as the owner of shares 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 VII

GENERAL PROVISIONS

Dividends

Section 1. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. 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 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 purposes as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Checks

Section 3. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Fiscal Year

Section 4. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

Seal

Section 5. The Board of Directors may adopt a corporate seal having inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Indemnification

Section 6. The corporation shall, to the fullest extent authorized under the laws of the State of Delaware, as those laws may be amended and supplemented from time to time, indemnify any director made, or threatened to be made, a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of being a director of the corporation or a predecessor corporation or, at the corporation's request, a director or officer of another corporation, provided, however, that the corporation shall indemnify any such agent in connection with a proceeding initiated by such agent only if such proceeding was authorized

by the Board of Directors of the corporation. The indemnification provided for in this Section 6 shall: (i) not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement or vote of stockholders or disinterested directors or otherwise, both as to action in their official capacities and as to action in another capacity while holding such office, (ii) continue as to a person who has ceased to be a director, and (iii) inure to the benefit of the heirs, executors and administrators of such a person. The corporation's obligation to provide indemnification under this Section 6 shall be offset to the extent of any other source of indemnification or any otherwise applicable insurance coverage under a policy maintained by the corporation or any other person.

Expenses incurred by a director of the corporation in defending a civil or criminal action, suit or proceeding by reason of the fact that he is or was a director of the corporation (or was serving at the corporation's request as a director or officer of another corporation) shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized by relevant sections of the General Corporation Law of Delaware. Notwithstanding the foregoing, the corporation shall not be required to advance such expenses to an agent who is a party to an action, suit or proceeding brought by the corporation and approved by a majority of the Board of Directors of the corporation which alleges willful misappropriation of corporate assets by such agent, disclosure of confidential information in violation of such agent's fiduciary or contractual obligations to the corporation or any other willful and deliberate breach in bad faith of such agent's duty to the corporation or its stockholders.

The foregoing provisions of this Section 6 shall be deemed to be a contract between the corporation and each director who serves in such capacity at any time while this bylaw is in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought based in whole or in part upon any such state of facts.

The Board of Directors in its discretion shall have power on behalf of the corporation to indemnify any person, other than a director, made a party to any action, suit or proceeding by reason of the fact that he, his testator or intestate, is or was an officer or employee of the corporation.

To assure indemnification under this Section 6 of all directors, officers and employees who are determined by the corporation or otherwise to be or to have been "fiduciaries" of any employee benefit plan of the corporation which may exist from time to time, Section 145 of the General Corporation Law of Delaware shall, for the purposes of this Section 6, be interpreted as follows: an "other enterprise" shall be deemed to include such an employee benefit plan, including without limitation, any plan of the corporation which is governed by the Act of Congress entitled "Employee Retirement Income Security Act of 1974," as amended from time to time; the corporation shall be deemed to have requested a person to serve an employee benefit plan where the performance by such person of his duties to the corporation also imposes duties on, or otherwise involves services by, such person to the plan or participants or beneficiaries of the plan; excise taxes assessed on a person with respect to an employee benefit plan pursuant to such Act of Congress shall be deemed "fines."

ARTICLE VIII

AMENDMENTS

Section 1. These bylaws may be altered, amended or repealed or new bylaws may be adopted by the stockholders or by the Board of Directors, when such power is conferred upon the Board of Directors by the certificate of incorporation at any regular meeting of the stockholders or of the Board of Directors or at any special meeting of the stockholders or of the Board of Directors if notice of such alteration, amendment, repeal or adoption of new bylaws be contained in the notice of such special meeting. If the power to adopt, amend or repeal bylaws is conferred upon the Board of Directors by the certificate or incorporation it shall not divest or limit the power of the stockholders to adopt, amend or repeal bylaws.

EXHIBIT 3.6

AMENDMENT TO BYLAWS OF IDEC PHARMACEUTICALS CORPORATION -- DECEMBER 21, 2001

The Bylaws of the corporation are hereby amended as follows:

1. Section 5 of Article II of the Bylaws is hereby amended and, as so amended, restated to read in its entirety as follows:

"Section 5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statue or by the certificate of incorporation, may only be called by the chief executive officer, the president or the Chairman of the Board and shall be called by the chief executive officer, the president or the secretary at the request in writing of a majority of the Board of Directors."

2. Section 7 of Article III of the Bylaws is hereby amended and, as so amended, restated to read in its entirety as follows:

"Section 7. Special meetings of the board may be called by the chief executive officer or the president on two (2) days' notice to each director by mail or forty-eight hours notice to each director either personally or by telegram; special meetings shall be called by the chief executive officer, the president or the secretary in like manner and on like notice on the written request of two directors unless the board consists of only one director, in which case special meetings shall be called by the president or secretary in like manner and on like notice on the written request of the sole director."

3. Sections 1 through 10 of Article V of the Bylaws are hereby amended and, as so amended, restated to read in their entirety as follows:

"ARTICLE V

OFFICERS

Section 1. The officers of the corporation shall be chosen by the Board of Directors and shall be a chief executive officer, a president, a chief financial officer and a secretary. The Board of directors may elect from among its members a Chairman of the Board and a Vice Chairman of the Board. The Board of Directors may also choose one or more vice-presidents, assistant chief financial officers and assistant secretaries. Any number of officers may be held by the same person, unless the certificate of incorporation or these bylaws otherwise provide.

Section 2. The Board of Directors at its first meeting after each annual meeting of stockholders shall choose a chief executive officer, a president, a chief financial officer and a secretary and may choose vice presidents.

Section 3. The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

Section 4. The salaries of all officers and agents of the corporation shall be fixed by the Board of Directors.

Section 5. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

The Chairman of the Board

Section 6. The Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he shall be present. He shall have and may exercise such powers as are, from time to time, assigned to him by the Board and as may be provided by law.

Section 7. In the absence of the Chairman of the Board, the Vice Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he shall be present. He shall have and may exercise such powers as are, from time to time, assigned to him by the Board and as may be provided by law.

The Chief Executive Officer

Section 8. Subject to such supervisory powers, if any, as may be given by the Board to the Chairman of the Board, the chief executive officer shall preside at all meetings of the stockholders and in the absence of the Chairman of the Board, or if there be none, at all meetings of the Board, shall have general and active management of the business of the corporation and shall see that all orders and resolutions of the Board are carried into effect. He or she shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board to some other officer or agent of the corporation.

The President and Vice-Presidents

Section 9. The president shall, in the event there be no chief executive officer or in the absence of the chief executive officer or in the event of his or her disability or refusal to act, perform the duties of the chief executive officer, and when so acting, shall have the powers of and subject to all the restrictions upon the chief executive officer. The president shall perform such other duties and

have such other powers as may from time to time be prescribed for such person by the Board, the Chairman of the Board, the chief executive officer or these bylaws.

Section 10. The vice-president (or in the event there be more than one, the vice-presidents in the order designated by the directors, or in the absence of any designation, in the order of their election), shall, in the absence of the president or in the event of his or her disability or refusal to act, perform the duties of the president, and when so acting, shall have the powers of and subject to all the restrictions upon the president. The vice-president(s) shall perform such other duties and have such other powers as may from time to time be prescribed for by the Board, the president, the Chairman of the Board or these bylaws."

AMENDMENTS TO BYLAWS OF IDEC PHARMACEUTICALS CORPORATION -- NOVEMBER 12, 2003

1. The first sentence of Section 2 of Article III of the Bylaws is hereby amended and, as so amended, restated to read as follows:

> "Vacancies and new created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and any additional director of any class so elected to fill a vacancy or new directorship shall hold office for a term that hall coincide with the remaining term of that class."

2. Section 5 of Article V of the Bylaws is hereby amended and, as so amended, restated to read in its entirety as follows:

> Section 5. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors; provided, however, that until November 12,2006, the affirmative vote, at a duly convened meeting of the Board of Directors, of at least 80% of the entire Board of Directors (excluding for this purpose directors who are then serving as an officer or employee of the corporation) shall be required (a) to remove William H. Rastetter, Ph.D. from the office of Executive Chairman or significantly diminish his position, authority, duties or responsibilities or (b) to remove James C. Mullen from the office of Chief Executive Officer or President or significantly diminish his position, authority, duties or responsibilities.

3. Section 1 of Article VIII of the Bylaws is hereby amended and, as so amended, restated to read in its entirety as follows:

> Section 1. These bylaws may be altered, amended or repealed, in whole or in part, or new bylaws may be adopted by the stockholders or by the Board of Directors; provided, however, that notice of such alteration, amendment, repeal or adoption of new bylaws be contained in the notice of such meeting of the stockholders or the Board of Directors, as the case may be. Any such alteration, amendment, repeal or adoption must be approved by either the vote of the holders of a majority of the stock issued and outstanding and entitled to vote thereon or by a majority of the entire Board of Directors; provided, however, that until November 12, 2006, any such alteration, amendment, repeal or adoption by the Board of Directors must be approved by the affirmative vote of at least 80% of the entire Board of Directors (excluding for this purpose directors who are officers or employees of the corporation) if it would amend or modify, or be inconsistent with, the requirements specified in Section 5 of Article V of

these Bylaws (a) to remove William H. Rastetter, Ph.D. from the office of Executive Chairman or significantly diminish his position, authority, duties or responsibilities or (b) to remove James C. Mullen from the office of Chief Executive Officer or President or significantly diminish his position, authority, duties or responsibilities.

EXHIBIT 4.2

CUSIP 09062X 10 3
SEE REVERSE FOR CERTAIN DEFINITIONS

BIOGEN IDEC

COMMON STOCK

THIS CERTIFICATE IS TRANSFERABLE
IN NEW YORK, NY, CANTON, MA
AND JERSEY CITY, NJ

NUMBER

BIOGEN IDEC INC.
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

THIS CERTIFIES THAT

SHARES

IS THE RECORD HOLDER OF

FULLY PAID AND NONASSESSABLE SHARES OF THE COMMON STOCK, $.0005 PAR VALUE, OF

BIOGEN IDEC INC.

transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

COUNTERSIGNED AND REGISTERED:
EQUISERVE TRUST COMPANY, N.A.
TRANSFER AGENT AND REGISTRAR

BY: /s/ Stephen Cesso

AUTHORIZED SIGNATURE

Dated:

[CORPORATE SEAL]

/s/ Thomas J. Buckman

SECRETARY

/s/ James C. Mullen

CHIEF EXECUTIVE OFFICER AND PRESIDENT

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in an Amended and Restated Rights Agreement between Biogen Idec Inc. (formerly IDEC Pharmaceuticals Corporation) (the "Company") and Mellon Investor Service LLC (f/k/a ChaseMellon Shareholder Services LLC, the "Rights Agent") originally dated as of July 22, 1997, and amended and restated as of July 26, 2001 (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights may be redeemed, may expire or may be evidenced by separate certificates and will no longer be evidenced by this certificate. The Company will mail to the holder of this certificate a copy of the Rights Agreement without charge after receipt of a written request therefor. Under certain circumstances, Rights "Beneficially Owned" by "Acquiring Persons" (as such terms are defined in the Rights Agreement) or certain related parties, as well as subsequent holders of such Rights, may become null and void.

The Corporation will furnish without charge to each stockholder who so requests a statement of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock of the Corporation or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Such requests shall be made to the Corporation's Secretary at the principal office of the Corporation.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common	UNIF GIFT MIN ACT --	.....Custodian..... (Cust) (Minor) under Uniform Gifts to Minors Act..... (State)
TEN ENT -- as tenants by the entireties		
JT TEN -- as joint tenants with right of surivivorship and not as tenants in common	UNIF TRF MIN ACT --	..Custodian (until age..) (Cust) ..under Uniform Transfers (Minor) to Minors Act..... (State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

[_____]

_____
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

_____

_____

_____Shares
of the common stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____Attorney
to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated _____

X _____

X _____

NOTICE : THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed

By _____
THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE

GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

EXHIBIT 10.13

BIOGEN IDEC INC.

VOLUNTARY EXECUTIVE SUPPLEMENTAL SAVINGS PLAN
(As Amended and Restated; Effective January 1, 2004)

TABLE OF CONTENTS

ARTICLE 1
INTRODUCTION

1.1 PURPOSE AND EFFECTIVE DATE. The purpose of this plan is to provide certain key executives and managers of Biogen Idec (or its subsidiaries) with additional tax-deferred savings opportunities supplementing those available under the Savings Plan. This plan allows participants whose compensation exceeds the amount of compensation that may be taken into account by the Savings Plan for any plan year (the Code Section 401(a)(17) limits) to make savings deposits hereunder from such excess compensation with matching Biogen Idec contributions on the same basis as is provided in the Savings Plan, and allows participants to make additional, unmatched savings deposits from base salary or bonus if elected by a participant.

This plan also contains account balances previously maintained under the amended and restated IDEC Pharmaceuticals Corporation Deferred Compensation Plan, the Biogen, Inc. Voluntary Executive Supplemental Savings Plan, and the Biogen, Inc. Supplemental Executive Retirement Plan.

The plan is effective January 1, 2004.

ARTICLE 2
DEFINITIONS

This section contains definitions of terms used in the plan. Where the context so requires, the masculine includes the feminine, the singular includes the plural, and the plural includes the singular.

2.1 401(k) RESTORATION means that component of the plan which permits a participant to make savings deposits from applicable compensation in excess of the limit imposed by Section 401(a)(17) of the Code.

2.2 BASE SALARY means the base salary established for any participant by his employer as in effect from time to time; the entire amount of a participant's base salary will be taken into account in accordance with the terms of this plan without regard to any dollar limitation on applicable compensation that may be imposed under the Savings Plan; base salary includes all components of a participant's applicable compensation other than bonus.

2.3 BIOGEN IDEC means Biogen Idec Inc., a Delaware corporation, or any successor to it or to all or the major portion of its assets or business which assumes the obligations of Biogen Idec Inc. under this plan.

2.4 BIOGEN SERP means the Biogen, Inc. Supplemental Executive Retirement Plan, as in effect immediately prior to January 1, 2004 (or other date of transfer referred to in Section 3.1(d)).

2.5 BOARD means the Board of Directors of Biogen Idec.

2.6 BONUS means the amount of compensation paid to a participant in addition to his base salary and designated as such participant's bonus by his employer; the entire amount of any such bonus will be taken into account in accordance with the terms of this plan without regard to any dollar limitation on applicable compensation that may be imposed under the Savings Plan.

2.7 CHANGE IN CONTROL means a "Corporate Change in Control" as defined in the IDEC Pharmaceuticals Corporation 2003 Omnibus Equity Plan, as in effect from time to time (or the corresponding provisions of any successor instrument).

2.8 CODE means the Internal Revenue Code of 1986, as amended, or any successor statute enacted in its place.

2.9 COMMITTEE means the committee designated by the Board to administer this Plan.

2.10 COMPENSATION COMMITTEE means the Compensation Committee of the Board.

2.11 DISABILITY means "disability" as defined under the long-term disability program of Biogen Idec or another employer covering a participant, or, if no such program is in effect with respect to such participant, then "disability" means "total and permanent disability" as defined in Section 22(e)(3) of the Code.

2.12 EMPLOYEE means a person who is classified as a regular, common law employee of Biogen Idec (or other employer) under the regular personnel classifications and practices of his employer. An individual will not be considered an employee for purposes of this plan if the individual is classified as a consultant or contractor under Biogen Idec's (or other employer's) regular personnel classifications and practices or he is a party to an agreement to provide services to Biogen Idec (or other employer) without participating in this plan, notwithstanding that such individual may be treated as a common law employee for payroll tax or other legal purposes.

2.13 EMPLOYER means Biogen Idec and each direct or indirect subsidiary or other affiliate of Biogen Idec that employs persons who are or may be eligible to participate in this plan.

2.14 ERISA means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute enacted in its place.

2.15 PARTICIPANT means an employee of Biogen Idec (or other employer) who is eligible to participate in this plan in accordance with Section 3.1 hereof and who has an account described in Section 5.1 hereunder or for whom an amount has been transferred to this plan from a prior plan.

2.16 PLAN means the Biogen Idec Inc. Voluntary Executive Supplemental Savings Plan, as set forth in this plan instrument, and as it may be amended from time to time.

2.17 PLAN YEAR means the 12-month periods commencing on January 1, 2004 and on each subsequent January 1 while the plan remains in effect.

2.18 PRIOR PLAN means the amended and restated IDEC Pharmaceuticals Corporation Deferred Compensation Plan and the Biogen, Inc. Voluntary Executive Supplemental Savings Plan, each as in effect immediately prior to January 1, 2004 (or other date of transfer referred to in Section 3.1(d)).

2.19 SAVINGS PLAN means the Biogen Idec 401(k) Savings Plan, as amended from time to time. Any term defined in the Savings Plan will have the same meaning when used in this plan unless otherwise defined herein.

2.20 SERVICE means the sum of a participant's employment (a) with Biogen Idec since November 12, 2003 and (b) with either Biogen, Inc. or IDEC Pharmaceuticals Corporation prior to November 12, 2003 (including in each case service with any subsidiary or other affiliate of such entity).

2.21 TRANSITION CONTRIBUTION means an amount that would be contributed by Biogen Idec to a participant's account under the Savings Plan, as determined under Appendix C of the Savings Plan but (a) without regard to the nondiscrimination limits or the Code Section 415 limits imposed on the Savings Plan and (b) reduced by the amount of the actual contribution on the participant's behalf to the Savings Plan in accordance with Appendix C thereof.

2.22 VOLUNTARY DEFERRED COMPENSATION means that component of the plan which permits a participant to defer from 1% to 80% of his base salary and from 1% to 100% of his bonus.

2.23 YEARS OF SERVICE means full years of completed continuous service as a regular employee, determined in accordance with the personnel policies and practices of a participant's employer.

ARTICLE 3
PARTICIPATION

3.1 ELIGIBILITY AND PARTICIPATION.

(a) 401(k) Restoration. A person (i) who is an employee of Biogen Idec (or another employer), (ii) who is eligible to participate in the Savings Plan, and (iii) whose base salary and bonus for a plan year exceed the

limit under Code Section 401(a)(17) applicable to such year will be eligible to be a participant in the 401(k) restoration component of the plan.

(b) Voluntary Deferred Compensation. An employee (i) who has the job title of Senior Director or Vice President or more senior officer of Biogen Idec (or another employer) or (ii) who is designated as eligible by the Compensation Committee will be eligible to be a participant in the voluntary deferred compensation component of the plan. Participation in this component of the plan is voluntary and no eligible employee will be required to participate.

(c) Transition Contribution. An employee (i) whose "additional employer contribution" as determined under Appendix C of the Savings Plan is limited because of limits on compensation, limits on contributions or nondiscrimination requirements and (ii) who is designated by the committee will be eligible to be a participant in the transition contribution component of the plan.

(d) Prior Plan and Biogen SERP. Each employee who is not eligible to be a participant under subsection (a), (b), or (c) above, or who is eligible but declines to participate under subsection (b) above, but who was a prior plan and/or Biogen SERP participant and whose prior plan and/or Biogen SERP account balance was transferred to this plan effective as of January 1, 2004 (or such later date as the committee specifies) will be a participant solely with respect to such transferred prior plan and/or Biogen SERP account balance. This will not include a person who is a vested participant under the Biogen SERP but not an employee (i.e., a person who terminated employment from Biogen, Inc. or from Biogen Idec on or before the date of transfer referred to in the preceding sentence); such a person's benefits under the Biogen SERP are governed by the provisions of Section 5.1(g).

An eligible employee under subsection (a), (b) or (c) above will become a participant hereunder when he makes a savings deposit or a voluntary deferral under this plan or when Biogen Idec makes a contribution on his behalf.

3.2 END OF PARTICIPATION. A participant's participation in this plan will end upon the termination of his service as an employee of Biogen Idec (or other employer) because of death or any other reason.

In addition, in the case of a participant who was designated as eligible by the Compensation Committee, his participation will end upon the Compensation Committee's specifying that he is no longer eligible to participate. In such event, his participation will end effective as of the later of the date of the Compensation Committee's action or the date specified by the Compensation Committee; provided that no such action will retroactively deprive a participant of any amount credited to his account or any benefit he was entitled to under this plan calculated as of the effective date of his termination of participation.

Upon the termination of a participant's participation in this plan in accordance with this section, the participant may make no further savings deposits or voluntary deferrals hereunder and there will be no additional employer matching credits to such participant's account. However, the participant will be entitled to receive any vested amounts in his accounts in accordance with this plan.

ARTICLE 4
SAVINGS DEPOSITS AND DEFERRALS BY PARTICIPANTS; EMPLOYER CREDITS

4.1 401(k) RESTORATION.

(a) Savings Deposits. Each eligible employee (under Section 3.1(a)) who has elected to participate in the Savings Plan will have savings deposits to this plan taken from his base salary and from his bonus in the same percentages applicable to such amounts as in effect under the Savings Plan as of January 1 of a year, provided that savings deposits to this plan will be taken only from the portion of his applicable compensation that exceeds the limit under Code Section 401(a)(17) for such year (his "excess applicable compensation"). The percentages so determined shall remain in effect under this plan for the balance of the plan year, subject to the fourth paragraph of Section 4.4(a).

All amounts by which a participant reduces his bonus or the remainder of his applicable compensation under the preceding paragraph are referred to herein as the participant's savings deposits. The amount by which a participant's savings deposits for a plan year hereunder do not exceed 3% of his excess applicable compensation are referred to herein as his matchable savings deposits.

(b) Employer Matching Credits.

(i) Amount of Matching Employer Credits. For each calendar quarter (or a shorter period of time specified by the committee) during a plan year, each employer will credit a matching contribution amount to the account of each participant employed by such employer who makes matchable savings deposits under subsection (a) above during such calendar quarter (or such shorter period of time). The employer's matching contribution credits will be equal to 200% of the participant's matchable savings deposits during the calendar quarter (or such shorter period of time).

(ii) Time for Making Employer Matching Credits. The employer's matching amounts under subsection (i) will be credited to participants' accounts as soon as practicable after each calendar quarter (or such shorter period of time specified by the committee).

4.2 VOLUNTARY DEFERRALS. Each eligible employee (under Section 3.1(b)) may make voluntary deferrals under the plan from his base salary in any whole percentage of his base salary from a minimum of 1% to a maximum of 80% by agreeing to reduce his base salary by such amount. In addition, each eligible employee may make voluntary deferrals under the plan from his bonus in any whole percentage of his bonus from a minimum of 1% to a maximum of 100% by agreeing to reduce his bonus by such amount.

4.3 TRANSITION CONTRIBUTION. Each participant (under Section 3.1(c)) who is eligible to receive an additional employer contribution as described in Appendix C of the Savings Plan will be eligible to receive a transition contribution under this plan if his contribution under Appendix C was limited by nondiscrimination requirements or by limits imposed by Code Section 401(a)(17) or 415. The amount of such contribution will be the amount the participant would have received under the terms and conditions of Appendix C of the Savings Plan if such nondiscrimination requirements and such Code Section 401(a)(17) or 415 limits did not apply, reduced by any amount contributed to the Savings Plan on his behalf under Appendix C of the Savings Plan. Any such transition contribution hereunder will be made at the same time as the additional employer contribution under the Savings Plan.

4.4 SIGN-UP PROCEDURE FOR 401(k) RESTORATION AND VOLUNTARY DEFERRAL COMPENSATION.

(a) Sign-Up Procedure. An eligible employee who wishes to reduce his base salary and/or bonus with respect to a particular plan year in order to make voluntary deferrals under Section 4.2 must complete an enrollment form specifying the amount of his voluntary deferrals (with separate percentages for his base salary and bonus if desired), agreeing to reduce his base salary and/or bonus by the amount(s) desired, and providing such other information as the committee may require.

A participant's initial enrollment form (or another form specified by the committee) will also specify the time for payment (or the commencement of installment payments) under Section 6.4 and the form of payment (lump sum or installments in accordance with Section 6.5(a) below) of his accounts hereunder. The time specified for payment may be anytime the participant indicates, but not later than the participant's termination of employment. In addition, a participant's initial enrollment form may (but is not required to) specify one or more in-service distributions to the participant in accordance with Section 6.2 if desired by the participant.

A participant's enrollment form electing savings deposits or voluntary deferrals for any plan year must be filed with the committee by such deadline as the committee specifies, but in any event before the start of such plan year. A participant may change the amount of his voluntary deferrals (but not the time for payment or the form of payment of his accounts except as provided below) with respect to any subsequent plan year by filing a new enrollment form before the start of such subsequent plan year, and the change will become effective as of the first day of such subsequent plan year. Once a participant has elected to defer base salary and/or bonus, his enrollment

form will remain in effect for future plan years unless the participant changes or terminates his prior elections by filing a new enrollment form in accordance with the preceding sentence.

After a plan year has begun, a participant may not change the amount of savings deposits established for such plan year or the amount of voluntary deferrals (if any) he had elected for such plan year. However, if a participant has an unforeseeable financial hardship (as defined in Section 6.1) or other significant financial difficulty during a year, with the consent of the committee the participant may reduce or cancel his savings deposits and/or voluntary deferrals election for the balance of that year.

(b) Change of Election. Notwithstanding the second paragraph of subsection (a) above, at anytime prior to the date for payment originally elected by the participant, if the participant is still an employee of Biogen Idec (or another employer or other subsidiary or affiliate) at such time, the participant may elect to defer the time when his account(s) would otherwise be payable (or installment payments would otherwise begin) to a subsequent date specified by him (not later than the latest time permitted under subsection (a)) or may elect installments (or a greater number of installments, subject to the limitations of the plan). If such election becomes effective as provided below, then the participant's account(s) will be payable at the time specified in his subsequent election. The participant's election under this subsection (b) will become effective if any of the following criteria is satisfied: (i) the participant remains an employee of Biogen Idec (or another employer or other subsidiary or affiliate) for at least one year after making such election, (ii) the participant's service as an employee of Biogen Idec (or another employer or other subsidiary or affiliate) ends due to disability, or (iii) the participant's employment as an employee of Biogen Idec (or another employer or other subsidiary or affiliate) is involuntarily terminated without cause.

A participant may make only one election under this subsection (b) to further defer payment.

ARTICLE 5
PARTICIPANTS' ACCOUNTS

5.1 PARTICIPANT ACCOUNTS.

(a) 401(k) Restoration Accounts. Savings deposits by a participant under Section 4.1(a) will be credited to an account in the name of such participant. Such account will be called his 401(k) restoration account.

(b) Employer Matching Credits Accounts. Employer credits on a participant's behalf under Section 4.1(b) will be credited to an account in the name of such participant. Such account will be called his employer matching credits account.

(c) Voluntary Deferred Compensation Accounts. Voluntary deferrals by a participant under Section 4.2 will be credited to an account in the name of such participant. Such account will be called his voluntary deferred compensation account.

(d) Transition Contribution Accounts. Transition contributions made on a participant's behalf under Section 4.3 will be credited to an account in the name of such participant. Such account will be called his transition contribution account.

(e) Prior Plan Account. Account balances as of December 31, 2003 (or such later date as the committee specifies) for a participant in a prior plan will be transferred to this plan from such prior plan and the transferred amount will be credited to an account in the name of such participant. Such account will be called his prior plan account.

(f) Biogen SERP Account. Amounts transferred to this plan from the Biogen SERP on behalf of a participant will be credited to an account in the name of such participant. Such account will be called his Biogen SERP account. The amount so transferred on behalf of a participant in the excess benefit formulas in Section 4.2 of the SERP will be the amount credited to such participant's SERP cash balance account as of December 31, 2003 (or such later date as

the committee specifies) (calculated in accordance with the terms of the SERP in effect on such date) of the accrued supplemental pension as of such date.

(g) Certain Special Provisions. Participants' prior plan accounts and Biogen SERP accounts will be governed by the applicable provisions of this plan as in affect from time to time.

For persons who were participants in the Biogen SERP before the transfer date referred to in subsection (f) above and are entitled to a vested benefit under subsection (f) above, but who are not active participants under this plan and therefore do not have a Biogen SERP account hereunder, the Biogen SERP benefit (including the amount, time and form of payment) will be determined under the terms of the Biogen SERP. The applicable terms will be those in effect as of December 31, 2003 (plus subsequent amendments, if any). For this purpose, the Biogen SERP, as in effect on December 31, 2003 (or other date of transfer so referred to) and as subsequently amended, is deemed to be an appendix to this plan and is incorporated as such by this reference.

5.2 PARTICIPANT'S ACCOUNT VALUE.

(a) Investments. A participant's accounts will be credited with deemed investment results as if the amounts were invested in one or more designated investment funds and all dividends and distributions on shares or other interests of a particular investment fund were reinvested in such fund. The investment funds available for this purpose will be those from time to time available as investment options for participants' accounts under the Savings Plan, plus the investment funds specified in subsections (b) and (c) below. Investment funds hereunder are for the sole purpose of providing the basis for crediting deemed investment results to participants' accounts, and do not represent any actual funds or assets held hereunder for the benefit of participants.

Each participant will indicate with his initial enrollment form (or another form specified by the committee) the investment fund or funds (and the proportion in each fund when the participant designates more than one) he wishes to designate for this purpose. Thereafter, a participant may change his designation either with respect to the deemed investment of future contributions or the deemed transfer of amounts from a previously designated investment fund to another fund. The committee shall establish the frequency with which such a change may be made, the method of making such a change, and the effective date of such a change, and shall prescribe such other rules and procedures as it deems appropriate. Such designation will remain in effect until subsequently changed by the participant in accordance with this paragraph.

Notwithstanding the preceding paragraph, the committee may establish one or more default investment funds that will be used to determine deemed investment results in the case of any participant or group of participants who have not made a designation under the preceding paragraph. Such default investment fund(s) will be used to determine deemed investment results applicable to the account of such participant or participants until any such participant makes a designation of investment fund(s) in accordance with the plan.

Deemed investment results under this subsection will be credited to a participant's accounts effective as of the last day in each calendar quarter (or such shorter time specified by the committee).

The value of a participant's accounts at any point in time will be his savings deposits, voluntary deferrals, employer matching credits, transition contributions on his behalf, and prior plan and/or Biogen SERP transfer amounts, increased or decreased by deemed investment results as provided in this subsection (a) through the most recent calendar quarter (or such shorter time specified by the committee), and reduced by any distributions from the participant's accounts.

(b) Fixed Income Option. In addition to the investment funds offered under the Savings Plan as described in (a) above, a participant may elect to have his accounts credited with the deemed investment results as if such amounts were invested in a fixed income option earning a rate of return specified by the committee. The rate of return under the fixed income option will be 8% for the 2004 plan year. The rate of return of future plan years will be determined each year by the committee.

(c) Exception for Certain Prior Plan Accounts. Former participants in the IDEC Pharmaceuticals Corporation Deferred Compensation Plan whose accounts were credited with interest under the fixed income option available under that plan immediately prior to the date such account was transferred to this plan may continue to

have such transferred amount credited with interest under that fixed income option. Any additional contributions made under this plan will be credited with deemed investment results as described in subsection (a) or (b) above. Amounts being credited with interest under this subsection (c) may be transferred to an option described in subsection (a) or (b) above, but no amounts credited to a participant's accounts may be transferred into the fixed income option under this subsection (c) (even if such amounts had previously been invested in such investment fund and then transferred to another investment fund).

(d) Bookkeeping Accounts. Participants' accounts and subaccounts will be maintained on the books of the participant's employer for bookkeeping purposes only; such accounts will not represent any interest in any trust or in any segregated asset.

In order to facilitate the administration of the plan, the committee may arrange for a participant's account to be divided for record keeping purposes into two or more subaccounts, in accordance with procedures established by the committee.

5.3 VESTING.

(a) 401(k) Restoration Account. A participant will have a fully vested interest in his 401(k) restoration account at all times.

(b) Employer Matching Credits Account. A participant who is an active employee will have a fully vested interest in his employer matching credits account at all times on and after his 55th birthday. Before that date, such a participant will have a vested interest in that percentage of his employer matching credits account specified in the following table based upon his number of years of service under the plan:

Years of Service	Vested Percentage
Less than 1	0%
1	25%
2	50%
3	75%
4 or more	100%

(c) Voluntary Deferred Compensation Account. A participant will have a fully vested interest in his voluntary deferred compensation account at all times.

(d) Transition Contribution Account. A participant who is an active employee will have a fully vested interest in his transition contribution account at all times on and after his 65th birthday. Before that date, such a participant will have a vested interest in that percentage of his transition contribution account specified in the following table based upon his number of years of service under the plan:

Years of Service	Vested Percentage
Less than 2	0%
2	20%
3	50%
4	60%
5	70%
6	80%
7 or more	100%

(e) Prior Plan Account. A participant will have a fully vested interest in his prior plan account at all times.

(f) Biogen SERP Account. A participant who is an active employee will have a fully vested interest in his Biogen SERP account at all times on and after his 65th birthday. Before that date, such a participant will have a

vested interest in that percentage of his Biogen SERP account specified in the following table based upon his number of years of service under the plan:

Years of Service	Vested Percentage
Less than 2	0%
2	20%
3	50%
4	60%
5	70%
6	80%
7 or more	100%

(g) Full Vesting upon Death, Disability or Change in Control. Notwithstanding subsections (b), (d) and (f) above:

(i) If a participant's employment by his employer (or another Biogen Idec subsidiary or affiliate) is terminated because of the participant's death or disability, all his accounts hereunder will be fully vested regardless of his number of years of service.

(ii) In the event of a change in control of Biogen Idec, all accounts of all participants will be fully vested regardless of a participant's number of years of service.

(h) Meaning of "Fully Vested." Reference to any account of a participant as "fully vested" means that such account is not subject to forfeiture; however, all participant accounts, including fully vested accounts, are subject to fluctuation as a result of the crediting of deemed investment results (including losses) to such accounts as provided in the plan.

ARTICLE 6
DISTRIBUTIONS TO PARTICIPANT

6.1 DISTRIBUTIONS FOR FINANCIAL HARDSHIP. If a participant has a serious financial hardship, he may apply to the committee for a distribution from the plan prior to his termination of employment with his employer or other designated time for payment. If such application for a hardship distribution is approved by the committee, the distribution will be made as soon as practicable after the later of the date specified in the participant's application or the date of approval by the committee. The amount of the distribution will be the amount needed to alleviate the participant's financial hardship, as determined by the committee, up to a maximum of the participant's vested account balances. Such a distribution will be made from the participant's accounts in a single lump-sum payment. If such a participant's account has two or more subaccounts, the committee will determine which subaccounts will be debited to reflect the financial hardship distribution.

Financial hardship will be limited to the following: bankruptcy or impending bankruptcy, unexpected and unreimbursed major expenses resulting from illness to person or accident to person or property, and to other types of unforeseeable and unreimbursed expenses of a major nature that normally would not be budgetable. Financial hardship shall not include foreseeable expenses such as down payments on a home, purchase of an auto, or college or other educational expenses.

6.2 IN-SERVICE DISTRIBUTION(S) AT A TIME SPECIFIED BY PARTICIPANT. If, in his initial enrollment or other election form, a participant designated payment of his vested account(s) (or a specified portion thereof) at a specified time(s) and he is still an employee of Biogen Idec (or another employer or other subsidiary or affiliate) at such time(s), the participant will receive payment of the amount to be distributed in accordance with such election, payable on or as soon as practicable after the designated date(s). A participant's election for in-service distributions under this Section 6.2 may be for a single payment or up to five annual payments, in each case in an amount or portion specified by the participant in his enrollment or other election form. Each payment will be the amount specified (or the entire vested balance remaining in the participant's accounts, if less).

Any amount in a participant's accounts hereunder not distributed to the participant under this Section 6.2 will be distributed under Section 6.3 or 6.4, whichever may be applicable, and Section 6.5, if applicable. If a

participant is receiving multiple payments under this Section 6.2 and dies or otherwise terminates employment, payments under this subsection will cease and subsequent payments will be governed by Section 6.3 or 6.4, as the case may be.

6.3 DISTRIBUTION UPON DEATH OF A PARTICIPANT.

(a) In general. If a participant dies while still an employee of Biogen Idec (or another employer or other subsidiary or affiliate) or after termination of such employment, but before the complete distribution of his vested accounts hereunder, his beneficiary will receive the total amount remaining in his vested accounts. Except as otherwise provided in Section 6.5, distribution will be made in a single sum payment on a date determined by the committee, but not later than one year after the committee receives such evidence of the participant's death and of the right of any beneficiary to receive payment as it deems necessary.

(b) Beneficiary. The beneficiary to receive the payment described in subsection (a) above will be the same person or persons who are to receive benefits payable upon the participant's death under the Savings Plan. If more than one person is a beneficiary, death benefits hereunder will be paid to them in the same proportions as under the Savings Plan. In the event that a participant does not participate in the Savings Plan, the participant may designate one or more beneficiaries to receive a distribution payable under subsection (a) above and may revoke or change such a designation at any time. If the participant names two or more beneficiaries, distribution to them will be in such proportions as the participant designates or, if the participant does not so designate, in equal shares. Any such designation of beneficiary will be in writing on such form as the committee may prescribe or deem acceptable, and will be effective upon filing with the committee.

Any portion of a distribution payable upon the death of a participant that is not disposed of by a designation of beneficiary under the preceding paragraph, for any reason whatsoever, will be paid to the participant's spouse if living at his death, otherwise equally to the participant's natural and adopted children (and the issue of a deceased child by right of representation), otherwise to the participant's estate.

6.4 DISTRIBUTION UPON PARTICIPANT'S TERMINATION OF EMPLOYMENT. Following a participant's termination of employment for any reason other than death, except as otherwise provided in Section 6.5, the participant will receive a single sum payment equal to his vested account balance, payable on a date determined by the committee but not later than one year after the committee's receipt of satisfactory evidence of the participant's termination of employment. If a participant terminates employment because of a disability, payment of his account balance may be accelerated with the consent of the committee.

6.5 INSTALLMENT DISTRIBUTIONS IN CERTAIN CASES.

(a) Participant. Notwithstanding the provisions of Section 6.4, a participant may, at the time of filing his initial enrollment form under Section 4.4 (or, if applicable, in a subsequent election), designate that the amount payable to him hereunder will be paid in a number (minimum of two and maximum of fifteen) of annual installment payments, as specified by the participant.

(b) Beneficiary. Notwithstanding Section 6.3, a participant may designate that, if the participant dies before receiving the entire amount payable to him hereunder, the beneficiary will receive either:

(i) A number of annual installment payments equal to:

(A) the number the participant elected for himself under subsection (a) above (if the participant dies before receiving any installment payments), or

(B) the number of remaining installment payments due to the participant under subsection (a) above (if the participant dies after receiving one or more installment payments); or

(ii) A single payment.

Payment to the beneficiary will be made or begin as provided in Section 6.3(a).

If the participant fails to designate the form of payment to the beneficiary, the default form will be installments under (i) above. If installment payments are payable to the beneficiary, a participant may subsequently change the form of payment to his beneficiary (but not the form of payment to himself) to a single payment by filing a written instrument so specifying with the committee. Notwithstanding the foregoing, a beneficiary may request a form of payment other than that which the participant designated on his election form, subject to the approval of the committee.

(c) Installment Payments. Where installment payments are due, the first annual installment payment will be paid out on the date specified in Section 6.3 or 6.4 (whichever is applicable) and subsequent annual installments will be paid approximately on succeeding anniversaries of the first payment date. The amount of each annual installment payment will be determined by multiplying the then amount of the participant's vested account balances by a fraction whose numerator is one and whose denominator is the number of remaining annual installment payments.

(d) Death of Beneficiary. If a participant's designated beneficiary is receiving installment payments and dies before receiving payment of all the annual installments, the designated beneficiary's estate will receive a lump-sum payment of the amount remaining to be distributed to such deceased beneficiary. Such payment will be made as soon as practicable after the committee's receipt of satisfactory evidence of the death of the designated beneficiary.

ARTICLE 7
MISCELLANEOUS

7.1 AMENDMENT OR TERMINATION OF PLAN. Biogen Idec, by action of the Board or of the Compensation Committee (or such other committee thereof or officer or officers of Biogen Idec to whom the Board or Compensation Committee has delegated this authority), at any time and from time to time, may amend or modify any or all of the provisions of this plan or may terminate this plan without the consent of any participant (or beneficiary or other person claiming through a participant). No termination or amendment of the plan may reduce the amounts credited to the accounts of any participant under the plan (including a participant whose employment with the employer was terminated before such termination or amendment) or the vested percentages of such accounts. However, Biogen Idec may change the deemed investment options under Section 5.2, and Biogen Idec may upon termination of this plan pay participants' account balances to the participants regardless of the times elected for payment (or the start of installment payments) elected by the participants and may pay such amounts in single sum payments regardless of whether installment distributions would otherwise be payable under Section 6.5. In addition, Biogen Idec may, from time to time, make any amendment that it deems necessary or desirable to satisfy the applicable requirements of the tax laws and ruling and regulations thereunder in order to preserve, if possible, the tax deferral features of this plan for participants. No diminution or restriction on a participant's opportunity to make elections or withdrawals, or exercise other privileges or rights hereunder, pursuant to the preceding sentence will be deemed to violate the rights of any participant or beneficiary hereunder so long as such change does not effect a forfeiture of any of a participant's account balances hereunder or render an account balance (or portion thereof) which previously was nonforfeitable forfeitable.

In addition, any amendment provided for under the preceding paragraph may be made by the committee, or by the Chairman, Chief Executive Officer or Executive Vice President - Human Resources of Biogen Idec except for an amendment that would materially increase or reduce the benefits of the plan to participants or materially increase the cost of maintaining the plan to the employers; such committee or officers may not terminate the plan.

7.2 BENEFITS NOT CURRENTLY FUNDED.

(a) Nothing in this plan will be construed to create a trust or to obligate Biogen Idec to segregate a fund, purchase an insurance contract or other investment, or in any other way currently to fund the future payment of any benefits hereunder, nor will anything herein be construed to give any participant or any other person rights to any specific assets of Biogen Idec or any other entity. However, in order to make provision for its obligations hereunder, Biogen Idec may in its discretion purchase an insurance contract or other investment; any such contract or investment will be a general asset belonging to Biogen Idec, and no participant or beneficiary will have any rights

to any such asset. The rights of a participant or beneficiary hereunder will be solely those of a general, unsecured creditor of his employer.

(b) Notwithstanding subsection (a) above, Biogen Idec in its sole discretion may establish a grantor trust of which it is treated as the owner under Code Section 671 to provide for the payment of benefits hereunder, subject to such terms and conditions as Biogen Idec may deem necessary or advisable to ensure that benefits are not includable, by reason of the trust, in the taxable income of trust beneficiaries before actual distribution and that the existence of the trust does not cause the plan or any other arrangement to be considered funded for purposes of Title I of ERISA.

7.3 NO ASSIGNMENT.

(a) No participant or beneficiary will have any power or right to transfer, assign, anticipate or otherwise encumber any benefit or amount payable under this plan, nor shall any such benefit or amount payable be subject to seizure or attachment by any creditor of a participant or a beneficiary, or to any other legal, equitable or other process, or be liable for, or subject to, the debts, liabilities or other obligations of a participant or beneficiary except as otherwise required by law.

(b) Notwithstanding subsection (a) above, all or a portion of a participant's account balances may be assigned to the participant's spouse, former spouse, or other dependent (for purposes of this section, an "alternate recipient") in connection with a court order or property settlement agreement awarding such portion(s) to the alternate recipient. If any portion of an account so assigned is not fully vested at such time, such portion will vest only in accordance with the applicable provisions of this plan based upon the participant's years of service. Upon receipt of a copy of the relevant provisions of any such order or property settlement agreement, certified to be accurate and in effect by the participant, and an acknowledgment by the alternate recipient that such alternate recipient will be responsible for income taxes on such amounts when distributed or made available to such alternate recipient and that such amounts are subject to income tax withholding as provided in this plan, and such other information (including the alternate recipient's social security number) as the committee may reasonably request, the committee will assign such amount to a separate account hereunder and will distribute such account to the alternate recipient as soon as practicable thereafter (except for any unvested amounts). Notwithstanding the preceding sentence, in the sole discretion of the committee, the amount credited to the alternate recipient's account may be retained in the plan and paid to the alternate recipient as such time or times as the committee determines, but not later than the time or times that amounts hereunder are distributed to the participant. Pending payment of an alternate recipient's account to him or her, such account will be credited with deemed investment results under Section 5.2 based upon the alternate recipient's designation of one or more investment funds.

7.4 RESPONSIBILITIES AND AUTHORITY OF COMMITTEE. The committee will control and manage the operation and administration of the plan except to the extent that such responsibilities are specifically assigned hereunder to Biogen Idec, the Board or the Compensation Committee.

The committee will have all powers and authority necessary or appropriate to carry out its responsibilities for the operation and administration of the plan. It will have discretionary authority to interpret and apply all plan provisions and may correct any defect, supply any omission or reconcile any inconsistency or ambiguity in such manner as it deems advisable. It will make all final determinations concerning eligibility, benefits and rights hereunder, and all other matters concerning plan administration and interpretation. All determinations and actions of the committee will be conclusive and binding upon all persons, except as otherwise provided herein or by law, and except that the committee may revoke or modify a determination or action previously made in error. It is intended that any action or inaction by the committee will be given the maximum possible deference by any reviewing body (whether a court or other reviewing body), and will be reversed by such reviewing court or other body only if found to be arbitrary and capricious.

Biogen Idec will be the "plan administrator" and the "named fiduciary" for purposes of ERISA.

7.5 LIMITATION ON RIGHTS CREATED BY PLAN. Nothing appearing in the plan will be construed (a) to give any person any benefit, right or interest except as expressly provided herein, or (b) to create a contract of employment or to give any employee the right to continue as an employee or to affect or modify his terms of employment in any way.

7.6 TAX WITHHOLDING. Any payment hereunder to a participant, beneficiary or alternate recipient will be subject to withholding of income and other taxes to the extent required by law.

7.7 TEXT CONTROLS. Headings and titles are for convenience only, and the text will control in all matters.

7.8 APPLICABLE STATE LAW. To the extent that state law applies, the provisions of the plan will be construed, enforced and administered according to the laws of the Commonwealth of Massachusetts.

BIOGEN IDEC INC.

By: /s/ James C. Mullen

James C. Mullen
Chief Executive Officer

EXHIBIT 10.28

BIOGEN IDEC INC.

VOLUNTARY BOARD OF DIRECTORS SAVINGS PLAN
(As Amended and Restated; Effective January 1, 2004)

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ARTICLE 1
INTRODUCTION

1.1 PURPOSE AND EFFECTIVE DATE. The purpose of this plan is to provide members of the Board of Directors of Biogen Idec with a tax-deferred savings opportunity. This plan allows participants to defer all or a portion of their directors' fees and retainer by so electing before such fees and retainer have been earned. The effective date of this plan is January 1, 2004.

ARTICLE 2
DEFINITIONS

This section contains definitions of terms used in the plan. Where the context so requires, the masculine includes the feminine, the singular includes the plural, and the plural includes the singular.

2.1 BIOGEN IDEC means Biogen Idec Inc., a Delaware corporation, or any successor to all or the major portion of its assets or business which assumes the obligations of Biogen Idec Inc. under this plan.

2.2 BOARD means the Board of Directors of Biogen Idec.

2.3 COMMITTEE means the committee designated by the Board to administer this Plan.

2.4 DIRECTOR means an individual serving as a director of Biogen Idec in accordance with its articles and by-laws.

2.5 FEES means the amounts payable to a director as compensation for his or her attendance at a meeting of the Board or a committee of the Board.

2.6 PARTICIPANT means a director who has made a savings deposit hereunder or for whom an amount has been transferred to this plan.

2.7 PLAN means the Biogen Idec Inc. Voluntary Board of Directors Savings Plan, as set forth in this plan instrument, and as it may be amended from time to time.

2.8 RETAINER means the amount payable to a director as an annual retainer for service in such capacity, as in effect from time to time.

2.9 SAVINGS PLAN means the Biogen Idec 401(k) Savings Plan, as amended from time to time. Any term defined in the Savings Plan will have the same meaning when used in this plan unless otherwise defined herein.

2.10 PLAN YEAR means the 12-month periods commencing on January 1, 2004 and on each subsequent January 1 while this plan remains in effect.

ARTICLE 3
PARTICIPATION

3.1 ELIGIBILITY AND PARTICIPATION. Each director will be eligible to be a participant in this plan as long as he is a director. However, a director who is also an employee of Biogen Idec (or a direct or indirect subsidiary of Biogen Idec) will not be eligible to participate in this plan unless he receives fees and/or retainer separate and apart from his compensation as an employee, and in such event he will be eligible to participate in this plan only with respect to such fees and retainer. A director will become a participant hereunder when he makes a savings deposit to this plan or when his account balance under the Biogen, Inc. Voluntary Board of Directors Savings Plan (the "Biogen Directors Plan") is transferred to this plan. Participation in this plan is voluntary and no director will be required to participate.

3.2 END OF PARTICIPATION. A participant's participation in this plan will end upon the termination of his service as a director of Biogen Idec because of death, retirement, resignation, failure of reelection, or any other reason. Upon the termination of a participant's participation in this plan in accordance with this section, the participant may make no further savings deposits hereunder. However, the participant will be entitled to receive any amounts in his accounts in accordance with this plan.

ARTICLE 4
SAVINGS DEPOSITS BY PARTICIPANTS

4.1 SAVINGS DEPOSITS AND ELECTIONS.

(a) Savings Deposits. Each director may make savings deposits to the plan from his fees and retainer in any whole percentage of such fees and/or such retainer, from a minimum of 1% to a maximum of 100%, by agreeing to reduce his fees and/or retainer by such amount in accordance with this plan.

All amounts by which a participant reduces his fees and/or retainer hereunder are referred to herein as the participant's savings deposits.

(b) Sign-Up Procedure for Savings Deposits. A director who wishes to reduce his fees and/or retainer with respect to a particular plan year in order to make savings deposits must complete an enrollment form specifying the amount of his savings deposits (with separate percentages for his fees and retainer if desired), agreeing to reduce his fees and/or retainer by the amount(s) desired, and providing such other information as the committee may require.

A director's initial enrollment form (or another form specified by the committee) will also specify the time for payment (or the commencement of installment payments) under Section 6.3 and the form of payment (lump sum or installments in accordance with Section 6.4(a) below) of his accounts hereunder. The time specified for payment may be anytime the participant indicates, but not later than the later of the participant's termination of service as a director or the participant's termination of employment (if the participant is an employee of Biogen Idec or a subsidiary or affiliate in addition to being a director). In addition, a participant's initial enrollment form may (but is not required to) specify one or more in-service distributions to the participant in accordance with Section 6.1A if desired by the participant.

A director's enrollment form electing savings deposits for any plan year must be filed with the committee by such deadline as the committee specifies, but in any event before the start of such plan year. However, with respect to the initial plan year (January 1 to December 31, 2004), the director's election with respect to 2004 fees and retainer may be made either during December, 2003 or within 30 days after the effective date of the plan (i.e., no later than January 31, 2004), provided that such initial election will relate only to fees and retainer to be earned after the date of the election. A participant may change the amount of his savings deposits (but not the time for payment or the form of payment of his account except as provided in subsection (c) below) with respect to any subsequent plan year by filing a new enrollment form before the start of such subsequent plan year, and the change will become effective as of the first day of such subsequent plan year. Once a participant has elected to defer fees and/or retainer, his enrollment form will remain in effect for future plan years unless the participant changes or terminates his prior elections by filing a new enrollment form in accordance with the preceding sentence.

After a plan year has begun, a participant may not change the amount of savings deposits (if any) he had elected for such plan year. However, if a participant has an unforeseeable financial hardship (as defined in Section 6.1) or other significant financial difficulty during a year, with the consent of the committee the participant may reduce or cancel his savings deposits election for the balance of that year.

(c) Subsequent Election. Notwithstanding the second paragraph of subsection (b) above, at anytime prior to the date for payment originally elected by the participant, if the participant is still a director of Biogen Idec at such time, the participant may elect to defer the time when his account would otherwise be payable (or installment payments would otherwise begin) to a subsequent date specified by him (not later than the latest time permitted under subsection (b)) or may elect installments (or a greater number of installments). If such election becomes effective as provided below, then the participant's account will be payable at the time specified in his subsequent

election. The participant's election under this subsection (c) will become effective if any of the following criteria is satisfied: (i) the participant remains a director of Biogen Idec for at least one year after making such election, or (ii) the participant's service as a director of Biogen Idec ends due to failure of reelection or due to disability (which means the participant's inability to perform the material duties of his position because of a physical or mental illness or condition).

A participant may make only one election under this subsection (c) to further defer payment.

(d) Transferred Account Balance. Notwithstanding the preceding subsections of this Section 4.1, in the case of a participant who was a director of Biogen, Inc. and whose account balance under the Biogen Directors Plan was transferred to this plan, payment of his transferred account balance will be made in accordance with his election under the Biogen Directors Plan (subject, if applicable, to such participants' subsequent change of election under subsection (c) above).

ARTICLE 5
PARTICIPANT ACCOUNTS

5.1 PARTICIPANT ACCOUNTS.

(a) Savings Deposits Accounts. Savings deposits by a participant from his fees or retainer hereunder will be credited to an account in the name of such participant. Such account will be called his savings deposits account.

If applicable, a participant's transferred account balance from the Biogen Directors Plan will be separately accounted for within his savings deposit account.

(b) Participant's Account Value. A participant's account will be credited with deemed investment results as if his savings deposits were invested in one or more designated investment funds and all dividends and distributions on shares of a particular investment fund were reinvested in shares of such fund. The investment funds available for this purpose will be those from time to time available as investment options under the Savings Plan.

In addition to the investment funds offered under the Savings Plan as described in the preceding paragraph, a participant may elect to have his accounts credited with the deemed investment results as if such amounts were invested in a fixed income option earning a rate of return specified by the committee. The rate of return under the fixed income option will be 8% for the 2004 plan year. The rate of return of future plan years will be determined by the committee.

Investment funds hereunder are for the sole purpose of providing a basis for crediting deemed investment results to participants' accounts, and do not represent any actual funds or assets held hereunder for the benefit of participants.

Each participant will indicate with his initial enrollment form (or other form specified by the committee) the investment fund or funds (and the proportion in each fund when the participant designates more than one) he wishes to designate for this purpose. Thereafter, a participant may change his designation either with respect to the deemed investment of future savings deposits or the deemed transfer of amounts from a previously designated investment fund to another fund. The committee shall establish the frequency by which such a change may be made, the method of making such a change, and the effective date of such a change and shall prescribe such other rules and procedures as it deems appropriate. Such designation will remain in effect until subsequently changed by the participant in accordance with this paragraph.

Notwithstanding the preceding paragraph, the committee may establish one or more default investment funds that will be used to determine deemed investment results in the case of any participant or group of participants who have not made a designation under the preceding paragraph. Such default investment fund(s) will be used to determine deemed investment results applicable to the account of such participant or participants until any such participant makes a designation of investment fund(s) in accordance with the plan.

Deemed investment results under this subsection will be credited to a participant's account effective as of the last day in each calendar quarter (or such shorter time as may be specified by the committee).

The value of a participant's account at any point in time will be his savings deposits (plus, if applicable, his transferred account balance from the Biogen Directors Plan), increased or decreased by deemed investment results as provided in this subsection (b) through the end of the most recently completed calendar quarter (or such shorter time as may be specified by the committee), and reduced by any distributions from the participant's account.

(c) Bookkeeping Accounts. Participants' accounts and subaccounts will be maintained on Biogen Idec's books for bookkeeping purposes only; such accounts will not represent any interest in any trust or in any segregated asset.

In order to facilitate the administration of the plan, the committee may arrange for a participant's savings deposits account to be divided for recordkeeping purposes into two or more subaccounts, in accordance with procedures established by the committee.

5.2 VESTING. A participant will have a fully vested interest in his savings deposits account at all times. For this purpose, "fully vested" means that such account is not subject to forfeiture; however, all participant accounts are subject to fluctuation as a result of the crediting of deemed investment results (including losses) to such accounts as provided in the plan.

ARTICLE 6
DISTRIBUTIONS TO PARTICIPANT

6.1 DISTRIBUTIONS FOR FINANCIAL HARDSHIP. If a participant has a serious financial hardship, he may apply to the committee for a distribution from the plan prior to his termination of service as a director or other designated time for payment. If such application for a hardship distribution is approved by the committee, the distribution will be made as soon as practicable after the later of the date specified in the participant's application or the date of approval by the committee. The amount of the distribution will be the amount needed to alleviate the participant's financial hardship, as determined by the committee, up to a maximum of the participant's account balance. Such a distribution will be made from the participant's account in a single lump-sum payment. If such a participant's account has two or more subaccounts, the committee will determine which subaccount(s) will be debited to reflect the financial hardship distribution.

Financial hardship will be limited to the following: bankruptcy or impending bankruptcy, unexpected and unreimbursed major expenses resulting from illness to person or accident to person or property, and to other types of unforeseeable and unreimbursed expenses of a major nature that normally would not be budgetable. Financial hardship shall not include foreseeable expenses such as down payments on a home or purchase of an auto, or college or other educational expenses.

6.1A. IN-SERVICE DISTRIBUTION(S) AT A TIME SPECIFIED BY PARTICIPANT. If, in his initial enrollment or other election form (or, if applicable, a subsequent election under Section 4.1(c)), a participant elected payment of his account (or a specified portion thereof) at a specified time(s) and he is still a director at such time(s), the participant will receive payment of the amount to be distributed in accordance with such election, payable on or as soon as practicable after the designated date(s). A participant's election for in-service distributions under this Section 6.1A may be for a single payment or up to five annual payments, in each case in an amount or portion specified by the participant in his enrollment or other election form. Each payment will be the amount specified (or the entire balance remaining in the participant's account, if less).

Any amount in a participant's account hereunder not distributed to the participant under this Section 6.1A will be distributed under Section 6.2 or 6.3, whichever may be applicable, and Section 6.4 (if applicable). If a participant is receiving multiple payments under this Section 6.1A and dies or otherwise terminates service (or employment if he is also an employee of Biogen Idec or a subsidiary or affiliate), payments under this subsection will cease and subsequent payments will be governed by Section 6.2 or 6.3, as the case may be.

6.2 DISTRIBUTION UPON DEATH OF A PARTICIPANT.

(a) In general. If a participant dies before his entire account balance has been distributed, his beneficiary will receive the amount remaining in the participant's account. Distribution will be made in a single sum payment on a date determined by the committee, but not later than one year after the committee receives such evidence of the participant's death and of the right of any beneficiary to receive payment as it deems necessary.

(b) Beneficiary. A participant may designate one or more beneficiaries to receive a distribution payable under subsection (a) above and may revoke or change such a designation at any time. If the participant names two or more beneficiaries, distribution to them will be in such proportions as the participant designates or, if the participant does not so designate, in equal shares. Any designation of beneficiary will be in writing on such form as the committee may prescribe or deem acceptable, and will be effective upon filing with the committee.

Any portion of a distribution payable upon the death of a participant that is not disposed of by a designation of beneficiary under the preceding paragraph, for any reason whatsoever, will be paid to the participant's spouse if living at his death, otherwise equally to the participant's natural and adopted children (and the issue of a deceased child by right of representation), otherwise to the participant's estate.

The committee may direct payment in accordance with a prior designation of beneficiary (and will be fully protected in so doing) if such direction (i) is given before a later designation is received, or (ii) is due to the committee's inability to verify the authenticity of a later designation. Such a distribution will discharge all liability therefor under the plan.

6.3 OTHER DISTRIBUTIONS. Except in the case of the participant's death (in which case distribution is made in accordance with Section 6.2), distribution of a participant's account will be made at the time elected by the participant in accordance with Section 4.1. In the absence of such an election, distribution of the participant's account will be made following the latest of the participant's termination of service as a director or the participant's termination of employment (if the participant is an employee of Biogen Idec or a subsidiary in addition to being a director). Distribution will be made in a single lump sum payment on a date determined by the committee, but not later than one year after the committee's receipt of satisfactory evidence of the occurrence of the event causing distribution.

6.4 INSTALLMENT DISTRIBUTIONS IN CERTAIN CASES.

(a) Participant. Notwithstanding the provisions of Section 6.3, a participant may, at the time of filing his initial enrollment (or other specified) form under Section 4.1 (or, if applicable, in a subsequent election under Section 4.1(c)), designate that the amount payable to him hereunder will be paid in a number (minimum of two and maximum of fifteen) of annual installment payments, as specified by the participant.

(b) Beneficiary. Notwithstanding Section 6.2, a participant may designate that, if the participant dies before receiving the entire amount payable to him hereunder, the beneficiary will receive either:

(i) A number of annual installment payments equal to:

(A) the number the participant elected for himself under subsection (a) above (if the participant dies before receiving any installment payments), or

(B) the number of remaining installment payments due to the participant under subsection (a) above (if the participant dies after receiving one or more installment payments); or

(ii) a single payment.

Payment to the beneficiary will be made or begin as provided in Section 6.2(a).

If the participant fails to designate the form of payment to the beneficiary, the default form will be installments under (i) above. If installment payments are payable to the beneficiary, with the consent of the committee, a participant may subsequently change the form of payment to his beneficiary (but not the form of payment to himself under Section 6.3), to a single payment by filing a written instrument so specifying with the committee.

(c) Installment Payments. Where installment payments are due, the first annual installment payment will be paid out on the date specified in Section 6.2 or 6.3 (whichever is applicable) and subsequent annual installments will be paid approximately on succeeding anniversaries of the first payment date. The amount of each annual installment payment will be determined by multiplying the then amount remaining to be paid by a fraction whose numerator is one and whose denominator is the number of remaining annual installment payments.

(d) Death of Beneficiary. If a participant's designated beneficiary is receiving installment payments and dies before receiving payment of all the annual installments, the designated beneficiary's estate will receive a lump-sum payment of the amount remaining to the distributed to such deceased beneficiary. Such payment will be made as soon as practicable after the committee's receipt of satisfactory evidence of the death of the designated beneficiary.

ARTICLE 7
MISCELLANEOUS

7.1 AMENDMENT OR TERMINATION OF PLAN. Biogen Idec, by action of the Board (or such committee thereof or officer or officers of Biogen Idec to whom the Board has delegated this authority), at any time and from time to time, may amend or modify any or all of the provisions of this plan or may terminate this plan without the consent of any participant (or beneficiary or other person claiming through a participant). No termination or amendment of the plan may reduce the amount credited to the account of any participant under the plan (including a participant whose service as a director terminated before such plan termination or amendment). However, Biogen Idec may change the deemed investment options under Section 5.1(c), and Biogen Idec may upon termination of this plan pay participants' account balances to the participants regardless of the times elected for payment (or the start of installment payments) elected by the participants and may pay such amounts in single sum payments regardless of whether installment distributions would otherwise be payable under Section 6.4. In addition, Biogen Idec may, from time to time, make any amendment that it deems necessary or desirable to satisfy the applicable requirements of the tax laws and rulings and regulations thereunder in order to preserve, if possible, the tax deferral features of this plan for participants. No diminution or restriction on a participant's opportunity to make elections or withdrawals, or exercise other privileges or rights hereunder pursuant to the preceding sentence will be deemed to violate the rights of any participant or beneficiary hereunder so long as such change does not render a participant's account balance forfeitable.

7.2 BENEFITS NOT CURRENTLY FUNDED.

(a) Nothing in this plan will be construed to create a trust or to obligate Biogen Idec to segregate a fund, purchase an insurance contract or other investment, or in any other way currently to fund the future payment of any benefits hereunder, nor will anything herein be construed to give any participant or any other person rights to any specific assets of Biogen Idec or any other entity. However, in order to make provision for its obligations hereunder, Biogen Idec may in its discretion purchase an insurance contract or other investment; any such contract or investment will be a general asset belonging to Biogen Idec, and no participant or beneficiary will have any rights to any such asset. The rights of a participant or beneficiary hereunder will be solely those of a general, unsecured creditor of Biogen Idec.

(b) Notwithstanding subsection (a) above, Biogen Idec in its sole discretion may establish a grantor trust of which it is treated as the owner under Code Section 671 to provide for the payment of benefits hereunder, subject to such terms and conditions as Biogen Idec may deem necessary or advisable to ensure that benefits are not includable, by reason of the trust, in the taxable income of trust beneficiaries before actual distribution and that the existence of the trust does not cause the plan or any other arrangement to be considered funded for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or for purposes of the Internal Revenue Code of 1986, as amended.

7.3 NO ASSIGNMENT.

(a) No participant or beneficiary will have any power or right to transfer, assign, anticipate or otherwise encumber any benefit or amount payable under this plan, nor shall any such benefit or amount payable be subject to seizure or attachment by any creditor of a participant or a beneficiary, or to any other legal, equitable or other process, or be liable for, or subject to, the debts, liabilities or other obligations of a participant or beneficiary except as otherwise required by law.

(b) Notwithstanding subsection (a) above, all or a portion of a participant's account balance may be assigned to the participant's spouse, former spouse, or other dependent (for purposes of this section, an "alternate recipient") in connection with a court order or property settlement agreement awarding such portion to the alternate recipient. Upon receipt of a copy of the relevant provisions of any such order or property settlement agreement, certified to be accurate and in effect by the participant, and an acknowledgment by the alternate recipient that such alternate recipient will be responsible for income taxes on such amounts when distributed or made available to such alternate recipient and that such amounts are subject to income tax withholding as provided in this plan, and such other information (including the alternate recipient's social security number) as the committee may reasonably request, the committee will assign such amount to a separate account hereunder and will distribute such account to the alternate recipient as soon as practicable thereafter. Notwithstanding the preceding sentence, in the sole discretion of the committee, the amount credited to the alternate recipient's account may be retained in the plan and paid to the alternate recipient as such time or times as the committee determines, but not later than the time or times that amounts hereunder are distributed to the participant. Pending payment of an alternate recipient's account to him or her, such account will be credited with deemed investment results under Section 5.1 based upon the alternate recipient's designation of one or more investment funds.

7.4 RESPONSIBILITIES AND AUTHORITY OF COMMITTEE. The committee will control and manage the operation and administration of the plan except to the extent that such responsibilities are specifically assigned hereunder to Biogen Idec or the Board.

The committee will have all powers and authority necessary or appropriate to carry out its responsibilities for the operation and administration of the plan. It will have discretionary authority to interpret and apply all plan provisions and to correct any defect, supply any omission or reconcile any inconsistency or ambiguity in such manner as it deems advisable. It will make all final determinations concerning eligibility, benefits and rights hereunder, and all other matters concerning plan administration and interpretation. All determinations and actions of the committee will be conclusive and binding upon all persons, except as otherwise provided herein or by law, and except that the committee may revoke or modify a determination or action previously made in error. It is intended that any action or inaction by the committee will be given the maximum possible deference by any reviewing body (whether a court or other reviewing body), and will be reversed by such reviewing court or other body only if found to be arbitrary and capricious.

Biogen Idec will be the "plan administrator" and the "named fiduciary" for purposes of ERISA.

7.5 LIMITATION ON RIGHTS CREATED BY PLAN. Nothing appearing in the plan will be construed (a) to give any person any benefit, right or interest except as expressly provided herein, or (b) to create a contract of employment or to give any director the right to continue in such capacity or to affect or modify the terms of his service as a director in any way.

7.6 TAX WITHHOLDING. Any payment hereunder to a participant, beneficiary or alternate recipient will be subject to withholding of income and other taxes to the extent required by law.

7.7 TEXT CONTROLS. Headings and titles are for convenience only, and the text will control in all matters.

7.8 APPLICABLE STATE LAW. To the extent that state law applies, the provisions of the plan will be construed, enforced and administered according to the laws of the Commonwealth of Massachusetts.

BIOGEN IDEC INC.

By: /s/ William H. Rastetter

_____

William H. Rastetter, Ph.D.
Chairman

EXHIBIT 10.29

EXECUTIVE SEVERANCE - SENIOR/EXECUTIVE VICE PRESIDENT

As a Senior Vice President or Executive Vice President, you are entitled to severance benefits in the event your employment with Biogen Idec is terminated by Biogen Idec other than for cause. The severance benefits will be comprised of (i) a lump sum payment and (ii) upon completion of the appropriate forms, continuation of your participation in Biogen Idec's group medical and dental insurance plans. The lump sum payment, equivalent to at least nine months of annual base salary and a prorated portion of your target annual performance bonus, will be calculated as follows:

$$[9 + (A \times 2)] \times B = \text{lump sum payment}$$

where: A is number of full years of service with Biogen Idec, but (A x 2) not more than 9

B is monthly annual compensation (i.e., one-twelfth of sum of annual base salary plus target annual performance bonus modified by your most recent individual performance incentive factor).

The lump sum payment (less state and federal income and welfare taxes and other mandatory deductions under applicable laws) will be paid to you promptly following the later of (i) the termination of your employment with Biogen Idec and (ii) the effective date of a general release in favor of Biogen Idec (see below). Your participation in Biogen Idec's group medical and dental insurance plans will continue until the earlier of (x) the date you become eligible to participate in the medical and dental insurance plans of a third party employer or (y) the date that is [9 + (A x 2)] months following the termination of your employment with Biogen Idec; and only to the same extent such insurance is then provided to regular employees of Biogen Idec (including payment by you of a portion of the insurance premiums). For example:

If your employment with Biogen Idec is terminated after two months, you will receive a lump sum payment equal to nine months of your monthly annual compensation and continue to participate in Biogen Idec's group medical and dental plans for nine months, unless you become eligible to participate in a third party employer's medical and dental plans before that date.

If your employment with Biogen Idec is terminated after five years, you will receive a lump sum payment equal to 18 months of your monthly annual compensation and continue to participate in Biogen Idec's group medical and dental plans for 18 months, unless you become eligible to participate in a third party employer's medical and dental plans before that date.

For purposes of the severance arrangement, "cause" means (i) your engagement in misconduct that is injurious to Biogen Idec, monetarily or otherwise, (ii) your conviction of a felony by a court of competent jurisdiction, (iii) your commission of any act of fraud or embezzlement relating to the property of Biogen Idec, or (iv) your material violation of any obligations of confidentiality, nondisclosure and non-competition owed to Biogen Idec.

Payment and provision of the severance benefits described above are conditioned on your execution of a general release in favor of Biogen Idec, in form and substance reasonably acceptable to Biogen Idec, in respect of any and all claims relating to your employment and the termination of your employment with Biogen Idec. If you retire or terminate your employment with Biogen Idec or Biogen Idec terminates your employment for cause or you do not provide the requisite general release, then you shall not be entitled to receive the severance benefits described above.

FOURTH AMENDMENT TO AGREEMENT

This Fourth Amendment to Agreement ("Fourth Amendment") is made and entered into by and between MDS (Canada) Inc., MDS Nordion division ("Nordion") and IDEC Pharmaceuticals Corporation ("IDEC"), effective as of June 10, 2003.

WHEREAS:

A. Nordion and IDEC are parties to that certain Agreement dated May 14, 1999 (the "Isotope Agreement").

B. The Isotope Agreement was subsequently amended by letter agreement between the parties dated January 25, 2000 ("First Amendment"), a letter agreement between the parties dated March 21, 2000 relating to Isotope dose size ("Isotope Dose Size Letter"), a letter Agreement between the parties dated March 27, 2001 ("Second Amendment"), and an agreement between the parties dated November 12, 2001 ("Third Amendment"). The Isotope Agreement, as amended by the First Amendment, Isotope Dose Size Letter, Second Amendment and Third Amendment are collectively referred to herein as the "Agreement."

C. Nordion and IDEC desire to further amend the Agreement as set forth in this Fourth Amendment.

D. Unless otherwise defined herein capitalized items as used herein shall have the meanings as given thereto in the Agreement.

NOW THEREFORE in consideration of covenants and agreements herein contained, and subject to the terms and conditions hereinafter set out the parties agree as follows:

1. Section 3.3 of the Third Amendment shall be amended and restated in its entirety as follows:

"In the event Nordion has not submitted an updated DMF for the KRMF Facility to the FDA on or before January 12, 2004, IDEC's $55,000,000 US cumulative Commercial Phase minimum purchase commitment set forth in Section 3.1 above and the $55,000,000 US amount associated with the Cumulative Revenue Date shall each be reduced by $5,000,000 US and shall continue to be reduced by $5,000,000 US on the 12th day each month following January 12, 2004 until the updated DMF is submitted, provided, however, in no event shall such reductions cause the cumulative Commercial Phase minimum purchase requirement and amount associated with the Cumulative Revenue Date to fall below $25,000,000 US. Attachment 1, incorporated herein by reference, sets forth the Commercial Phase minimum purchase commitment schedules as so reduced by $5,000,000 increments.

2. Section 3.4 of the Third Amendment shall be amended and restated in its entirety as follows:

"In the event Nordion has not established the capability to commence commercial supply of Isotope from the KRMF Facility by October 12, 2004, provided and to the extent such delay is not the result of the failure by IDEC to submit a supplemental BLA to the FDA for the purpose of FDA KRMF Facility regulatory approval as provided in Section 3.3, IDEC's $55,000,000 US cumulative Commercial Phase minimum purchase commitment and the $55,000,000 US amount associated with the Cumulative Revenue Date, as the same may have been reduced pursuant to Section 3.3 above, shall each be further reduced by $5,000,000 US on the 12th day of each month following October 12, 2004 until the date by which Nordion is capable of commercially supplying Isotope from the KRMF Facility. In any event, IDEC will use its good faith efforts to prepare and submit a supplemental BLA to the FDA within ten (10) business days after Nordion's submission of its DMF, unless IDEC reasonably determines that would not be in its best interest to do so for regulatory reasons, in which case IDEC shall submit such supplemental BLA as soon as reasonably practicable thereafter. In no event shall such reductions cause the cumulative Commercial Phase minimum purchase commitment and the amount associated with the Cumulative Revenue Date to fall below $25,000,000 US. Attachment 1, incorporated herein by reference, sets forth the Commercial Phase minimum purchase commitment schedules as so reduced by $5,000,000 increments."

3. All other terms and conditions in the Third Amendment and the Agreement shall remain in full force and effect.

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

MDS (CANADA) INC., MDS Nordion division	IDEC PHARMACEUTICALS CORPORATION
By: /s/ [ILLEGIBLE] ----------	By: /s/ Mark Wiggins ----------

Exhibit 10.35

FIFTH AMENDMENT TO AGREEMENT

THIS FIFTH AMENDMENT TO AGREEMENT ("Fifth Amendment") is made and effective as of this 17th day of December, 2003, by and between MDS (CANADA) INC., MDS NORDION division, successor to MDS NORDION INC. ("Nordion"), and Biogen Idec Inc. ("Biogen Idec") (formerly IDEC Pharmaceuticals Corporation).

WHEREAS:

A. Nordion and Biogen Idec are parties to that certain Agreement dated May 14, 1999, whereby Nordion agreed to manufacture and supply Isotope for use with Biogen Idec's Labelled Drug ("Original Agreement").

B. The Original Agreement was subsequently amended by a letter agreement between the parties dated January 25, 2000 ("First Amendment"), a letter agreement between the parties dated March 21, 2000 relating to Isotope dose size ("Isotope Dose Size Letter"), a Letter Agreement between the parties dated March 22, 2001 ("Second Amendment"), a Third Amendment to Agreement dated November 12, 2001 ("Third Amendment") and a Fourth Amendment to Agreement dated June 10, 2003 ("Fourth Amendment"). The Original Agreement, as amended by the First Amendment, Isotope Dose Size Letter, Second Amendment, Third Amendment and Fourth Amendment are collectively referred to herein as the "Agreement."

C. Nordion, Biogen Idec and Union Bank of California, N.A. (the "Escrow Agent") are also parties to that certain Escrow Agreement dated November 12, 2001 ("Escrow Agreement").

D. Nordion and Biogen Idec desire to further amend the Agreement as set forth in this Fifth Amendment.

E. Capitalized terms used, but not otherwise defined herein, shall have the meanings ascribed to them in the Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. PAYMENT. IDEC acknowledges that Nordion has made a significant investment in Isotope facilities and manufacturing capabilities at both its facilities in Canada and Belgium in order to meet Biogen Idec's projected demand for Isotope. In consideration of such investment and elimination of Biogen Idec's minimum purchase commitments under the Agreement, Biogen Idec has agreed, upon execution of this agreement, to pay Nordion TWENTY FIVE MILLION US DOLLARS (US$25,000,000). Nordion and Biogen Idec have agreed that Biogen Idec shall be permitted to pay such amount out of the escrow account established pursuant to the Escrow Agreement. In order to effect such payment Nordion and Biogen Idec agree to execute a written request to the Escrow Agent, in substantially the form attached hereto as Annex "A," instructing the Escrow Agent to (i) immediately pay TWENTY FIVE MILLION US DOLLARS (US$25,000,000) to Nordion out of escrow and (ii) disburse all remaining funds in

escrow to Biogen Idec. Such payment of funds to Nordion shall be non-reimbursable and Biogen Idec shall not be permitted to file any objection to such disbursement with the Escrow Agent or otherwise.

2. TERMINATION AND AMENDMENT OF AGREEMENT PROVISIONS.

2.1 The Fourth Amendment is hereby deleted in its entirety and shall have no further force or effect.

2.2 The last sentence in Section 1.4 and Sections 7.1, 7.2 and 7.4 and Articles 2, 3, 4, 5 and 6, of the Third Amendment are hereby deleted in their entirety and shall have no further force or effect.

2.3 Articles 2, 3, 4, 5 and 6 of the Second Amendment are hereby deleted in their entirety and shall have no further force or effect.

2.4 The last sentence in Section 7.1(ii), Sections 7.1(iii) and 7.2(iii) of the Original Agreement are hereby deleted in their entirety and shall have no further force or effect.

2.5 Section 7.1(i) of the Original Agreement is hereby amended and restated in its entirety to read as follows:

"(i) During the Commercial Phase Nordion shall manufacture and supply Isotope to Biogen Idec for use in Clinical Trials under Biogen Idec's IND in the United States and Biogen Idec's or its designee's IND or equivalents in Canada and Europe, and for commercial sale in Canada and the United States. Biogen Idec shall, beginning at the start of the Commercial Phase and ending at the end of the Initial Term, purchase from Nordion all of Biogen Idec's and its Affiliates, requirements for Isotope for use with the Monoclonal Antibody in the United States. In addition, for the period beginning at the start of the Commercial Phase and ending at the end of the Initial Term Biogen Idec shall cause any third party who licenses or otherwise acquires from Biogen Idec the rights to market or sell Labelled Drug ("Third Party Marketing Partner"), to purchase from Nordion all of its requirements for Isotope for use with the Monoclonal Antibody in the United States. Except as otherwise set out in this agreement, beginning at the start of the Commercial Phase and ending at the end of the Initial Term, Biogen Idec agrees that it shall not, nor permit its Affiliates or Third Party Marketing Partner to, directly or indirectly, purchase or acquire Isotope from any third party, for use with the Monoclonal Antibody in the United States. Nordion shall ship Isotope to Biogen Idec or as otherwise directed by Biogen Idec or its designee. Isotope shall meet the Specifications and shall be manufactured in accordance with cGMPs. During the Commercial Phase, except as provided in Section 7.4, Nordion will manufacture and supply sufficient quantities of Isotope required to meet weekly demand for Isotope and will exercise reasonable business judgement in selecting which of its facilities will supply Isotope in sufficient quantities to meet demand. Nordion will ship Isotope at Biogen Idec's direction on Tuesdays and Wednesdays and such other days as agreed. Each Batch shall contain such amount of Isotope to meet Biogen Idec's requirements as set out in Section 7.4

below. Biogen Idec acknowledges that delivery of Isotope is handled by third party carriers, however, Nordion will strive to meet delivery by its third party carriers at or prior to 8:00 a.m. at the destination on the day of delivery. Notwithstanding the foregoing, Biogen Idec acknowledges that, as a result of carrier flight scheduling and/or customer location, delivery of Isotope to certain customers may not be achievable at or prior to 8:00 am, or if so achievable, may be so achieved only at carrier rates in excess of those carrier rates that may be reasonably acceptable to Biogen Idec. For such customer locations to which Biogen Idec requests delivery, Nordion shall advise Biogen Idec whether 8:00 am delivery is achievable by the carrier and Biogen Idec shall provide instructions to Nordion.

In the event delivery of Isotope is delayed beyond its scheduled delivery time and is not used as a direct result of late delivery Nordion * * * * *.*

2.6 Section 11.1 of the Original Agreement is hereby amended such that the reference to Section 7.1 (iii) therein, is deleted.

2.7 Section 17.3 of the Original Agreement is hereby amended and restated in its entirety to read as follows:

"17.3 Termination Without Cause

Neither Party shall have the unilateral right to terminate this Agreement without cause during the Initial Term, provided further however, that either Party may provide written notice of termination in accordance with Section 17.2. In the event this Agreement is extended pursuant to Section 17.2 hereof, during any extension thereof (i) Nordion may provide written notice and terminate this agreement without cause or penalty upon twenty four (24) months prior written notice to Biogen Idec and (ii) Biogen Idec may provide written notice and terminate this agreement without cause upon six (6) months prior written notice to Nordion."

For the purposes of certainty section 17.2 of the Original Agreement is reinstated.

3 BLA SUBMISSION FOR KRMF. Biogen Idec has prepared and submitted a supplemental BLA to the FDA in support of the KRMF Facility with respect to Isotope. Biogen Idec agrees to use commercially reasonable efforts to obtain FDA approval of such BLA submission in an expeditious manner.

4 NO FURTHER MODIFICATION. Except as set forth in this Fifth Amendment, all other terms and conditions of the Agreement shall remain unmodified and in full force and effect.

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

5 EFFECTIVE DATE. This Fifth Amendment shall be effective as of the date first above written.

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

MDS (CANADA) INC., MDS Nordion division	Biogen Idec Inc.
By /s/ Iain Trevana	By /s/ Paul Grint
Its Senior Vice President, Nuclear Medicine	Its Senior Vice President, Oncology Business Unit

Annex "A"

Written Request to Escrow Agent

VIA FACSIMILE AND FEDERAL EXPRESS

Union Bank of California, N.A.
120 S. San Pedro Street, 4th Floor
Los Angeles, CA 90012
Attn: Corporate Trust Department
Facsimile: (213) 972-5694

To Whom It May Concern:

Reference is made to that certain Escrow Agreement dated as of November 12, 2001 by and among IDEC Pharmaceuticals Corporation (now Biogen Idec Inc.), MDS (Canada) Inc., MDS Nordion division, successor to MDS Nordion Inc. and Union Bank of California, N.A. (the "Escrow Agreement"). Pursuant to Section 1.3 and notwithstanding the provisions of Section 1.4 of the Escrow Agreement, you are hereby requested to disburse funds held in Account #6711676400 as follows:

1. Twenty Five Million U.S. Dollars ($25,000,000US) to MDS Nordion, SWIFT Code CIBCCATT, Field57://CC001000006, Canadian Imperial Bank of Commerce, 119 Sparks Street, Ottawa, Ontario, Canada, Field 59:/02-19118, MDS Nordion; and

All funds remaining after the foregoing disbursement to Biogen Idec, Silicon Valley Bank, Santa Clara, CA USA, ABA #121140399, Credit Account #33001-46170, Biogen Idec Incorporated. Inasmuch as all parties to the Escrow Agreement have consented herein to the above disbursement, you are hereby requested to effect immediate disbursement without giving regard to the provisions of Section 1.4 of the Escrow Agreement requiring up to a five (5) delay thereof.

Upon disbursement of the foregoing funds, pursuant to Section 1.7 of the Escrow Agreement, the Agreement shall be terminated.

Thank you for your assistance. Please call the undersigned with any questions.

Sincerely,

MDS (CANADA) INC.,
MDS Nordion division

By_____

Its_____

Biogen Idec Inc.

By_____

Its_____

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE ("FIRST AMENDMENT") is made and entered into as of the first day of October, 1999, by and between W9/PC REAL ESTATE LIMITED PARTNERSHIP, a Delaware limited partnership ("LANDLORD"), and IDEC PHARMACEUTICALS CORPORATION, a Delaware corporation ("TENANT").

RECITALS:

A. Professors Fund I, L.P., an Arizona limited partnership, Managing Agent for All Spectrum Services, Inc., a California corporation ("ORIGINAL LANDLORD"), and IDEC Pharmaceuticals Corporation, a California corporation ("ORIGINAL TENANT"), entered into that certain Lease Agreement dated as of August 13, 1996 (the "LEASE"), whereby Original Landlord leased to Tenant and Tenant leased from Original Landlord the entire building located at 3030 Callan Road, San Diego, California (the "BUILDING"). Landlord is the successor-in-interest to Original Landlord and Tenant is the successor-in-interest to Original Tenant.

B. By this First Amendment, Landlord and Tenant desire to expand the Premises, extend the Term and to otherwise modify the Lease as provided herein.

C. Unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Lease.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

AGREEMENT:

1. The Existing Premises. Landlord and Tenant agree that pursuant to the Lease, Landlord currently leases to Tenant and Tenant currently leases from Landlord the Premises as described in Section 1.1 of the Lease (the "EXISTING PREMISES").

2. Expansion of the Premises. All of the space in that certain building located at 3020 allan Road, San Diego, California, consisting of 45,117 rentable square feet, as shown on the site plan attached hereto as Exhibit "A" and made a part hereof, is referred to herein as the "EXPANSION SPACE." Effective as of the Expansion Commencement Date (as defined below), Tenant shall lease from Landlord and Landlord shall lease to Tenant the Expansion Space. Accordingly, effective upon the Expansion Commencement Date, the Existing Premises shall be increased to include the Expansion Space and all references to the "Premises" shall mean and refer to the Existing Premises as expanded by the Expansion Space and all references to the "Building" shall include the building within which the Expansion Space is located. Landlord and Tenant stipulate that (i) the Expansion Space contains 45,117 rentable square feet and (ii) the Existing Premises currently contain 44,754 rentable square feet, but effective as of December 1, 2003, the Existing Premises shall contain 45,883 rentable square feet.

The "EXPANSION COMMENCEMENT DATE" shall be the date of Substantial Completion of the In provements (as those terms are defined in the Tenant Work Letter attached hereto as Exhibit "B." Landlord may deliver to Tenant a commencement letter confirming the Expansion Commencement Date and the Basic Rent schedule during the Extended Term. Provided that Tenant does not dispute Landlord's determination of the Expansion Commencement Date and the Basic Rent schedule, Tenant agrees to execute and return to Landlord said commencement letter within five (5) business days after Tenant's receipt thereof.

3. Extended Lease Term. The Term of the Lease shall be extended such that the Lease shall terminate at midnight on the date that is one hundred twenty-three (123) months

following the Expansion Commencement Date ("NEW TERMINATION DATE"). The period from the Expansion Commencement Date through the New Termination Date is referred to herein as the "EXTENDED TERM." If the Expansion Commencement Date is not the first day of the month, then the foregoing one hundred twenty-three (123) month period shall be measured from the first day of the month following the Expansion Commencement Date.

4. Monthly Basic Rent. During the Extended Term, Tenant shall pay Basic Rent for the entire Premises as follows:

PERIOD OF EXTENDED TERM	BASIC RENT PER MONTH*
First partial month, if any	**
Months 1-3	FREE
Months 4-15	$123,177.72
Months 16-27	$126,873.05
Months 28-39	$130,679.24
Month 40 - November 30, 2003	$134,599.62
December 1, 2003 - Month 51	$136,104.72
Months 52-63	$140,187.86
Months 64-75	$144,393.50
Months 76-87	$148,725.30
Months 88-99	$153,187.06
Months 100-111	$157,782.67
Months 112-123	$162,516.15

During the period from the effective date of this First Amendment through and including one day before the Expansion Commencement Date, Tenant shall continue to pay Basic Rent for the Existing Premises in accordance with the Lease. Notwithstanding that Basic Rent is not payable for months 1-3 of the Extended Term, Tenant shall, during such period, still be responsible for the payment of all of its other monetary obligations under the Lease, including Tenant's Pro Rata Share of Direct Operating Expenses.

5. Tenant's Pro Rata Share. During the Extended Term, Tenant's Pro Rata Share shall be increased to one hundred percent (100%).

6. Expansion Space Improvements. The Expansion Space shall be improved by Landlord in accordance with the terms of the Tenant Work Letter attached hereto as Exhibit "B" and n ade a part hereof. Following completion of the Improvements, the Improvements shall be deemed "Tenant Improvements" under the Lease and Tenant shall insure the same pursuant to

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* based on $l.52/sf/mo for 45,117 square feet of space at 3020 Callan Road and $1.22/sf/mo for 44,754 square feet of space at 3030 Callan Road, as adjusted each year to reflect a three percent (3%) annual increase, with an increase in rentable square feet of space at 3030 Callan Road from 44,754 to 45,883, as of December 1, 2003.

** $123,177.72 multiplied by a fraction, the numerator of which is the number of days remaining in the month in which the Expansion Commencement Date occurs (inclusive of the Expansion Commencement Date) and the denominator of which is the number of days in such month.

Section 12.1(b) of the Lease. Except for Landlord's obligations under the Tenant Work Letter, Tenant shall accept the Expansion Space in its as-is condition.

Notwithstanding the foregoing: (i) nothing contained in this Section 6 shall be deemed to limit Landlord's repair and maintenance obligations under Section 7.2 of the Lease; (ii) Landlord shall, at its expense, ensure that as of the Expansion Commencement Date (a) the exterior of the Premises (including, without limitation, the roof, exterior walls, foundation and the front door and threshold) is in compliance with all applicable governmental laws, codes, ordinances, rules and regulations, including the ADA (provided, however, if Tenant performs any alterations to the exterior of the Premises, Tenant shall be responsible for such compliance with respect to such alterations) and (b) the central plant portion of the HVAC system (with a capacity of approximately 160 tons) and the plumbing (including, without limitation, drains and sewage lines and, to the extent the same are not being replaced pursuant to the Tenant Work Letter, the sinks, faucets and toilets), electrical, mechanical and other building systems serving the Expansion Space, including, without limitation, the elevator serving the Expansion Space (collectively, the "PRIMARY SYSTEMS") will be in good working order and comply with all applicable governmental laws, codes, ordinances, rules and regulations (except the ADA as it pertains to the interior portions of the Premises); (iii) Landlord shall, at its expense, ensure that the central plant portion of the HVAC system serving the Expansion Space remains in good working condition with a capacity of approximately 160 tons throughout the first year of the Extended Term (however, during said period the cost of normal maintenance and repairs resulting from normal wear and tear may be included as a Direct Operating Expense) and (iv) Landlord shall, at its expense, ensure that the subsurface membrane and related waterproofing and the roof membrane and related counter-flashing are in good working condition as of the Expansion Commencement Date and remain in good working condition throughout the first year of the Extended Term (however, during said period the cost of normal maintenance, but not the cost of repairs, patches or replacements, may be included as a Direct Operating Expense, except that repairs, patches or replacements necessitated by any alterations performed by Tenant may be included as a Direct Operating Expense). Except as provided above, Tenant shall, at its expense, comply with all applicable governmental laws, codes, ordinances, rules and regulations, including requirements of the ADA, with respect to the interior portions of the Expansion Space.

7. Signage. In addition to Tenant's signage rights currently provided for under the Lease, Tenant shall be entitled to have the exclusive right to install signage at the Project identifying Tenant's name, including building signage and monument signage (the "SIGNAGE"). The graphics, materials, size, color, design, lettering, lighting (if any), specifications and exact locations of the Signage (collectively, the "SIGNAGE SPECIFICATIONS") shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld, conditioned or delayed. In addition, the Signage and all Signage Specifications therefor shall be subject to Tenant's receipt of all required governmental permits and approvals and shall be subject to all applicable governmental laws and ordinances. The cost of installation of the Signage, as well as all costs of design and construction of such Signage and all other costs associated with such Signage, including, without limitation, permits, maintenance and repair, shall be the sole responsibility of Tenant. Should the Signage require maintenance or repairs as determined in Landlord's reasonable judgment, Landlord shall have the right to provide written notice thereof to Tenant and Tenant shall cause such repairs and/or maintenance to be performed within thirty (30) days after receipt of such notice from Landlord. Should Tenant fail to perform such maintenance and repairs within the period described in the immediately preceding sentence, Landlord shall have the right to cause such work to be performed and to charge Tenant, as Additional Rent, for the reasonable cost of such work. Upon the expiration or earlier termination of this Lease, Tenant shall remove the Signage and repair any damage caused by the installation or removal of the Signage. If Tenant fails to remove the Signage and repair such damage, then Landlord may perform such work, and all reasonable costs and expenses incurred by Landlord in so performing such work shall be reimbursed by Tenant to Landlord within ten (10) days after Tenant's receipt of invoice therefor. The immediately preceding sentence shall survive the expiration or earlier termination of the Lease.

8. Security Deposit. Tenant has previously deposited with Landlord Forty Two Thousand Five Hundred Sixteen and 30/100 Dollars ($42,516.30) as a Security Deposit under the Lease. Concurrently with Tenant's execution of this First Amendment, Tenant shall deposit with

Landlord an additional Sixty-Eight Thousand Five Hundred Seventy Seven and 84/100 Dollars ($68,577.84), for a total Security Deposit under the Lease of One Hundred Eleven Thousand Ninety Four and 14/100 Dollars ($111,094.14). Landlord shall continue to hold the Security Deposit as increased herein in accordance with the terms and conditions of Section 4.7 of the Lease.

9. Use. Section 1.9 of the Lease is deleted in its entirety and replaced with the following:

> Uses allowed by the City of San Diego Scientific Research Zoning Ordinance in effect as of the date of this Lease as the same may be modified from time to time, but excluding any retail or restaurant use except for a cafeteria to be used by Tenant's employees and invitees, and for no other use or purpose."

10. Option Term. The provisions of Article 42 of the Lease are amended as follows: (i) the "Option" shall consist of two (2) consecutive options to renew and the "Extension" shall consist of two (2) periods of five (5) years each; (ii) Basic Rent for each Extension shall equal ninety five percent (95%) of the "prevailing market rate" on the commencement date of such Extension; and (iii) the latest date for exercising an Option shall be ten (10) months prior to the expiration of the then-current Term. All references in this First Amendment to the Term or Extended Term shall include any exercised Extension.

11. Direct Operating Expenses.

Section 4.3(b)(ii)(5) of the Lease is hereby deleted in its entirety and replaced with the following:

> "cost of all insurance relating to the Project, including the cost of casualty and liability insurance applicable to the Project, together with Landlord's personal property used in connection therewith, but excluding (a) the cost of any environmental insurance and (b) twenty percent (20%) of the cost of any earthquake insurance. The remaining eighty percent (80%) of the cost of any earthquake insurance shall be included within Direct Operating Expenses."

Section 4.3(b)(ii)(7) of the Lease is amended by deleting the second sentence.

Section 4.3(b)(ii) of the Lease is amended by adding the following provision to the end of said Section:

> "Notwithstanding the foregoing, the sum of (i) the wages and salaries expenses for management/administrative employees under Section 4.3(b)(ii)(1) plus (ii) the management fee under Section 4.3(b)(ii)(7) (collectively, the "MANAGEMENT COSTS"), shall be the lesser of (a) the then-current Market Rate or (b) three and one-half percent (3.5%) of Basic Rent. The "MARKET RATE" is the market rate for Management Costs charged by independent third-party property management companies of similar projects in the Sorrento Mesa and Torrey Pines submarkets of San Diego, as determined by Landlord from time to time. If Tenant disputes Landlord's determination of the Market Rate, Tenant may give Landlord written notice thereof (the "DISPUTE NOTICE"). Landlord shall, within thirty (30) days after receipt of the Dispute Notice, obtain bids from at least three (3) property management companies satisfying the criteria set forth above, and the Market Rate shall be deemed to be the average of such bids for a period of one (1) year from Landlord's receipt of the Dispute Notice. After the expiration of such one (1) year period, Landlord may, from time to time, redetermine the Market Rate, subject to Tenant's right to dispute such determination as set forth above."

12. Refurbishment Allowance. Landlord agrees to contribute the sum ("REFURBISHMENT ALLOWANCE") of up to One Hundred Eighty Three Thousand Five Hundred

Thirty-Two Dollars ($183,532.00) to be used for the costs of the refurbishment of the Tenant Improvements in the Existing Premises incurred by Tenant after the date hereof. Landlord shall only be obligated to make disbursements from the Refurbishment Allowance to the extent costs are incurred by Tenant to refurbish the Tenant Improvements located in the Existing Premises. If the cost of refurbishing such existing Tenant Improvements does not exceed the Refurbishment Allowance, Landlord shall retain the difference. Provided Tenant is not in default under the Lease (and no circumstance exists that would, with notice or lapse of time, or both, constitute a default under the Lease), Landlord shall, on November 30, 2003, disburse the Refurbishment Allowance or so much thereof as Tenant is entitled to, provided that Landlord has received evidence reasonably satisfactory to Landlord of the costs incurred by Tenant with respect to such work. If, on November 30, 2003, Tenant has provided the required evidence of incurred costs but is not entitled to disbursement of the Refurbishment Allowance because Tenant is in default under the Lease or a circumstance exists that would, with the giving of notice or lapse of time, or both, constitute a default under the Lease, then upon the cure of all defaults and circumstances that could give rise to a default, Landlord shall disburse to Tenant the Refurbishment Allowance or so much thereof as Tenant is entitled to. In the event Tenant is entitled to payment of the Refurbishment Allowance, or any portion thereof, in accordance with this Paragraph 12 and Landlord fails to pay the same to Tenant within thirty (30) days following Landlord's receipt of written notice thereof, then Tenant may, in addition to any other remedies available to Tenant, offset the Refurbishment Allowance, or so much thereof as Tenant is entitled to, against the next installment(s) of Basic Rent.

13. Parking. All of Tenant's parking rights under Article 18 of the Lease shall be on an exclusive basis, rather than on a non-exclusive basis.

14. Right of First Negotiation. Article 41 of the Lease is deleted.

15. Defaults. Tenant hereby represents and warrants to Landlord that, as of the date of this First Amendment, Tenant is in full compliance with all terms, covenants and conditions of the Lease and that, to Tenant's knowledge, there are no breaches or defaults under the Lease by Landlord or Tenant, and that Tenant knows of no events or circumstances which, given the passage of time, would constitute a default under the Lease by either Landlord or Tenant. For purposes of this Paragraph 15, Tenant's knowledge is without investigation and is limited to the actual knowledge of Phil Schneider and Steve Young.

16. Brokers. Each party represents and warrants to the other that no broker, agent or finder negotiated or was instrumental in negotiating or consummating this First Amendment other than John Burnham & Company ("BROKER"), which Broker shall be compensated by Landlord pursuant to a separate agreement. Each party further agrees to defend, indemnify and hold harmless the other party from and against any claim for commission or finder's fee by any person or entity (other than Broker) who claims or alleges that they were retained or engaged by the indemnifying party or at the request of such party in connection with this First Amendment.

17. Notices to Landlord. The address for rent payments to Landlord set forth in Article 4 of the Lease is deleted and the following is substituted therefor:

W9/PC Real Estate Limited Partnership
c/o PM Realty Group
5355 Mira Sorrento Place, Suite 290
San Diego, California 92121
Attention: Mr. Bruce R. Clow

The addresses for notice to Landlord set forth in Section 19.2 of the Lease are deleted and the following are substituted therefor:

W9/PC Real Estate Limited Partnership
c/o WCB Properties
450 Newport Center Drive, Suite 304
Newport Beach, California 92660-7640
Attention: Mr. Ronald A Lack

with a copy to:

PM Realty Group
5355 Mira Sorrento Place, Suite 290
San Diego, California 92121
Attention: Mr. Bruce R. Clow

18. Environmental Indemnity. Landlord represents that, to Landlord's actual knowledge, without duty of inquiry or investigation, and except as set forth in that certain Phase 1 Environmental Site Assessment dated February 26,1998, prepared by Professional Service Industries, Inc., and an addendum thereto dated September 30, 1998 (the "ENVIRONMENTAL ASSESSMENT"), as of the date hereof Landlord is unaware of any Hazardous Substances present in, on, or under the Expansion Space in violation of Environmental Laws except as disclosed by the Environmental Assessment or the Phase I (as defined in Section 37.3 of the Lease). Tenant acknowledges receipt of the Environmental Assessment and the Phase I and agrees to keep the same confidential unless disclosure is required by law or consented to by Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. Landlord agrees to indemnify, defend and hold Tenant harmless from and against any and all claims, damages, fines, judgments, penalties, costs, liabilities or losses and expenses (including reasonable attorneys' fees and consultant and expert fees) arising from or related to Hazardous Substances present within, on or under the Expansion Space prior to the Expansion Commencement Date that are in violation of then-existing Environmental Laws, excluding, however, any Hazardous Substances brought onto the Expansion Space by Tenant or any of its agents, employees or contractors.

19. No Further Modification. Except as set forth in this First Amendment, all of the terms and provisions of the Lease shall apply with respect to the Expansion Space and shall remain unmodified and in full force and effect. Effective as of the date hereof, all references to the "Lease" shall refer to the Lease as amended by this First Amendment.

IN WITNESS WHEREOF, this First Amendment has been executed as of the day and year first above written.

"Landlord":

W9/PC REAL ESTATE LIMITED
PARTNERSHIP,
a Delaware limited partnership

By: W9/PC, Inc., a Delaware corporation,
general partner

By: /s/ Ronald Lack

Print Name: Ronal Lack
Title: Vice President

"Tenant":

IDEC PHARMACEUTICALS CORPORATION,
a Delaware corporation

By: /s/ Phil Schneider

Print Name: Phil Schneider
Title: Vice President

EXHIBIT "A"

SITE PLAN

[SITE PLAN]

SITE PLAN NOT TO SCALE

EXHIBIT "A"

EXHIBIT "B"

TENANT WORK LETTER

SECTION 1

LANDLORD'S INITIAL CONSTRUCTION IN THE EXPANSION SPACE

Landlord has previously constructed the base, shell, and core of the Expansion Space (the "BASE, SHELL, AND CORE"). In addition, leasehold improvements to the Expansion Space may have been constructed by or for a previous tenant. Any renovations to the existing leasehold improvements shall be designed and constructed pursuant to this Tenant Work Letter, and the cost of designing and constructing such renovations shall be an Improvement Allowance Item. Nothing in this Tenant Work Letter will be construed as relieving Landlord from its obligations under Paragraph 6 of the First Amendment, which obligations will be performed at Landlord's sole cost and expense.

SECTION 2

IMPROVEMENTS

2.1 Improvement Allowance. Tenant shall be entitled to a one-time tenant improvement allowance (the "IMPROVEMENT ALLOWANCE") in the amount of $1,353,510.00 for the costs relating to the design and construction of Tenant's improvements that are permanently affixed to the Expansion Space (the "IMPROVEMENTS"). In no event shall Landlord be obligated to make disbursements pursuant to this Tenant Work Letter in a total amount which exceeds the Improvement Allowance. Tenant shall not be entitled to any credit for any unused portion of the Improvement Allowance.

2.2 Disbursement of the Improvement Allowance. Except as otherwise set forth in this Tenant Work Letter, the Improvement Allowance shall be disbursed by Landlord (each of which disbursements shall be made pursuant to the disbursement process set forth in the construction contract), only for the following items and costs (collectively, the "IMPROVEMENT ALLOWANCE ITEMS"):

2.2.1 Payment of the fees of the "Architect" and the "Engineers," as those terms are defined in Section 3.1 of this Tenant Work Letter, and payment of the fees incurred by, and the cost of documents and materials supplied by, Tenant and Tenant's consultants in connection with the preparation and review of the "Construction Drawings," as that term is defined in Section 3.1 of this Tenant Work Letter (with respect to disbursements of the Improvement Allowance for the fees described in this Section 2.2.1 or in Section 2.2.2 below, Landlord shall make such disbursements within thirty (30) days following receipt of an invoice therefor);

2.2.2 The payment of plan check, permit and license fees relating to construction of the Improvements;

2.2.3 The cost of construction of the Improvements;

2.2.4 The cost of any changes in the Base, Shell and Core when such changes are required by the Construction Drawings or are otherwise required by law as a result of the construction of the Improvements, such cost to include all direct architectural and/or engineering fees and expenses incurred in connection therewith;

2.2.5 The cost of any changes to the Construction Drawings or Improvements required by applicable building code or any other governmental law or regulation (collectively, "(CODE");

2.2.6 Sales and use taxes and Title 24 fees;

2.2.7 Construction management fees incurred by Landlord in an amount not to exceed $45,000.00; and

SECTION 3

CONSTRUCTION DRAWINGS

3.1 Selection of Architect/Construction Drawings. Tenant has retained McGraw Baldwin (the "ARCHITECT") to prepare the "Construction Drawings," as that term is defined in this Section 3.1. Tenant shall retain engineering consultants reasonably acceptable to Landlord (the "ENGINEERS") to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC and lifesafety work in the Expansion Space, together with specifications for sprinkler work. The plans and drawings to be prepared by the Architect and the Engineers hereunder shall be known collectively as the "CONSTRUCTION DRAWINGS." All Construction Drawings shall be subject to Landlord's reasonable approval (in no event may Landlord's disapproval be based upon a requirement that Tenant increase the quality or quantity of any particular component of the Improvements that would result in an increase in the cost of constructing the Improvements unless the same is required to comply with Code). Tenant and Architect shall verify, in the field, the dimensions and conditions as shown on the relevant portions of the base building plans, and Tenant and Architect shall be solely responsible for the same, and Landlord shall have no responsibility in connection therewith. Landlord's review of the Construction Drawings as set forth in this Section 3, shall be for its sole purpose and shall not imply Landlord's review of the same, or obligate Landlord to review the same, for quality, design, Code compliance or other like matters. Accordingly, notwithstanding that any Construction Drawings are reviewed by Landlord or its space planner, architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's space planner, architect, engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Construction Drawings.

3.2 Final Space Plan. On or before October 1, 1999, Tenant and the Architect shall prepare the final space plan for the Improvements (collectively, the "FINAL SPACE PLAN"), which Final Space Plan shall include a layout and designation of all offices, rooms and other partitioning, their intended use, and equipment to be contained therein, and shall deliver the Final Space Plan to Landlord for Landlord's approval. Landlord shall have two (2) business days following receipt of the Final Space Plan within which to approve or disapprove the Final Space Plan. Landlord's failure to approve or disapprove the Final Space Plan within such two (2) business day period shall be deemed Landlord's approval. If Landlord reasonably disapproves of any portion of the Final Space Plan, the parties shall meet, within two (2) business days after Landlord's disapproval, to agree upon revisions to be made to the Final Space Plan to meet the reasonable satisfaction of Landlord and Tenant. Tenant shall then cause the Architect to promptly revise the Final Space Plan to the form agreed upon in such meeting. Landlord shall then approve or reasonably disapprove the revised Final Space Plan within the same time period as set forth above, and in the case of disapproval, the foregoing process shall be repeated until the Final Space Plan is finally approved by Landlord and Tenant.

3.3 Final Working Drawings. Within twenty-six (26) days following Landlord's approval of the Final Space Plan (but no earlier than October 27, 1999), Tenant, the Architect arid the Engineers shall submit with the appropriate governmental authorities "permittable" architectural and engineering drawings for the Expansion Space, which drawings shall be based upon, and consistent with, the approved Final Space Plan. Within two (2) weeks following Landlord's approval of the Final Space Plan (but no earlier than November 12, 1999), Tenant, the Architect and the Engineers shall complete the architectural and engineering drawings for the Expansion Space, and the Architect shall compile a fully coordinated set of architectural, structural, mechanical, electrical and plumbing working drawings in a form which is complete to allow subcontractors to bid on the work and to obtain all applicable permits (collectively, the "FINAL WORKING DRAWINGS"). The Final Working Drawings shall be based upon, and consistent with, the approved Final Space Plan.

3.4 Permit Process; Change Orders. Tenant shall coordinate with Landlord in order to allow Landlord, at Landlord's option, to take part in all phases of the permitting process, and shall supply Landlord, as soon as reasonably practicable, with all plan check numbers and dates of submittal. If Tenant desires changes, modifications or alterations in the Final Working

2.2.8 All other reasonable costs to be expended by Landlord or Tenant that are directly attributable to the construction of the Improvements (including Tenant's computer and telephone cabling work).

In connection with Landlord's construction of the Improvements, Landlord shall, at its sole cost and expense, be responsible for, and in no event shall the Improvement Allowance Items include (and Tenant shall have no responsibility for) the following:

(i) Costs attributable to work performed by Landlord prior to Landlord's execution of the First Amendment or improvements installed by Landlord offsite or outside of the Premises unless otherwise provided for by the Construction Drawings (nothing in this clause (i) shall be construed as limiting Landlord's right to pass-through such costs as Direct Operating Expenses to the extent the same are otherwise permissible under the Lease);

(ii) Extraordinary costs incurred to remove Hazardous Substances from the Expansion Space or the surrounding area (unless such Hazardous Substances were present due to the conduct of Tenant or its agents, employees or contractors);

(iii) Costs applicable to Construction Drawings changes requested by governmental authorities which result from changes requested by Landlord to the extent such changes increase the total cost of the Improvements;

(iv) Costs applicable to Construction Drawings changes requested by Landlord to the extent such changes increase the total cost of the Improvements;

(v) Attorneys' fees incurred in connection with negotiation of construction contracts or the First Amendment, and attorneys' fees, experts' fees and other costs of legal and arbitration proceedings to resolve construction disputes;

(vi) Premiums for payments, performance, mechanics' lien, completion, and other bonds;

(vii) Fifty percent (50%) of the premium for any builder's risk insurance for the Improvements obtained by Landlord;

(viii) Loan fees, mortgage brokerage fees, interest and other costs of financing construction costs;

(ix) Costs paid for by warranties and insurance;

(x) Landlord's prorata share of any restoration costs in excess of insurance proceeds as a consequence of insured casualties;

(xi) Penalties and late charges attributable to Landlord's failure to distribute the Improvement Allowance in accordance with this Tenant Work Letter or any contract to which Landlord is a party; and

(xii) Costs incurred by Landlord in performing Landlord's obligations under Paragraph 6 of the First Amendment.

(xiii) Costs incurred by Landlord to repair any defects in the design, materials and workmanship of the foundation and structural components of the roof and walls of the Expansion Space.

Drawings (including, without limitation, changes in the field), the same may be made only upon the prior verbal or written consent of Landlord, which shall not be unreasonably withheld or delayed. If necessary due to the nature of the change to the Final Working Drawings, prior to commencing any such change, Landlord shall promptly prepare and deliver to Tenant, for Tenant's approval, a change order ("CHANGE ORDER") setting forth the additional time required to perform the change and the total cost of such change, which shall include associated architectural, engineering and Contractor's fees. If Tenant fails to approve such Change Order in writing within two (2) business days after such delivery by Landlord, Tenant shall be deemed to have withdrawn the Change Order and Landlord shall not proceed to perform the change.

3.5 Time Deadlines. Tenant shall cooperate with (i) the Architect, the Engineers, and Landlord to complete all phases of the Construction Drawings and the permitting process, and (ii) the Contractor, for approval of the "Cost Proposal," as that term is defined in Section 4.2, below, in accordance with the dates set forth herein. Tenant shall meet with Landlord on a weekly basis to discuss Tenant's progress in connection with the same. The applicable dates for approval of items, plans and drawings are referred to as the "TIME DEADLINES". Tenant agrees to comply with the Time Deadlines.

SECTION 4

CONSTRUCTION OF THE TENANT IMPROVEMENTS

4.1 Contractor. Landlord shall retain a contractor reasonably acceptable to Tenant (the "CONTRACTOR") to construct the Improvements. Landlord shall retain Contractor pursuant to a construction contract providing for a commercially reasonable negotiated fee. The form and substance of such construction contract and the amount of such fee shall be subject to Tenant's approval, which approval shall not be unreasonably withheld. Tenant shall approve or disapprove Landlord's selection of Contractor, the construction contract and Contractor's fee within two (2) business days following Landlord's respective submission thereof to Tenant. If Tenant disapproves Landlord's selection of Contractor, the construction contract or the fee, the parties shall meet within two (2) business days after each such disapproval to negotiate in good faith the selection of Contractor, the terms of the construction contract or fee for Contractor, as applicable. Landlord shall cause Contractor to obtain at least three (3) bids (when feasible) from subcontractors from each trade, and select the lowest qualified and responsible bid. Landlord shall promptly submit a copy of all bids received to Tenant. The construction contract shall (i) name Tenant as a third party beneficiary of all construction warranties and guaranties thereunder, (ii) require Contractor to name Tenant as an additional insured under Contractor's public liability insurance policy and (iii) permit the assignment of Landlord's rights thereunder to Tenant in the event Landlord is in default under the Lease as a result of Landlord's failure to perform its obligations under this Tenant Work Letter.

4.2 Cost Proposal. As soon as practicable after the Final Working Drawings are completed, Landlord shall provide Tenant with a cost proposal in accordance with the Final Working Drawings, which cost proposal shall include, as nearly as possible, the cost of all Improvement Allowance Items to be incurred by Tenant in connection with the construction of the Improvements (the "COST PROPOSAL"). Landlord does not guaranty the accuracy of the Cost Proposal. Tenant shall either (i) approve the Cost Proposal within two (2) business days of the receipt of the same, or (ii) notify Landlord within two (2) business days after Tenant's receipt of the Cost Proposal that Tenant will instruct the Architect to revise the Final Working Drawings to reduce the amount of the Cost Proposal, in which case such changes shall be made to the Final Working Drawings in accordance with Section 3.4 above and the revised Working Drawings shall be provided to the Contractor for repricing whereupon Landlord shall revise the Cost Proposal for Tenant's approval. This procedure shall be repeated until the Cost Proposal is up approved by Tenant.

4.3 Construction of Improvements by Landlord's Contractor under the Supervision of landlord.

4.3.1 Over-Allowance Amount. The term "OVER-ALLOWANCE AMOUNT" means the difference between (i) the amount of the Cost Proposal and (ii) the amount of the Improvement Allowance (less any portion thereof already disbursed by Landlord of in the

items that will not materially interfere with Tenant's ability to conduct business in the Expansion Space; (ii) the issuance of a certificate of occupancy (temporary or permanent) for the Expansion Space or other similar evidence of acceptance of the Improvements from the appropriate local governmental authority permitting occupancy of the Expansion Space (e.g., an inspector's sign-off); and (iii) the Primary Systems are in good working order, with the exception of punch list items that will not materially interfere with Tenant's ability to conduct business in the Expansion Space. Landlord will give Tenant at least five (5) days prior written notice of the date that Landlord anticipates Substantial Completion will occur, and the parties will schedule a mutually acceptable time on or before such anticipated date of Substantial Completion to conduct a walk-through of the Expansion Space and prepare a punch list for the Improvements and the Primary Systems identifying those items that are not in compliance with the requirements of this Tenant Work Letter or Paragraph 6 of the First Amendment. Landlord shall correct all items identified on the punch list with all due diligence.

5.2 Delay of Substantial Completion. Except as provided in this Section 5, the Expansion Commencement Date shall occur as set forth in Section 2 of the First Amendment. If there shall be a delay or there are delays in the Substantial Completion as an actual result of any of the following (collectively, "TENANT DELAYS"):

5.2.1 Tenant's failure to comply with the Time Deadlines;

5.2.2 Tenant's failure to timely approve or disapprove any matter requiring Tenant's approval within the time frames set forth in this Tenant Work Letter;

5.2.3 A breach by Tenant of the terms of this Tenant Work Letter or the Lease (Landlord may only claim a Tenant Delay under this Section 5.2.3 if Landlord delivers written notice to Tenant of the existence of such delay within two (2) business days following the date Landlord learns of such delay);

5.2.4 Changes in any of the Construction Drawings because the same do not comply with Code or other applicable laws (unless such changes are required as a result of routine plan checks or due to revisions to the Construction Drawings requested by Landlord or due to concealed conditions, defects in the Base, Shell and Core or the performance of Landlord's obligations under Paragraph 6 of the First Amendment);

5.2.5 Tenant's request for changes in the Final Working Drawings (including, without limitation, any changes made in order to reduce the amount of the Cost Proposal pursuant to Section 4.2 above);

5.2.6 Tenant's requirement for unique materials, components, finishes or improvements which are not readily available (Landlord may only claim a Tenant Delay under this Section 5.2.6 if Landlord delivers written notice to Tenant of the existence of such delay within two (2) business days following the date Landlord learns of such delay); or

5.2.7 Any other acts or omissions of Tenant, or its agents, or employees (provided that any Tenant Delay under this Section 5.2.7 shall not be deemed to have commenced until Tenant receives written notice identifying the conduct giving rise to the Tenant Delay).

then, notwithstanding anything to the contrary set forth herein or in the First Amendment and regardless of the actual date of the Substantial Completion, the date of Substantial Completion (for purposes of determining the Expansion Commencement Date) shall be deemed to be the date Substantial Completion would have occurred if no Tenant Delays had occurred. Notwithstanding the foregoing, the first ten (10) days of Tenant Delays will not be a considered Tenant Delays for purposes of determining the Expansion Commencement Date.

SECTION 6

MISCELLANEOUS

6.1 Tenant's Entry Into the Expansion Space Prior to Substantial Completion. Provided that Tenant and its agents do not interfere with, or delay, Contractor's work in the Expansion Space. Landlord shall allow Tenant access to the Expansion Space prior to the Substantial Completion for the purpose of Tenant viewing construction of the Improvements and installing equipment or fixtures (including Tenant's data and telephone equipment) in the Expansion Space. Prior to Tenant's entry into the Expansion Space as permitted by the terms of this Section 6.1, Tenant shall submit a schedule to Landlord and Contractor, for their approval (which will not be unreasonably withheld or delayed), which schedule shall detail the timing and purpose of Tenant's entry. Tenant shall hold Landlord harmless from and indemnify, protect and defend Landlord against any loss or damage to the Project or Expansion Space and against injury to any persons caused by Tenant's actions pursuant to this Section 6.1.

6.2 Tenant's Representative. Tenant has designated Robert Dilworth as its sole representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice, shall have full authority and responsibility to act on behalf of the Tenant as required in this Tenant Work Letter.

6.3 Landlord's Representative. Landlord has designated Tom Delaney of Springline Associates, Inc. as its sole representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Tenant Work Letter.

6.4 Tenant's Lease Default. Notwithstanding any provision to the contrary contained in this Lease, if an event of default under the Lease or this Tenant Work Letter has occurred at any time on or before the Substantial Completion, then (i) in addition to all other rights and remedies granted to Landlord pursuant to the Lease, Landlord shall have the right to withhold payment of all or any portion of the Improvement Allowance and/or Landlord may cause Contractor to cease the construction of the Improvements (in which case, Tenant shall be responsible for any delay in the Substantial Completion caused by such work stoppage as set forth in Section 5.2 of this Tenant Work Letter), and (ii) all other obligations of Landlord under the terms of this Tenant Work Letter shall be forgiven until such time as such default is cured pursuant to the terms of this Lease.

6.5 Tenant's Agents. All of Tenant's agents, contractors, and subcontractors performing work in, or in connection with, the Expansion Space (collectively as "TENANT'S AGENT"), shall be subject to Landlord's reasonable approval (which will be given or denied within one (1) business day after Landlord's receipt of a request therefor).

6.6 Insurance Requirements. All of Tenant's Agents shall carry liability and Products and Completed Operation Coverage insurance, each in amounts not less than One Million Dollars ($1,000,000.00) per incident, One Million Dollars ($1,000,000.00) in aggregate, and in form and with companies as are required to be carried by Tenant under the Lease, and the policies therefor shall insure Landlord and Tenant, as their interests may appear, as well as Contractor, and shall name as additional insureds all mortgagees of the Project or any other party designated by Landlord. All insurance maintained by Tenant's Agents shall preclude subrogation claims by the insurer against anyone insured thereunder. Such insurance shall provide that it is primary insurance as respects the Landlord and that any other insurance maintained by Landlord is excess and noncontributing with the insurance required hereunder.

6.7 Failure to Disburse Improvement Allowance. If Landlord fails to timely fund any payment of the Improvement Allowance as required by this Tenant Work Letter, Tenant shall, in addition to all other remedies available to Tenant, be entitled to deliver written notice thereof to Landlord ("PAYMENT NOTICE"). If Landlord still fails to fulfill any such obligation within thirty (30) days after Landlord's receipt of the Payment Notice and if Landlord fails to deliver written notice to Tenant within such thirty (30) day period explaining Landlord's reasons that the amounts described in Tenant's Payment Notice are not due and payable by Landlord ("REFUSAL NOTICE"), Tenant shall, in addition to all other remedies available to Tenant, be entitled to fund

such amount(s) itself and to offset such amount(s) against the next installment(s) of Basic Rent. However, Tenant shall not be entitled to any such offset if Tenant is in default under the Lease (after expiration of any applicable cure period) at the time that such offset would otherwise be applicable. If Landlord delivers a Refusal Notice, and if Landlord and Tenant are not able to agreeon the amounts to be so paid by Landlord, if any, within thirty (30) days after Tenant's receipt of a Refusal Notice, Landlord or Tenant may elect to have such dispute resolved by binding arbitration before a retired judge of the Superior Court of the State of California under the a spices of JAMS/ENDISPUTE (or any successor to such organization) in San Diego Courty, California, according to the then rules of commercial arbitration of such organization. If Tenant prevails in any such arbitration and Landlord fails to fund such amount or reimburse Tenant, as applicable, within thirty (30) days thereafter, Tenant shall, in addition to all other remedies available to Tenant, be entitled to offset the amount determined to be payable by Landlord in such proceeding against the next installment(s) of Basic Rent.

6.8 Mechanic's Liens. The provisions of Section 7.4 of the Lease shall not be applicable to any mechanic's liens incurred in connection with Landlord's construction of the Improvements, unless a mechanic's lien arises from Tenant's failure to pay the Over-Allowance Amount as required by Section 4.3.1 above.

SECOND AMENDMENT TO LEASE

THIS SECOND AMENDMENT TO LEASE ("AMENDMENT") is made and entered into as of JUNE 16, 2000, by and between W9/PC LIMITED PARTNERSHIP, a Delaware limited partnership ("LANDLORD") and IDEC PHARMACEUTICALS CORPORATION, a Delaware corporation ("TENANT").

R E C I T A L S:

A. WHEREAS, Professors Fund I, L.P., an Arizona limited partnership, Managing Agent for All Spectrum Services, Inc., a California corporation ("ORIGINAL LANDLORD"), and IDEC Pharmaceuticals Corporation, a California corporation ("ORIGINAL TENANT") Tenant entered into that certain Agreement dated as of August 13, 1996 (the "ORIGINAL LEASE"), whereby Original Landlord leased to Tenant and Tenant leased from Original Landlord the entire building located at 3030 Callan Road, San Diego, California. The Original Lease was subsequently amended by that certain First Amendment to Lease dated as of October 1, 1999 ("FIRST AMENDMENT"). Landlord is the successor-in-interest to Original Landlord and Tenant is the successor-in-interest to Original Tenant. The Original Lease, as amended by the First Amendment may be collectively referred to herein as the "LEASE."

B. WHEREAS, by this Amendment, Landlord and Tenant desire to correct the name of the Landlord, confirm the Expansion Commencement Date and otherwise modify the Lease as set forth herein; and

C. WHEREAS, unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Lease.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

A G R E E M E N T:

1. Landlord Name. Landlord's name is hereby amended and corrected to read as follows: "W9/PC LIMITED PARTNERSHIP, a Delaware limited partnership" wherever it appears in the First Amendment.

2. Expansion Commencement Date. Landlord and Tenant hereby agree and acknowledge that the "Expansion Commencement Date" (as defined in the First Amendment) occurred on March 17, 2000, and the "New Termination Date" (as defined in the First Amendment) shall occur on June 30, 2010.

3. Construction Management Fee. In connection with the improvements constructed in the Expansion Space (as defined in the First Amendment) pursuant to the Tenant Work Letter attached to the First Amendment as Exhibit "B," Tenant hereby agrees to pay to Landlord, concurrently with Tenant's execution of this Amendment, the sum of Eight Thousand and 00/100 Dollars ($8,000.00) in consideration of Landlord's supervision of the construction of the improvements.

4. No Further Modification. Except as set forth in this Amendment, all of the terms and provisions of the Lease shall continue to apply and shall remain unmodified and in full force and effect. Effective as of the date hereof, all references to the "Lease" shall refer to the Lease as amended by this Amendment.

[signatures on following page]

IN WITNESS WHEREOF, this Amendment has been executed as of the day and year first above written.

"LANDLORD"

W9/PC LIMITED PARTNERSHIP,
a Delaware limited partnership

By: W9/PC, Inc., a Delaware corporation,
general partner

By: /s/ Ronald Lack

Name: Ronald Lack
Title: Vice President

By: _____
Name:_____
Title:_____

"TENANT"

IDEC PHARMACEUTICALS CORPORATION,
a Delaware corporation

By: /s/ Phillip Schnieder

Print Name: Phillip Schnieder
Title: VP & CFO

THIRD AMENDMENT TO LEASE

THIS THIRD AMENDMENT TO LEASE ("AMENDMENT") is made and entered into as of OCTOBER 13, 2000, by and between W9/PC LIMITED PARTNERSHIP, a Delaware limited partnership ("LANDLORD") and IDEC PHARMACEUTICALS CORPORATION, a Delaware corporation ("TENANT").

R E C I T A L S:

A. WHEREAS, Professors Fund I, L.P., an Arizona limited partnership, Managing Agent for All Spectrum Services, Inc., a California corporation ("ORIGINAL LANDLORD"), and IDEC Pharmaceuticals Corporation, a California corporation ("ORIGINAL TENANT") entered into that certain Agreement dated as of August 13, 1996 (the "ORIGINAL LEASE"), whereby Original Landlord leased to Tenant and Tenant leased from Original Landlord the entire building located at 3030 Callan Road, San Diego, California. The Original Lease was subsequently amended by that certain First Amendment to Lease dated as of October 1, 1999 ("FIRST AMENDMENT") and by that certain Second Amendment to Lease dated as of June 16, 2000 ("SECOND AMENDMENT"). Landlord is the successor-in-interest to Original Landlord and Tenant is the successor-in-interest to Original Tenant. The Original Lease, as amended by the First Amendment and the Second Amendment may be collectively referred to herein as the "LEASE."

B. WHEREAS, by this Amendment, Landlord and Tenant desire to provide for Tenant's restriping of the parking area, and otherwise modify the Lease as set forth herein; and

C. WHEREAS, unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Lease.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

A G R E E M E N T:

1. Premises. Pursuant to the Lease, Tenant currently leases from Landlord the entire building located at 3030 Callan Road, San Diego and the entire building located at 3020 Callan Road, San Diego, and Tenant has also been granted the right to use the common areas surrounding the referenced buildings (collectively, the "PROJECT"). The Project contains a parking area that is used exclusively by Tenant.

2. Restriping Parking Area. Tenant has requested Landlord's consent to the restriping of the parking area at the Project. Landlord has consented to such restriping based upon the terms and conditions outlined in this Amendment. All costs associated with such work shall be paid for by Tenant, at Tenant's sole cost and expense, and Landlord shall have no liability therefor. Tenant shall use a licensed and reputable contractor reasonably approved by Landlord for the performance of such restriping work and shall ensure that such work is performed in a good and workmanlike manner. Landlord shall have the right to review and approve (provided such approval shall not be unreasonably withheld or delayed) any plans or specifications for the restriping work.

3. Compliance with Law. Tenant will perform all work in connection with the restriping of the parking area in accordance, and following completion of such work the parking area shall comply as it relates to the restriping, with all applicable laws, ordinances and codes, including, but not limited to, the Americans With Disabilities Act, zoning requirements and any applicable minimum parking ratio requirements.

4. Restoration Upon Termination. In the event Tenant ceases to lease the entire Project, or upon the expiration or earlier termination of the Lease, Landlord may, upon giving Tenant notice on or before the later of (i) the expiration or earlier termination of the Lease, or (ii)

the effective date of Tenant's downsizing, as applicable, require that Tenant restore the striping in the parking area to the condition in which it existed prior to Tenant's work pursuant to this Amendment. Such restoration shall be performed by Tenant at Tenant's sole cost and expense using a licensed, and reputable contractor reasonably approved by Landlord, and shall be completed within thirty (30) days after the expiration or earlier termination of this Lease, or the effective date of Tenant's downsizing, as applicable.

5. No Further Modification. Except as set forth in this Amendment, all of the terms and provisions of the Lease shall continue to apply and shall remain unmodified and in full force and effect. Effective as of the date hereof, all references to the "Lease" shall refer to the Lease as amended by this Amendment.

IN WITNESS WHEREOF, this Amendment has been executed as of the day and year first above written.

"LANDLORD"

W9/PC LIMITED PARTNERSHIP,
a Delaware limited partnership

By: W9/PC, Inc., a Delaware corporation,
general partner

By: /s/ Ronald Lack

Name: Ronald Lack
Title: Vice President

"TENANT"

IDEC PHARMACEUTICALS CORPORATION,
a Delaware corporation

By: /s/ Phillip Schnieder

Name: Phillip Schnieder
Title: VP & CFO

FIRST AMENDMENT TO LEASE

This Agreement is entered into as of November 9, 1992, by and between TORREY SORRENTO INC., a California corporation (hereinafter called "Landlord"), and IDEC PHARMACEUTICALS CORPORATION, a California corporation (hereinafter called "Tenant"), with reference to the following facts:

A. Prior hereto Landlord and Tenant entered into that certain Lease dated July 9, 1992, for the premises located at 11011 Torreyana Road, San Diego, California (the "Lease").

B. Landlord and Tenant now desire to amend the Lease on the terms set forth herein.

C. All capitalized terms not defined herein shall have the same meaning as set forth in the Lease.

NOW, THEREFORE, the parties hereto agree as follows:

1. A new Section 2.1.10 is hereby added to the Lease as follows:

"2.1.10 Landlord's Mortgagee: The term "Landlord's Mortgagee" shall mean the beneficiaries from time to time of the first deed of trust encumbering the Demised Premises dated November 25, 1992, in favor of four construction industry labor-management pension trust funds. The agent for said beneficiaries is Seidler Realty Advisors, who shall act as the agent for the Landlord's Mortgagee. The term "Landlord's Mortgagee" also includes said agent. By written notice from all of said beneficiaries to Landlord and Tenant, said agent may be changed to another party, in which event said new agent shall thereafter act for the Landlord's Mortgagee. The address for notice to Landlord's Mortgagee is:

Seidler Realty Advisors
4275 Executive Square, Suite 325
La Jolla, CA 92037
Attn: Daniel J. Ryan"

2. The Lease is hereby amended by adding thereto the following new Section 2.1.11:

"2.1.11 Landlord's Lender: The term "Landlord's Lender" shall include Landlord's Mortgagee and any other lender at any time which is the beneficiary of a first deed of trust encumbering the Demised Premises."

3. The Lease is hereby amended by adding thereto the following new Paragraph 3.4:

"3.4 Landlord and Tenant acknowledge that Landlord's Mortgagee is a group of four construction industry labor-management pension trust funds, and that, pursuant to the terms of the loan from Landlord's Mortgagee, union labor is to be used for constructing or rebuilding the improvements to be constructed on the Demised Premises pursuant to the terms of Exhibit "B" attached hereto. Such construction shall be subject to the terms of the Commitment Letter from Landlord's Mortgagee to Landlord dated October 8, 1992. Such obligation to use union labor shall expire upon the extension of the Maturity Date of the loan from Landlord's Mortgagee as set forth in paragraph 1 of the promissory note evidencing the same which the parties anticipate will occur no later than December 31, 1993. Landlord and Tenant acknowledge that neither Landlord nor Landlord's Mortgagee shall be responsible for any additional costs arising from such use of union labor."

4. The second sentence of Section 4.2 of the Lease is hereby amended and restated as follows:

"The terms "substantially complete(d)" and "substantial completion" shall mean the earlier of (i) issuance of a temporary certificate of occupancy by the City of San Diego or (ii) the date the Project Architect (as defined in Section 1.1 of the Work Letter) has certified that Landlord's Work is substantially complete and that Tenant can physically occupy the space, subject to the punch-list items as described in Section 7.2 of the Work Letter, and the Demised Premises are in clean and operating condition, subject to punch-list items that may still need to be corrected and subject to items which constitute Tenant's Work."

5. Section 4.2.3 of the Lease is hereby amended by adding at the end of the first line of such section the words "by Landlord's contractor."

6. Sections 4.1 and 4.2.3 of the Lease are hereby amended by eliminating Landlord's and Tenant's termination rights and by adding thereto the following Section 4.2.4:

"Any other provision of this Lease to the contrary notwithstanding, but without limiting Landlord's liabilities or responsibilities under the Lease in any way whatsoever, Tenant shall, subject to Force Majeure Delays and Landlord-Caused Delays, fully occupy the entire Demised Premises, conduct business therefrom and commence paying the entire Initial Base Rent on or before December 31, 1993. Tenant shall cooperate with Landlord in taking all good faith steps necessary to allow Landlord to timely complete Landlord's Work as

required by Landlord's Mortgagee. Without limiting the foregoing, Tenant shall provide to Landlord, Tenant's Plans for the Landlord's work in a timely manner to allow Landlord to complete the pilot plant by December 31, 1993. Tenant shall not take any action which shall cause Landlord to be in default under the loan from Landlord's Mortgagee."

7. Paragraph 5.2 of the Lease is hereby amended by adding thereto at the end thereof the following provision:

"In addition to any other obligation of Tenant hereunder, in the event that Tenant shall be the proximate cause of a default by Landlord under the loan from Landlord's Mortgagee and Landlord's Mortgagee shall require Landlord to thereafter deposit monthly installments of real property taxes and insurance premiums, Tenant shall timely make such deposits with Lender."

8. Section 4 of the Lease is hereby amended by adding thereto the following new Section 4.6:

"Any provision of this Lease to the contrary notwithstanding, Tenant shall commence paying Basic Annual Rent in the amount of $120,000 per month commencing May 25, 1993. Tenant shall further commence paying the full payment of Basic Annual Rent on the earlier of (a) the Term Commencement Date, (b) sixty three (63) days from May 25, 1993, plus the period of any Landlord-Caused Delays or Force Majeure Delays, or (c) December 31, 1993."

9. The second sentence of Section 5.3 is hereby amended and restated in its entirety as follows:

"Basic Annual Rent and Additional Rent shall together be denominated "Rent." Rent shall be paid to Landlord, without abatement, deduction or offset, (excepting only for the limited circumstances as specified in Section 16.1 for Landlord's maintenance, in Section 20.6 for destruction of a portion of the Demised Premises and/or in connection with the terms upon which Tenant provides a $3,200,000.00 loan for a portion of the financing for the project costs) in lawful money of the United States of America at the office of Landlord as set forth in Section 2.1.8 herein or to such other person or at such other place as Landlord may from time to time designate in writing. In the event the term of this Lease commences or ends on a day other than the first day of a calendar month, then the Rent for such fraction of a month shall be prorated for such period on the basis of

a thirty (30) day month and shall be paid at the then current rate for such fractional month."

10. Section 5.3 of the Lease is hereby amended by adding at the end thereof the following provision:

"Tenant shall also be entitled to a credit against Basic Annual Rent for the difference between (i) any Basic Annual Rent or Additional Rent payable by Tenant with respect to the Demised Premises for any period between the date Tenant is required to pay the same pursuant to the terms of Section 4.6 of this Lease and the date Tenant would have been required to pay the same pursuant to the other terms of this Lease (exclusive of Section 4.6), and (ii) any proceeds received by Tenant for reimbursement therefor from the loan from Landlord's Mortgagee that would otherwise be payable to Landlord from the balance of any contingency or interest reserve line items and Landlord's share of any penalties payable by the general contractor to Borrower pursuant to the terms of the general contract for the construction to be performed pursuant to the terms of this Lease, which such sums shall be payable to Tenant to the extent necessary to satisfy such obligations. Tenant shall be entitled to interest on any Rent so incurred at the rate payable under the promissory note given by Borrower to Tenant in the same manner as pertains to Tenant's credit against Basic Annual Rent pursuant to Section 5.4 of this Lease. Tenant shall also be entitled to the rent credit set forth in Paragraph 40.5 of this Lease, to the extent applicable. Provided, however, any such monthly rent credit shall be limited to the greater of (i) Forty Seven Thousand Five Hundred Dollars ($47,500.00), or (ii) the difference between (a) the monthly installment of Basic Annual Rent payable by Tenant and (b) the monthly debt service payment which Landlord is obligated to pay on the loan from Landlord's Mortgagee, with any uncredited portions continuing to accrue with interest as otherwise provided in this Lease. Notwithstanding the foregoing, during any period during which Landlord's Mortgagee continues to have a first deed of trust or is the owner through a foreclosure or deed in lieu thereof, then in no event shall the amount of any rent credit cause the monthly installment of Basic Annual Rent to be less than One Hundred Forty Five Thousand Dollars ($145,500.00)."

11. The third sentence of Section 5.4 of the Lease is hereby amended by adding at the end thereof the phrase "but no later than ninety (90) days after Tenant's quarterly and fiscal year end."

12. The next to last sentence of Section 5.4 is hereby amended and restated in its entirety as follows:

"This Security Deposit shall be in cash; excepting, however, Tenant shall have the option after the Term Commencement Date to substitute an irrevocable bank letter of credit, in a form and content and from a bank pre-approved in writing by Landlord and Landlord's Mortgagee."

13. Section 5.4 of the Lease is hereby amended by adding at the end thereof the following provision:

"To the extent that Landlord's Lender forecloses under its loan to Landlord or otherwise obtains title to the Demised Premises and Tenant is not given credit for the Security Deposit as a result thereof, Tenant shall be entitled to credit against the Rent due for the last month of this Lease the amount of such Security Deposit."

14. Section 7.3 of the Lease is hereby amended by adding a new sentence thereto after the first two sentences thereof, as follows:

"Upon the written request of Landlord, Tenant shall furnish to Landlord written evidence that all such property taxes and insurance premiums required in the first instance to be paid by Tenant have been paid."

15. Section 11.1 of the Lease is hereby amended by revising the first line thereof to state as follows:

"If Tenant fails to fully vacate all or any part ...."

16. Section 12.2 of the Lease is hereby amended by adding at the beginning thereof the clause "Notwithstanding any provision of Section 7.2 to the contrary, ..."

17. Section 15.5 of the Lease is hereby amended by providing that a copy of the notice to be provided to the Landlord therein shall also be provided to Landlord's Mortgagee.

18. The last sentence of Section 16.2 of the Lease is hereby amended and restated in its entirety as follows:

"Tenant shall, upon the expiration or sooner termination of the term hereof, surrender the Demised Premises to Landlord in the same good, quality condition as when received, ordinary wear and tear excepted, and damage by fire, other peril or condemnation which is to be repaired by Landlord pursuant to Articles 20 and 21 also excepted."

19. The third to last line of Section 17.3 on Page 26 of the Lease is hereby amended by adding after the word "clarify" the phrase "to the reasonable satisfaction of such lender."

20. Section 18.4 of the Lease is hereby amended by adding in the first line thereof after the word "Landlord" the words "and Landlord's Mortgagee."

21. Section 19.1 of the Lease is hereby amended by adding ",automobile liability," in the seventh line on Page 28 of the Lease after the words "materials risks."

22. Section 19.3 of the Lease is hereby amended by adding at the end of the first sentence thereof the phrase "and Landlord's Lender to the extent that such lender has notified Tenant in writing of such request."

23. Section 19.3 of the Lease is further amended by providing that the policyholder rating set forth in the second sentence of such section shall be "A-" and the financial category set forth in the second sentence shall be "Class X."

24. Section 19.5 of the Lease is hereby amended and restated in its entirety as follows:

> "19.5 If any policy of insurance is to name Landlord or Landlord's Lender as additional insured, Tenant shall, upon written request of Landlord or such lender, also designate and furnish certificates evidencing Landlord and such lender as an additional insured to (i) any lender to Landlord holding a security interest in the Building or, and/or (ii) the Landlord under any lease wherein Landlord is or shall become a tenant under a ground lease for the Land rather than that of fee owner, and/or (iii) Landlord's property manager, construction manager, agents and representatives."

25. Section 32.1 of the Lease is hereby amended by adding thereto at the end thereof the phrase "or sue to compel specific performance hereunder."

26. Section 33.2 of the Lease is hereby amended and restated in its entirety as follows:

> "33.2 Notwithstanding the foregoing, Tenant shall execute and deliver within thirty (30) says or such shorter period as is reasonable under the circumstances after written demand such further instrument or instruments evidencing such subordination of this Lease to any such mortgages, deeds of trust or leases in which Landlord is tenant as may be required reasonably by Landlord's Lender. However, if any such mortgagee,

beneficiary or landlord under a lease wherein Landlord is tenant so elects, this Lease shall be deemed prior to any such lease, mortgage or deed of trust upon or including the Demised Premises, regardless of date, and Tenant shall execute a statement in writing to such effect at Landlord's request."

27. Section 33.3 of the Lease is hereby amended by adding at the end thereof the following sentence:

"Additionally, at the request of said purchaser or transferee, Tenant and the purchaser or transferee shall sign a new lease on the same terms and conditions set forth in this Lease (except for as modified by any subordination agreement hereafter executed if such subordination agreement so requires) but showing the purchaser as the landlord."

28. Section 34.2 of the Lease is hereby amended and restated in its entirety as follows:

"34.2 The voluntary or other surrender of this Lease by Tenant shall not work a merger, unless Landlord and Landlord's Lender consent, and shall, at the option of Landlord and Landlord's Lender, operate as an assignment to it of any or all subleases or subtenancies."

29. The Lease is hereby amended by adding thereto the following new Section 34.4:

"34.4 In the event Tenant acquires fee ownership of the Demised Premises, that acquisition will not result in a merger of the leasehold interest and the fee interest, but rather, at the option of Landlord's Lender, the Lease and the Landlord's Lender's interests in the Lease shall remain in effect. Landlord and Tenant shall execute such additional documents as may be necessary to effectuate this waiver."

30. Section 35.1 of the Lease is hereby amended by adding thereto at the end of the first sentence thereof the words "and approved by Landlord's Mortgagee."

31. Section 37.1 of the Lease is hereby amended by adding thereto in the tenth line thereof after the close of the parenthetical phrase the following phrase:

"...excluding, however, any Hazardous Materials which were placed on the Demised Premises by Tenant or Tenant's Invitees...."

32. Section 37.1.2 of the Lease is hereby amended by adding the following provision at the end thereof:

"Landlord may disclose such materials on a confidential basis to Landlord's Mortgagee."

33. Section 37.5.1 of the Lease is hereby amended by adding after the word "Landlord" in the second line thereof the phrase "and Landlord's Lender."

34. Section 39.2.1 of the Lease is hereby amended by revising the fifth line thereof on Page 58 to state as follows:

"...$10,000,000.00, which new loan proceeds are to cover a portion of the Landlord's ...."

35. The last two sentences in Section 39.2.1 of the Lease are amended and restated as follows:

"The new loan shall enable Tenant to use the remaining loan proceeds to complete the Landlord's Work in the event of a material default by Landlord under the Work Letter if Tenant is entitled to complete the same under the terms of this Lease. Additionally if the new lender requires a completion bond, Tenant shall be an additional beneficiary of the completion bond."

36. The Lease is hereby amended by adding thereto the following Section 40:

"40. Completion by Tenant.

40.1. Lender Requirement. Landlord's Mortgagee under the construction/permanent financing for the New Loan referenced in Section 39.2 above is allowing Tenant to complete construction of the Landlord's Work to the Demised Premises as permitted by Section 4.1.2 of Exhibit "B" to this Lease in the event of the failure by Landlord to do so. In recognition thereof, Landlord and Tenant have agreed to the provisions set forth in this Section 40. The provisions set forth below shall be applicable if, and only if, (i) Landlord defaults on its obligations to complete construction of the Landlord's Work, and (ii) Tenant exercises its right to complete the Landlord's Work, and (iii) Tenant has not materially defaulted on its obligations to provide the funds to pay for the costs of the Landlord's Work, and (iv) there is no other default by Tenant which is a proximate cause for Landlord's failure to complete construction of the Landlord's Work, in which event the provisions set forth below in this Section 40 shall become applicable. Once these provisions become

applicable, these provisions shall prevail over any inconsistent provisions contained elsewhere in this Lease (including Exhibit B to this Lease).

40.2. Costs and Damages. Subject to the provisions set forth below, notwithstanding anything to the contrary in the Lease (including, without limitation, Sections 22.10, 18.3 and 18.4 thereof), Landlord shall indemnify Tenant and its partners, directors, officers, agents and employees against and save them harmless from all demands, claims, damages, causes of action or judgments and all reasonable expenses incurred in investigating or resisting the same (including reasonable professional fees, including without limitation, fees for attorneys, architects, engineers, and environmental consultants and any costs or damages incurred relative to a transition from Landlord to Tenant for performing the Landlord's Work) arising from or out of Tenant's performing the Landlord's Work. Tenant shall be entitled to interest at the rate of Bank of America's "reference rate" plus 3% on any amounts expended by Tenant as provided herein.

40.3. Contractor's Delay Damages. Pursuant to Section 6.3.7 of Exhibit B to this Lease (the Work Letter), the delay damages payable by Landlord's Contractor are to be shared between Landlord and Tenant. Landlord hereby agrees that its share of said delay damages payable by Landlord's Contractor shall initially be paid to Tenant, in addition to Tenant's share to compensate Tenant for Tenant's costs and damages under Section 40.2 above; provided, however, to the extent that Landlord's share of said delay damages exceeds Tenant's costs and damages as specified in Section 40.2 above, then Tenant shall pay over to Landlord the excess portion of Landlord's share of said delay damages which exceed Tenant's costs and damages pursuant to Section 40.2 above.

40.4. Delay Days. Any delays in completing the Landlord's Work which result from Tenant taking over from Landlord the responsibilities to perform Landlord's Work shall be treated as Landlord-Caused Delays, pursuant to Section 6.1 of Exhibit B (Work Letter), notwithstanding any other contrary provisions. Notwithstanding the foregoing, the time period within which Landlord must deliver the Demised Premises to Tenant as set forth in Section 4.2.3 of the Lease shall be extended by any such delay.

40.5. Rental Credit. To the extent that Tenant's costs and damages pursuant to Section 40.2

above exceed Landlord's share of the delay damages from Landlord's Contractor (as specified in Section 40.3 above and after crediting Tenant as provided in Section 5.3), then Tenant shall be entitled to pursue all available remedies against Landlord to collect such excess costs and damages (together with interest on such sums at the rate of Bank of America's "reference rate" plus 3% per annum), including, without limitation, the right to make a credit offset against the next rent payment(s) owing on this Lease to the extent of such sums owing to Tenant. Prior to exercising such offset right, Tenant shall first attempt to satisfy Landlord's obligation to compensate Tenant under this Section 40 through the sums to be received pursuant to Section 40.3 and any remaining loan proceeds available from the New Loan."

37. The second sentence of Section 1.1.1 of Exhibit "B" to the Lease is hereby amended and restated as follows:

"If the Project Architect does not perform satisfactorily, Tenant reserves the right to replace McGraw Baldwin Architects with another qualified architectural firm mutually approved by both Tenant and Landlord and Landlord's Mortgagee, which approval shall not be withheld unreasonably."

38. The fourth and fifth sentences of Section 1.5.1 of Exhibit "B" to the Lease are hereby amended and restated in their entirety as follows:

"All work shall be in accordance with all City, County, State and Federal ordinances, rules and regulations relating thereto. Any approval given by Landlord or Landlord's Mortgagee shall not constitute a representation or warranty by Landlord or Landlord's Mortgagee that the approved item complies with applicable building codes or governmental regulations, or that the item is suitable for the intended use, or that the item is in compliance with the Improvement Plans."

39. The second sentence of Section 1.6.3 of Exhibit "B" to the Lease is hereby amended by adding thereto at the end thereof the phrase "in accordance with applicable law."

40. The last sentence of Section 1.7.9 of Exhibit'"B" to the Lease is hereby amended by adding thereto at the end thereof the following:

"provided, however, the insurance limit, the deductible amounts, and the insurance carrier size shall not be less than as specified in Section 19 of the Lease."

41. The third line of Section 1.8 of Exhibit "B" to the Lease is hereby amended by adding after the word "Landlord" the phrase "and Landlord's Mortgagee."

42. The second line of Section 1.8.1 of Exhibit "B" to the Lease is hereby amended by adding after the word "Landlord" the phrase "and Landlord's Mortgagee."

43. The seventh line of Section 3.1 of Exhibit "B" to the Lease is hereby amended and restated as follows:

> "... City, County, State and Federal ordinances, rules and regulations relating ..."

44. Section 3.1 of Exhibit "B" to the Lease is further amended by adding at the end thereof the phrase "comparable to the insurance as specified in Section 1.7.9 above."

45. Section 4.1.2 of Exhibit "B" to the Lease is hereby amended by adding thereto at the end thereof the following sentence:

> "Pursuant to the terms of the Loan from Landlord's Mortgagee, and as specified in Section 3.4 of the Lease, Landlord and Tenant acknowledge that union labor is to be used for constructing the improvements within the criteria set forth in Section 3.4 of the Lease."

46. Paragraph 2 to Schedule 4 to Exhibit "B" to the Lease is hereby amended by adding thereto at the end thereof the following provision:

> "Tenant shall keep the construction validation current throughout the term of the Lease, and provide to Landlord all supporting documentation for the ongoing construction validation. Tenant shall not allow the construction validation of the pilot plant to lapse at any time during the Lease Term."

47. Paragraph 2 of Exhibit "D" to the Lease is hereby amended by adding thereto at the end thereof the following sentence:

> "Tenant shall be entitled to a credit against the termination fee payable pursuant to this Paragraph for all unreimbursed amounts due Tenant pursuant to the provisions of Paragraphs 5.3 and 40 of the Lease as well as for all amounts then outstanding under the promissory note from Landlord to Tenant dated

November 25, 1992, in the amount of $3,200,000.00, but only to the extent of any excess of such termination fee over the then unpaid balance of the loan from Landlord's Mortgagee."

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date first set forth above.

TORREY SORRENTO INC.,
a California corporation

By: /s/ [ILLEGIBLE]

IDEC PHARMACEUTICALS CORPORATION,
a California corporation

BY: /s/ Phillip Schneider

Vice President

Lease Amendment

This Agreement is entered into as of December 30, 1994, by and between TORREY SORRENTO, INC., a California corporation (hereinafter called "Landlord"), and IDEC PHARMACEUTICALS, CORPORATION, a California corporation (hereinafter called "Tenant"), with reference to the following facts:

A. Prior hereto the Landlord and Tenant entered into that certain Lease dated July 9, 1992, for the premises located at 11011 Torreyana Road, San Diego, California (the "Lease"), as amended by that certain First Amendment to Lease dated November 9, 1992.

B. Landlord and Tenant now desire to amend the Lease on the terms set forth herein.

C. All capitalized terms not defined herein shall have the same meaning as set forth in the Lease.

NOW, THEREFORE, the parties hereto agree as follows:

1. Exhibit D to the Lease, the Early Termination Agreement, shall be deleted in its entirety and all rights of the Tenant and/or any successors and assigns, for early termination under the Lease pursuant to Section 3.2 of the Lease, Exhibit D (Early Termination Agreement) to the Lease, and/or any and all other references thereto, shall be waived.

2. The third sentence of Section 6.2.1.(vi) is hereby amended by adding the words "for the eleventh year of the term of the Lease" after the words "herein, the Fair Rental Value".

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as if the date first set forth above.

TORREY SORRENTO, INC.,
a California Corporation

By: /s/ [ILLEGIBLE]

IDEC PHARMACEUTICALS CORPORATION,
a California corporation

By: /s/ Phillip Schneider

LEASE AGREEMENT

THIS LEASE AGREEMENT is made as of this 24th day of June, 1999, between ARE-10933 NORTH TORREY PINES, LLC, a Delaware limited liability company ("LANDLORD"), and IDEC PHARMACEUTICALS CORPORATION, a Delaware corporation ("TENANT").

ADDRESS: 3000 Science Park Road, San Diego, California

PROJECT: The real property legally described on EXHIBIT B, together with all improvements thereon and appurtenances thereto; as depicted on the site plan in EXHIBIT B

BUILDING: The specific building in the Project in which the Premises are located, as shown on Exhibit B

PREMISES: That portion of the Building, containing approximately 41,328 rentable square feet, as shown on EXHIBITS A-1 AND A-2, together with an exclusive use hazardous materials storage pad outside the Building, as shown on EXHIBIT B-1.

BASE RENT: $2.37 per rentable square foot, per month for the portion of the Premises shown on Exhibit A-1

RENT ADJUSTMENT PERCENTAGE: 2.5% TENANT'S SHARE: 55.85%

RENTABLE AREA OF PREMISES: 41,328 sq.ft. RENTABLE AREA OF BUILDING: 74,000 sq. ft.

RENTABLE AREA OF PROJECT: 182,133 sq. ft. BUILDING'S SHARE OF PROJECT: 40.63%

TARGET COMMENCEMENT DATE: July 1, 2000 SECURITY DEPOSIT: $87,690

TERM: 120 months from the first day of the month following the month in which the Commencement Date occurs

PERMITTED USE: Scientific laboratory, research and related office and warehouse uses

ADDRESS FOR RENT PAYMENT:
135 N. Los Robles Avenue, Suite 250
Pasadena, CA 91101
Attention: Accounts Receivable

LANDLORD'S NOTICE ADDRESS:
135 N. Los Robles Avenue, Suite 250
Pasadena, CA 91101
Attention: General Counsel

TENANT'S NOTICE ADDRESS:
IDEC Pharmaceuticals Corporation
11011 Torreyana Road
San Diego, California 92121
Attention: Corporate Secretary

The following Exhibits and Addenda are attached hereto and incorporated herein by this reference:

[X] EXHIBIT A - PREMISES DESCRIPTION [X] EXHIBIT B - DESCRIPTION OF PROJECT
[X] EXHIBIT C - WORK LETTER [X] EXHIBIT D - COMMENCEMENT DATE
[X] EXHIBIT E - RULES AND REGULATIONS [X] EXHIBIT F - TENANT'S PERSONAL PROPERTY
[X] EXHIBIT G - ESTOPPEL CERTIFICATE [X] EXHIBIT H - NONDISTURBANCE AGREEMENT

1. LEASE OF PREMISES. Upon and subject to all of the terms and conditions hereof, Landlord hereby leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord, effective as of the date hereof. The portions of the Project which are for the non-exclusive use of tenants of the Project are collectively referred to herein at the "COMMON AREAS." Landlord reserves the right to modify Common Areas, provided that such modifications do not materially adversely affect Tenant's use of the Premises. At any time Tenant may elect to lease the exclusive use storage area on the surface parking level of the Building as shown on Exhibit A-3 (the "STORAGE AREA") for the then remaining term of the Lease, including any extensions thereof. If at any time any other tenant of the Building wishes to lease such Storage Area, Landlord shall give Tenant notice of such request and Tenant shall have 15 business days in which to elect to Lease such Storage Area for the then remaining term of the Lease, including any extensions thereof, or to waive its right to lease such space. Rent in the amount of $350 per month for such Storage Area shall commence upon delivery of the Storage Area for Tenant's use.

2. DELIVERY; ACCEPTANCE OF PREMISES; COMMENCEMENT DATE. Landlord shall use reasonable efforts to deliver the Premises to Tenant on or before the Target Commencement Date, subject to extension for Force Majeure Delays and Tenant Delay, with Landlord's Work, if any, Substantially Completed and the Baseline Assessment (as defined in the Work Letter done ("DELIVERY" or "DELIVER"). If Landlord fails to timely Deliver the Premises, Base Rent payable hereunder shall be abated after the first 30 days of any such delay not arising by reason of Force Majeure Delay or Tenant Delay as follows: (i) one day for each of the next 30 days of any such delay, (ii) one and one-half days for each of the next 30 days of any such delay, and (iii) two days for each day of any such delay thereafter until December 31, 2000. Except for such abatement of Base Rent, Landlord shall not be liable to Tenant for any loss or damage resulting from any such delay, and this Lease shall not be void or voidable except as provided herein. If Landlord does not Deliver the Premises on or before December 31, 2000, as such date shall be extended one day for each day of Tenant Delay under the Work Letter (as extended, the "OUTSIDE DATE"), Tenant shall have the right to terminate this Lease by delivery of written notice to Landlord no later than three business days after the Outside Date. If Tenant fails to deliver such notice within three business day of the Outside Date, this Lease shall continue if full force and effect. If Tenant timely delivers notice terminating this Lease: (a) Landlord shall (i) reimburse Tenant for any costs or expenses paid or incurred by Tenant under the Budget (as defined in the Work Letter), (ii) return the Security Deposit, and (b) neither Landlord nor Tenant shall have any further rights, duties or obligations under this Lease, except with respect to provisions which expressly survive termination of this Lease. As used herein, the terms "LANDLORD'S WORK," "TENANT DELAYS," "EXCESS TENANT DELAYS" and "SUBSTANTIALLY COMPLETED" shall have the meanings set forth for such terms in the Work Letter.

The "COMMENCEMENT DATE" shall be earliest of: (i) the date Landlord Delivers the Premises to Tenant; (ii) the date Landlord could have Delivered the Premises but for Excess Tenant Delays; and (iii) the date Tenant conducts any business in the Premises or any part thereof; provided, however, that the installation and testing of Tenant's fixtures and equipment shall not constitute the conduct of business in the Premises. Upon request of Landlord, Tenant shall execute and deliver a written acknowledgment of the Term Commencement Date and the expiration date of the Term when such are established and shall attach the acknowledgment to this Lease as part of EXHIBIT D; provided, however. Tenant's failure to execute and deliver such acknowledgment shall not affect Landlord's rights hereunder.

Except as set forth in the Work Letter, Tenant shall accept the Premises in their condition as of the Commencement Date, subject to all applicable laws, ordinances, regulations, covenants and restrictions of record. Neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the condition of any or all of the Premises (other than Landlord's Work, if any) or the Project, and/or the suitability of the Premises for the conduct of Tenant's business, and Tenant waives any implied warranty that the Premises are suitable for Tenant's intended purposes. Except as set forth in the Work Letter, if applicable: (i) Landlord has no obligation for any defects

in the Premises; and (ii) Tenant's taking possession of the Premises shall be conclusive evidence that Tenant accepts the Premises and that the Premises were in good condition at the time possession was taken. Any occupancy of the Premises by Tenant before the Commencement date shall be subject to all of the terms and conditions of this Lease, including the obligation to pay Rent.

3. RENT.

(a) BASE RENT. The Security Deposit shall be due and payable on delivery of an executed copy of this Lease to Landlord. The first month's Base Rent shall be due and payable on the Commencement Date. Tenant shall pay to Landlord in advance, without demand, abatement, deduction or set-off, monthly installments of Base Rent on or before the first day of each calendar month during the Term hereof, in lawful money of the United States of America, at the office of Landlord for payment of Rent set forth above, or to such other person or at such other place as Landlord may from time designate in writing. Payments of Base Rent for any fractional calendar month shall be prorated and paid on the basis of a thirty (30) day month. The obligation of Tenant to pay Base Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. Tenant shall have no right at any time to abate, reduce, or set-off any Rent due hereunder except for any abatement as may be expressly provided in this Lease.

(b) ADDITIONAL RENT. In addition to Base Rent, Tenant agrees to pay to Landlord as additional rent ("Additional Rent"): (i) Tenant's Share of "Operating Expenses," and (ii) any and all other amounts Tenant assumes or agrees to pay under the provisions of this Lease, including, without limitation, any and all other sums that may become due by reason of any default of Tenant or failure to comply with the agreements, terms, covenants and conditions of this Lease to be performed by Tenant, after any applicable notice and cure period.

4. BASE RENT ADJUSTMENTS. Base Rent shall be increased on each annual anniversary of the first day of the first full month during the Term of this Lease by multiplying the Base Rent payable immediately before such adjustment by the Rent Adjustment Percentage and adding the resulting amount to the Base Rent payable immediately before such adjustment. Base Rent, as so adjusted, shall thereafter be due as provided herein. Base Rent adjustments for any fractional calendar month shall be prorated.

5. OPERATING EXPENSE PAYMENTS. Landlord shall use reasonable efforts to deliver to Tenant a written estimate of Operating Expenses for each calendar year (the "ANNUAL ESTIMATE") at least 30 days before the Commencement Date and at least 30 days before the commencement of each such calendar year during the Term hereof, which Annual Estimate may be revised by Landlord from time to time during such calendar year, but not more than twice unless any material expense reflected in such Annual Estimate changes by 10% or more. During each month of the Term, on the same date that Base Rent is due, Tenant shall pay Landlord an amount equal to 1/12 of the annual cost, as reasonably estimated by Landlord from time to time, of Tenant's Share of Operating Expenses. Payments for any fractional calendar month shall be prorated. The term "OPERATING EXPENSES" means all costs and expenses of any kind or description whatsoever incurred or accrued by Landlord with respect to the Building (including the Building's Share of all costs and expenses of any kind or description incurred or accrued by Landlord with respect to the Project which are not specific to the Building or to any other building located in the Project, administration rent in the amount of 2.0% of Base Rent and capital improvements and repairs (to the extent not excluded below) amortized over the lesser of the useful life of any such capital item or 7 years), excluding only:

(a) the original construction costs of the Project and renovation prior to the Commencement Date of the Lease, costs of correcting defects in such original construction or renovation (other than the Tenant Improvements and the machinery and equipment making up the Central Plant (as such terms are defined in the Work Letter)), initial replacement or material repair of the parking area shown on Exhibit

B as "existing parking" and initial construction of any material landscape and/or hardscape for the Project;

(b) completing, fixturing, improving, renovating, painting, redecorating or other work, which Landlord pays for or performs for specific tenants within their premises, any ADA compliance in Common Areas required as a result of any such work by Landlord or any tenant and costs of correcting defects in such work;

(c) capital expenditures for expansion of the Project or for the remodeling or refurbishment of the Project to a materially higher standard than existed on the date of this Lease;

(e) interest, financing costs and amortization of funds borrowed by Landlord, whether secured or unsecured;

(f) depreciation of the Project (except for capital improvements the cost of which are specifically includable in Operating Expenses);

(g) advertising, legal and space planning expenses, leasing commissions and other costs and expenses incurred in procuring tenants for the Project, including any leasing office maintained in the Project;

(h) salaries, wages, benefits and other compensation paid to officers and employees of Landlord who (i) are not assigned in whole or in part to the operation, management, maintenance or repair of the Project; (ii) are assigned to the Project, in whole or in part, but serve as property managers, asset managers or otherwise perform services intended to be compensated by Landlord's administration rent set forth above, or (iii) are assigned to the Project, in whole or in part, and are not included in clause (h)(ii) above, to the extent such employees also perform services for other properties owned by Landlord;

(i) costs of utilities outside normal business hours sold to tenants of the Project;

(j) any expenses otherwise includable within Operating Expenses to the extent actually reimbursed by persons other than tenants of the Project under leases for space in the Project;

(k) legal and other expenses incurred in the negotiation or enforcement of leases;

(l) costs relating to maintaining Landlord's existence, either as a corporation, partnership, or other entity;

(m) costs (including attorneys' fees and costs of settlement, judgments and payments in lieu thereof) arising from claims, disputes or potential disputes pertaining to Landlord and/or the Project or from Landlord's failure to make any payment required to be made by Landlord hereunder before delinquency;

(n) costs incurred by Landlord due to the violation by Landlord, its employees, agent or contractors or any tenant of the terms and conditions of any lease of space in the Project;

(o) tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payment and/or to file any tax or informational returns when due;

(p) overhead and profit increment paid to the Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in or to the Project to the extent the same exceeds the costs of such goods and/or services rendered by unaffiliated third parties on a competitive basis;

(q) costs arising from Landlord's charitable or political contributions or fine art maintained at the Project;

(r) costs to be reimbursed by other tenants of the Project, whether or not actually paid;

(s) Costs in connection with services (including electricity), items or other benefits of a type which are not standard for the Project and which are not available to Tenant without specific charges therefor, but which are provided to another tenant or occupant of the Project, whether or not such other tenant or occupant is specifically charged therefore by Landlord;

(t) costs of Landlord's general overhead and general administrative expenses (individual, partnership or corporate, as the case may be), as determined in accordance with general accepted accounting principals, consistently applied;

(u) operating reserves for capital items to the extent the capital cost of replacement of such items are, or are planned to be, amortized as an Operating Expense;

(v) costs of earthquake premiums in excess of those charged for similar buildings in similar risk zones as determined by the California Earthquake Authority;

(w) costs incurred in the sale or refinancing of the Project; and

(x) net income, franchise, capital stock, estate or inheritance taxes.

If Landlord estimates that the actual expenses for any calendar year during the term hereof will exceed the then current estimate of such expenses for such year, not later than 30 days before the end of any such calendar year, Landlord shall provide to Tenant a non-binding reconciliation of the anticipated actual expenses for the year then ending against the then current estimate of expenses for such year. Within 90 days after the end of each calendar year (or such longer period as may be reasonably required), Landlord shall furnish to Tenant a statement (an "ANNUAL STATEMENT") showing in reasonable detail: (a) the total and Tenant's Share of actual Operating Expenses for the previous calendar year, and (b) the total of Tenant's payments in respect of Operating Expenses for such year. If Tenant's Share of actual Operating Expenses for such year exceeds Tenant's payments of Operating Expenses for such year, the excess shall be immediately due and payable by Tenant as Rent. If Tenant's payments of Operating Expenses for such year exceed Tenant's Share of actual Operating Expenses for such year Landlord shall pay the excess to Tenant within 30 days after delivery of such Annual Statement.

The Annual Statement shall be final and binding upon Landlord and Tenant unless Tenant, within 30 days after Tenant's receipt thereof, shall contest any item therein by giving written notice to Landlord, specifying each item contested and the reason therefor. If, during such 30 day period, Tenant reasonably and in good faith questions or contests the correctness of Landlord's statement of Tenant's Share of Operating Expenses, Landlord will provide Tenant with access to Landlord's books and records and such information as Landlord reasonably determines to be responsive to Tenant's questions. If after Tenant's review of such information, Landlord and Tenant cannot agree upon the amount of Tenant's Share of Operating Expenses, then Tenant shall have the right to have an independent public accounting firm selected from among the 6 largest in the United States, hired by Tenant (at Tenant's sole cost and expense) and approved by Landlord (which approval shall not be unreasonably withheld or delayed), audit and/or review such Landlord's books and

records for the year in question (the "Independent Review"). The results of any such Independent Review shall be binding on Landlord and Tenant. If the Independent Review shows that Tenant's pro rata share of the Operating Expenses actually paid by Tenant for the calendar year in question exceeded Tenant's obligations for such calendar year, Landlord shall at Landlord's option either (i) credit the excess amount to the next succeeding installments of estimated Operating Expenses or (ii) pay the excess to Tenant within 30 days after delivery of such statement, except that after expiration of, or termination of the Term, Landlord shall pay the excess to Tenant after deducting all other amounts due Landlord. If the Independent Review shows that Tenant's payments of Tenant's Share of Operating Expenses for such calendar year were less than Tenant's obligation for the calendar year, Tenant shall pay the deficiency to the Landlord within 30 days after delivery of such statement. If the Independent Review shows that Tenant has overpaid Tenant's pro rata share of Operating Expenses by more than 5% then Landlord shall reimburse Tenant for all costs incurred by Tenant for the Independent Review. Operating Expenses for the calendar years in which Tenant's obligation to share therein begins and ends shall be prorated. Notwithstanding anything set forth herein to the contrary, if the Building is not fully occupied during any year of the Term, Tenant's Share of Operating Expenses for such year shall be computed as though the Building had been fully occupied during such year.

"TENANT'S SHARE" and the "BUILDING'S SHARE OF PROJECT" shall be, respectively, the percentages set forth on the first page of this Lease as Tenant's Share and the Building's Share of Project as either or both may be reasonably adjusted by Landlord following a measurement of the rentable square footage of the Building and the Premises (not including the storage area, if any, and the hazardous materials storage pad) to be done by Landlord within 90 days of the Commencement Date, or as soon as reasonably possible thereafter, and shall be subject to further adjustment for changes in the physical size of the Premises, the Building or the Project occurring thereafter within 90 days of the substantial completion of any such change in the Premises, the Building or the Project. Any such measurement shall be performed in accordance with the 1996 Standard Method of Measuring Floor Area in Office Buildings as adopted by the Building Owners and Managers Association (ANSI/BOMA Z65.1-1996). Landlord may equitably increase Tenant's Share for any item of expense or cost reimbursable by Tenant that relates to a repair, replacement, or service that benefits only the Premises or only a portion of the Building or the Project that includes the Premises or that varies with occupancy or use. Base Rent, Tenant's Share of Operating Expenses and all other amounts payable by Tenant to Landlord hereunder are collectively referred to herein as "RENT."

6. SECURITY DEPOSIT. The Security Deposit shall be held by Landlord as security for the performance of Tenant's obligations under this Lease. The Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Upon each occurrence of a Default, Landlord may use all or part of the Security Deposit to pay delinquent payments due under this Lease, and the cost of any damage, injury, expense or liability caused by such Default, without prejudice to any other remedy provided herein or provided by law. Upon any such use of all or any portion of the Security Deposit, Tenant shall pay Landlord on demand the amount that will restore the Security Deposit to its original amount. Upon bankruptcy or other debtor-creditor proceedings against Tenant, the Security Deposit shall be deemed to be applied first to the payment of Rent and other charges due Landlord for periods prior to the filing of such proceedings. Landlord's obligation respecting the Security Deposit is that of a debtor, not a trustee; no interest shall accrue thereon. The Security Deposit shall be the property of Landlord, but shall be paid to Tenant when Tenant's obligations under this Lease have been completely fulfilled. Landlord shall be released from any obligation with respect to the Security Deposit upon transfer of this Lease and the Premises to a person or entity assuming Landlord's obligations under this Section 6. Tenant hereby waives the provisions of any law, now or hereafter in force, which provide that Landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of Rent, to repair damage caused by Tenant or to clean the Premises, it being agreed that Landlord may, in addition, claim those sums reasonably necessary to compensate Landlord for any other loss or damage, foreseeable or unforeseeable, caused by the

act or omission of Tenant or any officer, employee, agent or invitee of Tenant, as provided herein. If Tenant shall fully perform every provision of this Lease to be performed by Tenant, the Security Deposit, or any balance thereof, shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) within 90 days after the expiration or earlier termination of this Lease.

7. USE. The Premises shall be used solely for the Permitted Use set forth in the Basic Lease Provisions and for lawful purposes incidental thereto, all in compliance with all laws, orders, judgments, ordinances, regulations, codes, directives, permits, licenses, covenants and restrictions of record now or hereafter applicable to the Premises, and the use and occupancy thereof (collectively, "LEGAL REQUIREMENTS"). Tenant shall, upon 5 days' written notice from Landlord, discontinue any use of the Premises which is declared by any governmental authority having jurisdiction to be a violation of any Legal Requirement. Tenant will not use or permit the Premises to be used for any purpose (other than the Permitted Uses) or in any manner that would void Tenant's or Landlords insurance, increase the insurance risk, or cause the disallowance of any sprinkler or other credits. Tenant shall reimburse Landlord promptly upon demand for any additional premium charged for any such policy by reason of Tenant's failure to comply with the provisions of this Section. Tenant will use the Premises in a careful, safe and proper manner and will not commit waste, overload the floor or structure of the Premises, subject the Premises to use that would damage the Premises or obstruct or interfere with the rights of Landlord or other tenants or occupants of the Project, including conducting or giving notice of any auction, liquidation, or going out of business sale on the Premises, or using or allowing the Premises to be used for any unlawful purpose. Tenant shall cause any office equipment or machinery to be installed in the Premises so as to reasonably prevent sounds (assuming building standard demising walls) or vibrations therefrom from extending into Common Areas, or other space in the Building or the Project. Tenant shall not place any equipment weighing 500 pounds or more in or upon the Premises or transport or move such items through the Common Areas or in the Building elevators without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed. Except as may be provided under the Work Letter, Tenant shall not, without the prior written consent of Landlord, use the Premises in any manner which will require ventilation, air exchange, heating, gas, steam, electricity or water beyond the existing capacity of the Building as proportionately allocated to the Premises based upon Tenant's Share as usually furnished for the Permitted Use; provided, however, that to the extent Tenant at its sole cost and expense expands the capacity of the ventilation, air exchange, heating, gas, steam, electricity or water systems serving the Building, Tenant shall be entitled to use 100% of such added capacity.

Tenant, at its sole expense, shall make any alterations or modifications, to the interior of the Premises that are required by Legal Requirements (including, without limitation, compliance of the Premises with the Americans With Disabilities Act, 42 U.S.C. Section 12101, et seq. (together with regulations promulgated pursuant thereto, "ADA")) related to Tenant's use or occupancy of the Premises for the Permitted Uses. Landlord shall, as an Operating Expense (to the extent such Legal Requirement is generally applicable to similar buildings in the San Diego area) or at Tenant's expenses (to the extent such Legal Requirement is applicable solely by reason of Tenant's, as compared to other tenants of the Building, particular use of the Premises) make any alterations or modifications to the Common Areas or the exterior or the Building that are required by Legal Requirements, including the ADA. Notwithstanding any other provision herein to the contrary, but subject to the limitations of this Section 7, Tenant shall be responsible for any and all demands, claims, liabilities, losses, costs, expenses, actions, causes of action, damages or judgments, and all reasonable expenses incurred in investigating or resisting the same (including, without limitation, reasonable attorneys' fees, charges and disbursements and costs of suit) (collectively, "CLAIMS") arising out of or in connection with Legal Requirements and Tenant shall indemnify, defend, hold and save Landlord harmless from and against any and all Claims arising out of or in connection with any failure of the Premises to comply with any Legal Requirement.

8. HOLDING OVER. If, with Landlord's express written consent, Tenant retains possession of the Premises after the termination of the Term, unless otherwise agreed in writing, such possession shall be subject to immediate termination by Landlord at any time, and all of the other terms and provisions of this Lease (including, without limitation, the adjustment of Base Rent pursuant to Section 4 hereof) shall remain in full force and effect (excluding any expansion or renewal option or other similar right or option) during such holdover period, and in such case Tenant shall continue to pay Base Rent in the amount payable upon the date of the expiration or earlier termination of this Lease or such other amount as Landlord may indicate, in Landlord's sole and absolute discretion, in such written consent. All other payments shall continue under the terms of this Lease. If Tenant remains in possession of the Premises after the expiration or earlier termination of the Term without the express written consent of Landlord, Tenant shall become a tenant at sufferance upon the terms of this Lease except that the rental shall be equal to 150% of the Rent in effect during the last 30 days of the Term. Such Rent shall accrue and be due and payable in advance on a per diem basis during the first month of any such holdover and thereafter such Rent shall accrue and be due and payable monthly in advance on the first day of each month. Notwithstanding the payment by Tenant or the acceptance by Landlord of any such holdover Rent, Tenant shall be responsible for all damages suffered by Landlord resulting from or occasioned by Tenant's holding over. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided, and this Section 8 shall not be construed as consent for Tenant to retain possession of the Premises. Acceptance by Landlord of Rent after the Term Expiration Date or earlier termination of this Lease shall not result in a renewal or reinstatement of this Lease.

9. TAXES. Landlord shall pay, as part of Operating Expenses, all taxes, levies, assessments and governmental charges of any kind (collectively referred to as "TAXES") imposed by any federal, state, regional, municipal, local or other governmental authority or agency, including, without limitation, quasi-public agencies (collectively, "GOVERNMENTAL AUTHORITY") during the Term, including, without limitation all Taxes: (i) imposed on or measured by or based, in whole or in part, on rent payable to Landlord under this Lease and/or from the rental by Landlord of the Project or any portion thereof, or (ii) based on the square footage, assessed value or other measure or evaluation of any kind of the Premises, the Building or the Project, or (iii) assessed or imposed by or on the operation or maintenance of any portion of the Premises or the Project, including parking, or (iv) assessed or imposed by, or at the direction of, or resulting from statutes or regulations, or interpretations thereof, promulgated by, any Governmental Authority, or (v) imposed as a license or other fee on Landlord's business of leasing space in the Project; but excluding during the initial Term hereof any increase in Taxes resulting solely from a sale or other transfer of the Project or any portion thereof. Landlord may contest by appropriate legal proceedings the amount, validity, or application of any Taxes or liens securing Taxes. Taxes shall not include any net income taxes imposed on Landlord unless such net income taxes are in substitution for any Taxes payable hereunder. If any such Tax is levied or assessed directly against Tenant, then Tenant shall be responsible for and shall pay the same at such times and in such manner as the taxing authority shall require. Tenant shall pay, prior to delinquency, any and all Taxes levied or assessed against any personal property or trade fixtures placed by Tenant in the Premises, whether levied or assessed against Landlord or Tenant. If any Taxes on Tenant's personal property or trade fixtures are levied against Landlord or Landlord's property, or if the assessed valuation of the Project or any portion thereof is increased by a value attributable to improvements in or alterations to the Premises, whether owned by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, higher than the base valuation on which Landlord from time-to-time allocates Taxes to all tenants in the Building, Landlord shall have the right, but not the obligation, to pay such Taxes. Landlord's determination of any excess assessed valuation shall be binding and conclusive, absent manifest error. The amount of any such payment by Landlord shall constitute Additional Rent due from Tenant to Landlord immediately upon demand.

10. PARKING. Subject to any applicable local governmental restrictions or requirements, Tenant shall have the right to park 2.5 cars per thousand rentable square feet from time-to-time in

the Premises in common with other tenants of the Project in those areas designated for non-reserved parking subject in each case to Landlord's rules and regulations. Tenant shall, within such 2.5 cars per thousand rentable square feet allotment, be entitled to Tenant's Share of the parking available in the basement level of the Building. Landlord shall allocate the right to use parking in the Building among Tenant and other tenants in the Building in a non-discriminatory manner. If Landlord determines that the parking facilities are becoming crowded, Landlord may reserve spaces or otherwise act to resolve such parking issues. Landlord shall reserve 20 designated visitor spaces for the nonexclusive use of Tenant's guests and invitees as shown on Exhibit B. Landlord shall not be responsible for enforcing Tenant's parking rights against any third parties, including other tenants of the Project.

11. UTILITIES, SERVICES. Landlord shall provide, subject to the terms of this Section 11, water, electricity, HVAC, light, power, telephone, sewer, and other utilities (including gas and fire sprinklers to the extent the Building is plumbed for such services), refuse and trash collection (collectively, "Utilities"). Although Tenant shall have access to the Premises 24 hours per day, 365/366 days per year, the normal hours of operation of the Building are 8:00 a.m. to 6:00 p.m., Monday through Friday and 8:00 a.m. to 1:00 p.m. on Saturday, legal holidays excepted. Landlord's actual cost of any use by Tenant of Utilities outside of such normal hours of operation, including Landlord's actual overhead and administrative costs in connection therewith (not to exceed 10% of the cost of such utilities), shall be allocated to and paid by Tenant on such basis as Landlord shall reasonably determine for the Building. Landlord shall pay, as Operating Expenses or subject to Tenant's reimbursement obligation, for all Utilities used on the Premises, all maintenance charges for Utilities, and any storm sewer charges or other similar charges for Utilities imposed by any governmental entity or Utility provider, and any taxes, penalties, surcharges or similar charges thereon. Landlord or Tenant may elect, in either case at Tenant's expense, to cause any Utilities to be separately metered or charged directly to Tenant by the provider. Tenant shall pay directly to the Utility provider, prior to delinquency, any separately metered Utilities and services which may be furnished to Tenant or the Premises during the Term. Tenant shall pay, as part of Operating Expenses, its share of all charges for jointly metered Utilities based upon consumption, as reasonably determined by Landlord and shall pay the cost of any after hours Utilities allocated to it by Landlord. No interruption or failure of Utilities, from any cause whatsoever other than Landlord's willful misconduct, shall result in eviction or constructive eviction of Tenant, termination of this Lease or the abatement of Rent. Tenant agrees to limit use of water and sewer with respect to Common Areas to normal restroom use. Tenant shall, at all times during the Term, be entitled to use up to Tenant's Share of the Utilities provided by the Central Plant.

12. ALTERATIONS AND TENANT'S PROPERTY. Any alterations, additions, or improvements made to the Premises by or on behalf of Tenant, including additional locks or bolts of any kind or nature upon any doors or windows in the Premises, but excluding (i) installation, removal or realignment of furniture systems (other than removal of furniture systems owned or paid for by Landlord) not involving any modifications to the structure or connections (other then by ordinary plugs or jacks) to building systems (as hereinafter defined) and (ii) alterations, additions and improvements that (A) do not affect the Building structure or exterior or the building systems and (B) do not exceed a total cost in any 12 month period in the aggregate of $50,000.00, ("ALTERATIONS") shall be subject to Landlord's prior written consent, which shall not be unreasonably withheld or delayed. If Landlord's approval for any Alterations is required, Landlord may impose such conditions on Tenant in connection with the commencement, performance and completion of such Alterations as Landlord may deem appropriate in Landlord's reasonable discretion. Any request for approval shall be in writing, delivered not less than 15 business days in advance of any proposed construction, and accompanied by plans, specifications, bid proposals, work contracts and such other information concerning the nature and cost of the alterations as may be reasonably requested by Landlord, including the identities and mailing addresses of all persons performing work or supplying materials. Landlord's right to review plans and specifications and to monitor construction shall be solely for its own benefit, and Landlord shall have no duty to see that such plans and specifications or construction comply with applicable Legal Requirements. Tenant shall

cause, at its expense, all Alterations to comply with insurance requirements and with Legal Requirements and shall implement at its sole cost and expense any alteration or modification required by Legal Requirements as a result of any Alterations. Tenant shall pay to Landlord, as Additional Rent, on demand an amount equal to Landlord's actual costs and expenses, including the time of Landlord's employees spent on such matters at their actual wage and benefit rates, not to exceed 10% of the aggregate cost of such Alteration, for plan review, coordination, scheduling and supervision. Before beginning any Alteration, Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable law. Tenant shall reimburse Landlord for, and indemnify and hold Landlord harmless from, any extra expense incurred by Landlord by reason of faulty work done by Tenant or its contractors, delays caused by such work, or inadequate cleanup.

Tenant shall furnish security or make other arrangements satisfactory to Landlord to assure payment for the completion of all work free and clear of liens, and shall provide certificates of insurance for worker's compensation and other coverage in amounts and from an insurance company satisfactory to Landlord protecting Landlord against liability for personal injury or property damage during construction. Upon completion of any Alterations, Tenant shall deliver to Landlord: (i) sworn statements setting forth the names of all contractors and subcontractors who did the work and final lien waivers from all such contractors and subcontractors; and (ii) as built plans for any such Alteration.

The items, if any, listed on EXHIBIT F attached hereto, any items agreed by Landlord in writing to be included on EXHIBIT F in the future, and any trade fixtures, machinery, equipment and other personal property not paid for out of the TI Allowance, as defined in the Work Letter, which may be removed without material damage to the Premises, which damage shall be repaired (including capping or terminating utility hookups behind walls) by Tenant during the Term (collectively, "TENANT'S PROPERTY"). Tenant's Property may be removed by Tenant at any time during the Term. All other property of any kind paid for with the TI Fund other than Tenant's Property, all Alterations, real property fixtures, built-in machinery and equipment, built-in laboratory casework and cabinets and other similar additions and improvements built into the Premises so as to become an integral part of the Premises, such as fume hoods which penetrate the roof or plenum area, built-in cold rooms, built-in warm rooms, walk-in cold rooms, walk-in warm rooms, deionized water system, chillers, built-in plumbing, electrical and mechanical equipment and systems, and any power generator and transfer switch (collectively, "INSTALLATIONS") shall be and shall remain the property of Landlord during the Term and following the expiration or earlier termination of the Term. The Installations shall not be removed by Tenant at any time during the Term and shall remain upon and be surrendered with the Premises as a part thereof following the expiration or earlier termination of this Lease; provided, however, that Landlord shall, at the time its approval of such Installation is requested notify Tenant if it has elected to cause Tenant to remove such Installation upon the expiration or earlier termination of this Lease. If Landlord so elects, Tenant shall remove such Installation upon the expiration or earlier termination of this Lease and restore any damage caused by or occasioned as a result of such removal. Tenant shall also repair any damage caused or occasioned by the removal of any of Tenant's Property. In the case of removal of either an Installation or Tenant's Property, all hookups and connections to Utilities or other Building systems shall be capped off in compliance with all Legal Requirements behind the walls of the Premises and all holes in the walls shall be repaired. During any such restoration period, Tenant shall pay Rent to Landlord as provided herein as if said space were otherwise occupied by Tenant.

13. LANDLORD'S REPAIRS. Landlord, as an Operating Expense, shall maintain all of the structural, exterior, parking and other Common Areas of the Building and the Project, including HVAC, plumbing, fire sprinklers, elevators and all other building systems serving the Premises and other portions of the Building ("BUILDING SYSTEMS"), in good repair, reasonable wear and tear and uninsured losses and damages caused by Tenant, its agents, servants, employees invitees and contractors excluded. Landlord shall maintain the Central Plant in good condition and repair and at least in accordance with the manufacturer's recommended maintenance schedule. Losses and damages caused by Tenant, its agents, servants, employees, invitees and contractors shall be

repaired by Landlord, to the extent not covered by insurance actually maintained by Landlord, at Tenant's sole cost and expense. Landlord reserves the right to stop Building System services when necessary: (i) by reason of accident or emergency, or (ii) for planned repairs, alterations or improvements, which are, in the judgment of Landlord, desirable or necessary to be made, until said repairs, alterations or improvements shall have been completed. Landlord shall have no responsibility or liability for failure to supply Building System services during any such period of interruption; provided, however, that Landlord shall give Tenant not less than 24 hours advance notice of any planned stoppage of Building System services for routine maintenance, repairs, alterations or improvements. Tenant shall promptly give Landlord written notice of any repair required by Landlord pursuant to this Section, after which Landlord shall have a reasonable opportunity to effect such repair. Landlord shall not be liable for any failure to make any repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after Tenant's written notice of the need for such repairs or maintenance. Tenant waives it rights under any state or local law to terminate this Lease or to make such repairs at Landlord's expense and agrees that the parties' respective rights with respect to such matters shall be solely as set in the Lease, including Section 31 hereof. Repairs required as the result of fire, earthquake, flood, vandalism, war, or similar cause of damage or destruction shall be controlled by Section 18. Landlord shall use reasonable efforts, given the nature of the repairs to be made, to minimize any disruption of Tenant's business in the Premises by reason of any repairs by Landlord under this Section 13.

14. TENANT'S REPAIRS. Subject to Section 13 hereof, Tenant, at its expense, shall repair, replace and maintain in good condition all portions of the Premises, including, without limitation, entries, doors, ceilings, interior windows, interior walls, and the interior side of demising walls, reasonable wear and tear excepted. Such repair and replacements may include capital expenditures and repairs whose benefit may extend beyond the Term. Should Tenant fail to make any such repair or replacement or fail to maintain the Premises Landlord shall give Tenant notice of such failure. If Tenant fails to commence cure of such default within 10 days of Landlord's notice, and thereafter diligently prosecute such cure to completion, Landlord may perform such work and shall be reimbursed by Tenant within 10 days after demand therefor; provided, however, that if such default by Tenant creates or could create an emergency, Landlord may immediately commence cure of such default and shall thereafter be entitled to recover the costs of such cure from Tenant. Subject to Sections 17 and 18, Tenant shall bear the full cost of any repair or replacement to any part of the Building that results from damage caused by Tenant, its agents, contractors, or invitees and any repair that benefits only the Premises.

15. MECHANIC'S LIENS. Tenant shall discharge, by bond or otherwise, any mechanic's lien filed against the Premises or against the Project or any portion thereof for work claimed to have been done for, or materials claimed to have been furnished to, Tenant within 30 days after the filing thereof, at Tenant's sole cost and shall otherwise keep the Premises and the Project free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant. Should Tenant fail to discharge any lien described herein, Landlord shall have the right, but not the obligation, to pay such claim or post a bond or otherwise provide security to eliminate the lien as a claim against title to the Project and the cost thereof shall be immediately due from Tenant as Additional Rent. If Tenant shall lease or finance the acquisition of office equipment, furnishings, or other personal property of a removable nature utilized by Tenant in the operation of Tenant's business, Tenant warrants that any Uniform Commercial Code Financing Statement executed by Tenant will upon its face or by exhibit thereto indicate that such Financing Statement is applicable only to removable personal property of Tenant located within the Premises. In no event shall the address of the Building be furnished on the statement without qualifying language as to applicability of the lien only to removable personal property, located in an identified suite held by Tenant.

16. INDEMNIFICATION. Tenant hereby indemnifies and agrees to defend, save and hold Landlord harmless from and against any and all Claims for injury or death to persons or damage to property occurring within or about the Premises, arising directly or indirectly out of use or

occupancy of the Premises or a breach or default by Tenant in the performance of any of its obligations hereunder, except to the extent caused by the willful misconduct or gross negligence of Landlord. Landlord shall not be liable to Tenant for, and Tenant assumes all risk of damage to, personal property (including, without limitation, loss of records kept within the Premises). Tenant further waives any and all Claims for injury to Tenant's business or loss of income relating to any such damage or destruction of personal property (including, without limitation, any loss of records). Landlord shall not be liable for any damages arising from any act, omission or neglect of any tenant in the Project or of any other third party. Landlord hereby indemnifies and agrees to defend, save and hold Tenant harmless from and against any and all Claims for injury or death to persons occurring within or about the Project (other than the Premises), arising directly out of a default by Landlord in the performance of any of its obligations hereunder, except to the extent caused by the willful misconduct or gross negligence of Tenant.

17. INSURANCE. Landlord shall maintain all insurance against any peril generally included within the classification "Fire and Extended Coverage," sprinkler damage (if applicable), vandalism and malicious mischief covering the full replacement cost of the Building including the Tenant Improvements (as defined in the Work Letter) or such lesser coverage amount as Landlord may elect provided such coverage amount is not less than 90% of such full replacement cost. If the cost of including the Tenant Improvements in Landlord's property insurance results in other tenants in the Building bearing a disproportionate share of the overall costs of such insurance, Landlord may allocate the costs of insurance on the basis of the value of the tenant improvements in each tenant's premises, rather than on the basis of the square footage occupied. Landlord shall further carry commercial general liability insurance with a combined single loss limit of not less than $2,000,000 for death or bodily injury, or property damage with respect to the Project. Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary and which it generally maintains for its or its affiliates' holdings in southern California, including, but not limited to, flood, environmental hazard and earthquake, loss or failure of building equipment, rental loss during the period of repair or rebuilding, workmen's compensation insurance and fidelity bonds for employees employed to perform services and insurance for any improvements installed by Tenant or which are in addition to the standard improvements customarily furnished by Landlord without regard to whether or not such are made a part of the Building. All such insurance shall be included as part of the Operating Expenses. The Building and Project may be included in a blanket policy (in which case the cost of such insurance allocable to the Building will be determined by Landlord based upon the insurer's cost calculations). Tenant shall also reimburse Landlord for any increased premiums or additional insurance which Landlord reasonably deems necessary as a result of Tenant's particular use of the Premises.

Tenant, at its expense, shall maintain during the Term: all risk property insurance covering the full replacement cost of all property and improvements installed or placed in the Premises by Tenant at Tenant's (expense other than the Tenant Improvements, as defined in the Work Letter); worker's compensation insurance with no less than the minimum limits required by law; employer's liability insurance with such limits as required by law; and commercial general liability insurance, with a combined single loss limit of not less than $2,000,000 per occurrence for death or bodily injury and not less than $1,000,000 for property damage with respect to the Premises. Landlord may from time to time require reasonable increases in any such limits. The commercial general liability insurance policies shall name Landlord, its officers, directors, employees, managers, agents, invitees and contractors (collectively, "RELATED PARTIES"), as additional insureds; insure on an occurrence and not a claims-made basis; be issued by insurance companies which have a rating of not less than policyholder rating of A and financial category rating of at least Class XII in "Best's Insurance Guide"; shall not be cancelable unless 30 days prior written notice shall have been given to Landlord from the insuror; contain a hostile fire endorsement and a contractual liability endorsement; and provide primary coverage to Landlord (any policy issued to Landlord providing duplicate or similar coverage shall be deemed excess over Tenant's policies). Such policies or certificates thereof shall be delivered to Landlord by Tenant upon commencement of the Term and upon each renewal of said insurance. Tenant's policy may be a "blanket policy" which specifically

provides that the amount of insurance shall not be prejudiced by other losses covered by the policy. Tenant shall, at least 30 days prior to the expiration of such policies, furnish Landlord with a notice from the insurer stating its intent to renew such insurance and shall provide renewals or binders for such insurance not less than 5 days before the expiration of any such policy. Tenant agrees that if Tenant does not take out and maintain such insurance, Landlord may (but shall not be required to) procure said insurance on Tenant's behalf and at its cost to be paid as Additional Rent.

In each instance where insurance is to name Landlord as additional insured, Tenant shall upon written request of Landlord also designate and furnish certificates so evidencing Landlord as additional insured to: (i) any lender of Landlord holding a security interest in the Project or any portion thereof, (ii) the landlord under any lease wherein Landlord is tenant of the real property whereupon the building in which the Premises are located if the interest of Landlord is or shall become that of a tenant under a ground lease rather than that of a fee owner, and/or (iii) any management company retained by Landlord to manage the Project.

The insurance obtained by Landlord and Tenant shall include a waiver of subrogation by the insurers and all rights based upon an assignment from its insured, against Landlord or Tenant, and their respective Related Parties, in connection with any loss or damage thereby insured against. Neither party nor its respective Related Parties shall be liable to the other for loss or damage caused by any risk insured against under insurance required to be maintained hereunder, and each party waives any claims against the other party, and its respective Related Parties for such loss or damage. The failure of a party to obtain the insurance required hereunder shall not void this waiver. Landlord and its respective Related Parties shall not be liable for, and Tenant hereby waives all claims against such parties for, business interruption and losses occasioned thereby sustained by Tenant or any person claiming through Tenant resulting from any accident or occurrence in or upon the Premises or the Project from any cause whatsoever, including without limitation, damage caused in whole or in part, directly or indirectly, by the negligence of Landlord or its respective Related Parties. If the foregoing waivers shall contravene any law with respect to exculpatory agreements, the liability of Landlord or Tenant shall be deemed not released but shall be secondary to the other's insurer.

Landlord may require insurance policy limits to be raised to conform with requirements of Landlord's lender and/or to bring coverage limits to levels then being reasonably required of new tenants within the Project.

18. RESTORATION. If at any time during the Term (i) the Premises or (ii) the Building or any other portion of the Project, are damaged by a fire or other insured casualty and, in the case of damage described in clause (ii), such damage has a material adverse effect on Tenant's use or occupancy of the Premises, Landlord shall notify Tenant within 60 days after discovery of such damage as to the amount of time Landlord reasonably estimates it will take to restore the Premises, the Building or the Project, as applicable. If the restoration time is estimated to exceed 6 months, Landlord may, in such notice, elect to terminate this Lease as of the date that is 75 days after the date of discovery of such damage or destruction; provided, however, that notwithstanding Landlord's election to restore the Premises, Tenant may elect to terminate this Lease by written notice to Landlord delivered within ten (10) business days of receipt of Landlord's notice electing to restore the Premises. Unless either Landlord or Tenant elects to terminate this Lease, Landlord shall, subject to receipt of sufficient insurance proceeds, promptly restore the Premises (excluding any improvements installed after the Commencement Date by Tenant or by Landlord and paid for by Tenant unless covered by the insurance Landlord maintains as an Operating Expense hereunder, in which case such improvements shall be included, to the extent of such insurance proceeds, in Landlord's restoration), subject to delays arising from the collection of insurance proceeds, from Force Majeure events or as needed to obtain any license, clearance or other authorization of any kind required to enter into and restore the Premises issued by any governmental or quasi-governmental agency having jurisdiction over the use, storage, release or removal of Hazardous Materials in, on or about the Premises (collectively referred to herein as

"HAZARDOUS MATERIALS CLEARANCES"); provided, however, that if repair or restoration of the Premises is not Substantially Complete as of the end of 8 months from the date of damage or destruction, Landlord may, in its sole and absolute discretion, elect not to proceed with such repair and restoration, in which event Landlord shall be relieved of its obligations to make such repairs or restoration and this Lease shall terminate as of the later of (i) the date of Landlord's election, or (ii) the date all required Hazardous Materials Clearances are obtained. If such repair or restoration of the Premises is not Substantially Complete within 90 days of the time originally estimated by Landlord for such restoration (as such 90 day period may be extended for Force majeure Delay and any delays caused by Tenant), Tenant may elect to terminate this Lease by written notice to Landlord, and this Lease shall terminate as of the later of (i) the date of Tenant's election, or (ii) the date all required Hazardous Materials Clearances are obtained.

Tenant, at its expense, shall promptly perform, subject to delays arising from the collection of insurance proceeds, from Force Majeure events or to obtain Hazardous Material Clearances, all repairs or restoration for Tenant's use of the Premises not required to be done by Landlord and shall promptly re-enter the Premises and commence doing business in accordance with this Lease. Notwithstanding the foregoing, Landlord may terminate this Lease if the Premises are damaged during the last eighteen months of the Term and Landlord reasonably estimates that it will take more than sixty days to repair such damage, or if insurance proceeds are not available for such restoration. Rent shall be abated from the date all required Hazardous Material Clearances are obtained until the Premises are repaired and restored, in the proportion which the area of the Premises, if any, which is not usable by Tenant bears to the total area of the Premises, unless Landlord provides Tenant with other space during the period of repair that is suitable for the temporary conduct of Tenant's business. Such abatement shall be the sole remedy of Tenant, and except as provided herein, Tenant waives any right to terminate the Lease by reason of damage or casualty loss.

The provisions of this Lease, including this Section 18, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, or any other portion of the Project, and any statute or regulation which is now or may hereafter be in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises or any other portion of the Project, the parties hereto expressly agreeing this Section 18 sets forth their entire understanding and agreement with respect to such matters.

19. CONDEMNATION. If any part of the (i) the Premises or (ii) the Building or any other portion of the Project are taken for any public or quasi-public use under governmental law, ordinance, or regulation, or by right of eminent domain, or by private purchase in lieu thereof (a "TAKING" or "TAKEN"), and the Taking would in Landlord's reasonable judgment either prevent or materially interfere with Tenant's use of the Premises or materially interfere with or impair Landlord's ownership or operation of the Building or the Project, then upon written notice by Landlord this Lease shall terminate and Rent shall be apportioned as of said date. If part of the Premises shall be Taken, and this Lease is not terminated as provided above, Landlord shall promptly restore the Premises and the Building as nearly as is commercially reasonable under the circumstances to their condition prior to such partial taking and the Rent payable hereunder during the unexpired Term shall be reduced to such extent as may be fair and reasonable under the circumstances. Upon any such Taking, Landlord shall be entitled to receive the entire price or award from any such Taking without any payment to Tenant, and Tenant hereby assigns to Landlord Tenant's interest, if any, in such award. Tenant shall have the right, to the extent that same shall not diminish Landlord's award, to make a separate claim against the condemning authority (but not Landlord) for such compensation as may be separately awarded or recoverable by Tenant for business interruption, moving expenses and damage to Tenant's Property, if a separate award for such items is made to Tenant. Tenant hereby waives any and all rights it might otherwise have pursuant to any provision of state law to terminate this Lease upon a partial Taking of the Premises or the Building.

20. EVENTS OF DEFAULT. Each of the following events shall be a default ("DEFAULT") by Tenant under this Lease:

(a) PAYMENT DEFAULTS. Tenant shall fail to pay any installment of Rent or any other payment hereunder when due; provided, however, that Landlord, not more than twice in any 12 month period, will give Tenant notice of such default in the payment of Rent and Tenant shall have 5 days in which to make such payment after which period Tenant shall be in Default hereunder. Tenant agrees that such notice shall be in lieu of and not in addition to any notice required by law;

(b) INSURANCE. Any insurance required to be maintained by Tenant pursuant to this Lease shall be canceled or terminated or shall expire or shall be reduced or materially changed, or Landlord shall receive a notice of nonrenewal of any such insurance and Tenant shall fail to obtain replacement insurance at least 5 days before the expiration of the current coverage.

(c) IMPROPER TRANSFER. Tenant shall assign, sublease or otherwise transfer or attempt to transfer all or any portion of Tenant's interest in this Lease or the Premises except as expressly permitted herein, or Tenant's interest in this Lease shall be attached, executed upon, or otherwise judicially seized and such action is not released within 90 days of the action.

(d) LIENS. Tenant shall fail to discharge or otherwise obtain the release of any lien placed upon the Premises in violation of this Lease within 30 days after any such lien is filed against the Premises.

(e) INSOLVENCY EVENTS. Tenant or any guarantor or surety of Tenant's obligations hereunder shall: (A) make a general assignment for the benefit of creditors; (B) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property (collectively a "PROCEEDING FOR RELIEF"); (C) become the subject of any Proceeding for Relief which is not dismissed within 90 days of its filing or entry; or (D) die or suffer a legal disability (if Tenant, guarantor, or surety is an individual) or be dissolved or otherwise fail to maintain its legal existence (if Tenant, guarantor or surety is a corporation, partnership or other entity) except as a result of any merger, consolidation or corporate reorganization, or the purchase of all or substantially all of the assets or the ownership interests of the Tenant in connection with a permitted Affiliate Transfer, as hereinafter defined.

(f) ESTOPPEL CERTIFICATE OR SUBORDINATION AGREEMENT. Tenant fails to execute any document required from Tenant under Sections 24 or 27 within 5 business days after a second notice requesting such document.

(g) OTHER DEFAULTS. Tenant shall fail to comply with any provision of this Lease other than those specifically referred to in this Section 20, and except as otherwise expressly provided herein, such failure shall continue for a period of 10 days after written notice thereof from Landlord to Tenant.

Any notice given under Section 20(e), (g) or (h) hereof, shall: (i) specify the alleged default, (ii) demand that Tenant cure such default,(iii) be in lieu of, and not in addition to, or shall be deemed to be any notice required under any provision of applicable law, and (iv) not be deemed a forfeiture or a termination of this Lease unless Landlord elects otherwise in such notice; provided that if the nature of Tenant's default under Section 20(g) is such that it cannot be cured by the payment of money and reasonably requires more than 10 days to cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said 10 day period and thereafter diligently

prosecutes the same to completion; provided, however, that such cure shall be completed no later than 90 days from the date of Landlord's notice.

21. LANDLORD'S REMEDIES.

(a) PAYMENT BY LANDLORD; INTEREST. Upon a Default by Tenant hereunder, Landlord may, without waiving or releasing any obligation of Tenant hereunder, make such payment or perform such act. All sums so paid or incurred by Landlord, together with interest thereon, from the date such sums were paid or incurred, at the annual rate equal to 12% per annum or the highest rate permitted by law (the "DEFAULT RATE"), whichever is less, shall be payable to Landlord on demand as Additional Rent. Nothing herein shall be construed to create or impose a duty on Landlord to mitigate any damages resulting from Tenant's Default hereunder.

(b) LATE PAYMENT RENT. Late payment by Tenant to Landlord of Rent and other sums due will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult and impracticable to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord under any Mortgage covering the Premises. Therefore, if any installment of Rent due from Tenant is not received by Landlord within 5 days after the date such payment is due, Tenant shall pay to Landlord an additional sum of 6% of the overdue Rent as a late charge. The parties agree that this late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. In addition to the late charge, Rent not paid when due shall bear interest at the lesser of (i) 12% per annum or (ii) the maximum rate permitted by law from the 5th day after the date due until paid. Notwithstanding the foregoing, no late charge nor interest shall be due on the first two such failures to pay Rent in any 12 month period until 5 days after Landlord has given Tenant notice and an opportunity to cure any such failure to pay Rent and Tenant has failed so to pay Rent. Any such notice shall be in lieu of and not in addition to any notice required by law;

(c) REMEDIES. Upon the occurrence of a Default, Landlord, at its option, without further notice or demand to Tenant, shall have in addition to all other rights and remedies provided in this Lease, at law or in equity, the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

(i) Terminate this Lease, or at Landlord's option, Tenant's right to possession only, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor;

(ii) Upon any termination of this Lease, whether pursuant to the foregoing Section 21(c)(i) or otherwise, Landlord may recover from Tenant the following:

(A) The worth at the time of award of any unpaid rent which has been earned at the time of such termination; plus

(B) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(C) The worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(D) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including but not limited to, brokerage commissions and advertising expenses incurred, reasonable expenses of remodeling the Premises or any portion thereof for a new tenant, whether for the same or a different use, and any reasonable special concessions made to obtain a new tenant; and

(E) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term "RENT" as used in this Section 21 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in Sections 21(c)(i) (A) and (B), above, the "WORTH AT THE TIME OF AWARD" shall be computed by allowing interest at the Default Rate. As used in Section 21(c)(i)(C) above, the "WORTH AT THE TIME OF AWARD" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1%.

(iii) Landlord may continue this Lease in effect after Tenant's Default and recover rent as it becomes due. Accordingly, if Landlord does not elect to terminate this Lease following a Default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies hereunder, including the right to recover all Rent as it becomes due.

(iv) Whether or not Landlord elects to terminate this Lease following a Default by Tenant, Landlord shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises or may, in Landlord's sole discretion, succeed to Tenant's interest in such subleases, licenses, concessions or arrangements. Upon Landlord's election to succeed to Tenant's interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of notice by Landlord of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

(d) EFFECT OF EXERCISE. Exercise by Landlord of any remedies hereunder or otherwise available shall not be deemed to be an acceptance of surrender of the Premises and/or a termination of this Lease by Landlord, it being understood that such surrender and/or termination can be effected only by the express written agreement of Landlord and Tenant. Any law, usage, or custom to the contrary notwithstanding, Landlord shall have the right at all times to enforce the provisions of this Lease in strict accordance with the terms hereof; and the failure of Landlord at any time to enforce its rights under this Lease strictly in accordance with same shall not be construed as having created a custom in any way or manner contrary to the specific terms, provisions, and covenants of this Lease or as having modified the same and shall not be deemed a waiver of Landlord's right to enforce one or more of its rights in connection with any subsequent default. A receipt by Landlord of Rent or other payment with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord. To the greatest extent permitted by law, Tenant waives the service of notice of Landlord's intention to re-enter, re-take or otherwise obtain possession of the premises as provided in any statute, or to institute legal proceedings to that end, and also waives all right of redemption in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge. Any reletting of the Premises or any portion thereof shall be on such terms and conditions as Landlord in its sole discretion may determine. Landlord shall not be liable, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet the Premises or collect rent due in respect of such reletting or otherwise to mitigate any damages arising by reason of Tenant' Default.

22. ASSIGNMENT AND SUBLETTING.

(a) GENERAL PROHIBITION. Without Landlord's prior written consent, Tenant shall not, directly or indirectly, voluntarily or by operation of law, assign this Lease or sublease the Premises or any part thereof or mortgage, pledge, or hypothecate its leasehold interest or grant any concession or license within the Premises and any attempt to do any of the foregoing shall be void and of no effect. For purposes of this Section, a transfer of ownership interests controlling Tenant shall be deemed an assignment of this Lease unless such ownership interests are publicly traded. Notwithstanding the foregoing, so long as Tenant is not in Default hereunder and provided that Tenant gives Landlord prior written notice of such transaction and such proposed transaction otherwise complies with or satisfies the requirements and conditions of Section 22(c) hereof, Landlord's consent shall not be required, in connection with: (i) an assignment of this Lease to a corporation or other entity which is a successor-in-interest to Tenant, by way of merger, consolidation or corporate reorganization, or by the purchase of all or substantially all of the assets or the ownership interests of the Tenant provided that (A) such merger or consolidation, or such acquisition or assumption, as the case may be, is for a good business purpose and not principally for the purpose of transferring the Lease, (B) the net worth (as determined in accordance with GAAP) of the assignee is not less than the net worth (as determined in accordance with GAAP) of Tenant as of the Effective Date, and (C) such assignee shall agree in writing to assume all of the terms, covenants and conditions of this Lease arising after the effective date of the assignment, or (ii) an assignment of this Lease or subletting of the Premises to any entity controlled by, under common control with or controlling Tenant (either, an "AFFILIATE TRANSFER").

(b) PERMITTED TRANSFERS. Except for Affiliate Transfers, if Tenant desires to assign, sublease, hypothecate or otherwise transfer this Lease or sublet the Premises, then at least 15 business days, but not more than 60 business days, before the date Tenant desires the assignment or sublease to be effective (the "ASSIGNMENT DATE"), Tenant shall give Landlord a notice (the "ASSIGNMENT NOTICE") containing such information about the proposed assignee or sublessee, including the proposed use of the Premises and any Hazardous Materials proposed to be used or stored in the Premises, the Assignment Date, any relationship between Tenant and the proposed assignee or sublessee, and all material terms and conditions of the proposed assignment or sublease, and such other information as Landlord may deem reasonably necessary or appropriate to its consideration whether to grant its consent. Landlord may, by giving written notice to Tenant within 10 business days after receipt of the Assignment Notice, grant or refuse such consent, in its sole discretion with respect to a proposed assignment, or grant or refuse such consent, in its reasonable discretion with respect to a proposed subletting. Tenant shall reimburse Landlord for all of Landlord's reasonable out-of-pocket expenses in connection with its consideration of any Assignment Notice.

(c) ADDITIONAL CONDITIONS. As a condition to any such assignment or subletting, including an Affiliate Transfer, Landlord may require:

(i) That any agreement pertaining to Tenant's transfer of this Lease or subletting of any portion of the Premises and Landlord's approval thereof be in a form acceptable to Landlord in Landlord's reasonable discretion, and no such agreement shall be modified or amended without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed;

(ii) That Tenant deliver to Landlord one original executed copy of any and all written instruments evidencing or relating to Tenant's transfer of rights or subletting of the Premises;

(iii) That any assignee or subtenant agree, in writing at the time of such assignment or subletting, that if Landlord gives such third party notice Tenant is in default under this

Lease, such third party shall thereafter make all payments otherwise due Tenant directly to Landlord, which payments will be received by Landlord without any liability except to credit such payment against those due under the Lease, and any such third party shall agree to attorn to Landlord or its successors and assigns should this Lease be terminated for any reason; provided, however, in no event shall Landlord or its successors or assigns be obligated to accept such attornment; and

(iv) A list of Hazardous Materials, certified by the proposed assignee or sublessee to be true and correct, which the proposed assignee or sublessee intends to use or store in the Premises together with the Documents referred to in Section 38.2 with respect to such proposed assignee or sublessee and a statement either (A) that such proposed assignee or sublessee has never been required by any prior landlord, lender or governmental authority to take any remedial action in connection with Hazardous Materials contaminating a property and has never been subject to an enforcement order issued by any governmental authority in connection with the use, disposal or storage of a Hazardous Materials, or (B) disclosing the details of any such required prior remedial action or enforcement order. Tenant acknowledges and agrees that it shall not be unreasonable for Landlord to withhold its consent to any proposed assignment or subletting to an assignee or subtenant who must disclose any required prior remedial action or enforcement order pursuant to clause (B) above.

(d) NO RELEASE OF TENANT. Notwithstanding any assignment or subletting, Tenant and any guarantor or surety of Tenant's obligations under this Lease shall at all times remain fully and primarily responsible and liable for the payment of Rent and for compliance with all of Tenant's other obligations under this Lease.

(e) EXCESS PROCEEDS. If the sum of all amounts due and payable by a sublessee or assignee with respect to its occupancy of all or a portion of the Premises (or a combination of the amounts payable under such sublease or assignment plus any bonus or other consideration therefor or incident thereto) exceeds (i) the Rent payable under this Lease, (ii) the reasonable costs of such assignment or subletting, (iii) any operating expenses paid directly by Tenant to a third party provider included in such subtenant's rent, and (iv) the unamortized cost of any Excess Tl Costs expended in such sublet space, then Tenant shall be bound and obligated to pay Landlord as Additional Rent hereunder one half of such excess rental and other excess consideration within 10 days following receipt thereof by Tenant. If Tenant shall sublet the Premises or any part thereof, Tenant hereby immediately and irrevocably assigns to Landlord, as security for Tenant's obligations under this Lease, all rent from any such subletting and Landlord as assignee and as attorney-in-fact for Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligations under this Lease; except that, until the occurrence of a Default, Tenant shall have the right to collect such rent.

(f) NO WAIVER. The consent by Landlord to an assignment or subletting shall not relieve Tenant or any assignees of this Lease or any sublessees of the Premises from obtaining the consent of Landlord to any further assignment or subletting nor shall it release Tenant or any assignee or sublessee of Tenant from full and primary liability under the Lease. The acceptance of Rent hereunder, or the acceptance of performance of any other term, covenant, or condition thereof, from any other person or entity shall not be deemed to be a waiver of any of the provisions of this Lease or a consent to any subletting, assignment or other transfer of the Premises.

23. ESTOPPEL CERTIFICATE. Tenant shall within 10 business days of written notice from Landlord, execute, acknowledge and deliver a statement in writing substantially in the form attached to this Lease as EXHIBIT G with the blanks filled in, and on any other form reasonably requested by a proposed lender or purchaser, (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect) and the dates to which the rental and other charges are paid in

advance, if any, (ii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults if any are claimed, and (iii) setting forth such further information with respect to the status of this Lease or the Premises as may be requested thereon. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Premises are a part. Tenant's failure to deliver such statement within such time shall, at the option of Landlord, constitute a Default under this Lease, and, in any event, shall be conclusive upon Tenant that the Lease is in full force and effect and without modification except as may be represented by Landlord in any certificate prepared by Landlord and delivered to Tenant for execution.

24. QUIET ENJOYMENT. If Tenant shall perform all of the covenants and agreements herein required to be performed by Tenant, Tenant shall, subject to the terms of this Lease, at all times during the Term, have peaceful and quiet enjoyment of the Premises against any person claiming by, through or under Landlord.

25. PRORATIONS. All prorations required or permitted to be made hereunder shall be made on the basis of a 360 day year and 30 day months.

26. RULES AND REGULATIONS. Tenant shall, at all times during the Term and any extension thereof, comply with all reasonable rules and regulations at any time or from time to time established by Landlord covering use of the Premises and the Project. The current rules and regulations are attached hereto. If there is any conflict between said rules and regulations and other provisions of this Lease, the terms and provisions of this Lease shall control. Landlord shall not have any liability or obligation for the breach of any rules or regulations by other tenants in the Project.

27. SUBORDINATION. This Lease and Tenant's interest and rights hereunder are and shall be subject and subordinate at all times to the lien of any first mortgage, now existing or hereafter created on or against the Project or any portion thereof or the Premises, and all amendments, restatements, renewals, modifications, consolidations, refinancing, assignments and extensions thereof, without the necessity of any further instrument or act on the part of Tenant; provided, however that so long as there is no Default hereunder, Tenant's right to possession of the Premises shall not be disturbed by the holder of any such first mortgage. Tenant agrees, at the election of the holder of any such mortgage, to attorn to any such holder. Tenant agrees upon demand to execute, acknowledge and deliver a Subordination, Non-disturbance and Attornment Agreement in the form attached hereto as EXHIBIT H, or such other instruments, confirming such subordination and such instruments of attornment as shall be requested by any such holder, provided any such instruments contain appropriate non-disturbance provisions assuring Tenant's quiet enjoyment of the Premises as set forth in Section 24 hereof. Tenant hereby appoints Landlord attorney-in-fact for Tenant irrevocably (such power of attorney being coupled with an interest) to execute, acknowledge and deliver any such instrument and instruments for and in the name of Tenant and to cause any such instrument to be recorded following Tenant's failure timely to do so as herein required. Notwithstanding the foregoing, any such holder may at any time subordinate its mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such mortgage without regard to their respective dates of execution, delivery or recording and in that event such holder shall have the same rights with respect to this Lease as though this Lease had been executed prior to the execution, delivery and recording of such mortgage and had been assigned to such holder. The term "MORTGAGE" whenever used in this Lease shall be deemed to include deeds of trust, security assignments and any other encumbrances, and any reference to the "HOLDER" of a mortgage shall be deemed to include the beneficiary under a deed of trust.

28. SURRENDER. Upon expiration of the Term or earlier termination of Tenant's right of possession, Tenant may, subject to the exercise of any remedies by Landlord, remove Tenant's Property and shall surrender the Premises to Landlord in the same condition as received, broom

clean, ordinary wear and tear and casualty loss and condemnation covered by Sections 17 and 18 excepted and shall return to Landlord all keys to offices and restrooms furnished to, or otherwise procured by, Tenant. If any such key is lost, Tenant shall pay to Landlord, at Landlord's election, either the cost of replacing such lost key or the cost of changing the lock or locks opened by such lost key. Any Trade Fixtures, Alterations and property not so removed by Tenant as permitted or required herein shall be deemed abandoned and may be stored, removed, and disposed of by Landlord at Tenant's expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord's retention and/or disposition of such property. All obligations of Tenant hereunder not fully performed as of the termination of the Term shall survive the termination of the Term, including without limitation, indemnity obligations, payment obligations with respect to Rent and obligations concerning the condition and repair of the Premises, including the obligation to obtain all required Hazardous Materials Clearances.

29. WAIVER OF JURY TRIAL. TENANT AND LANDLORD WAIVE ANY RIGHT TO TRIAL BY JURY OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN LANDLORD AND TENANT ARISING OUT OF THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED HERETO.

30. ENVIRONMENTAL REQUIREMENTS.

(a) PROHIBITION/COMPLIANCE. Tenant shall not cause or permit any Hazardous Materials (as hereinafter defined) to be brought upon, kept or used in or about the Premises or the Project in violation of applicable law by Tenant, its agents, employees, contractors or invitees. If Tenant breaches the obligation stated in the preceding sentence, or if the presence of Hazardous Materials brought upon, kept or used in or about the Premises or the Project by any person other than Landlord, its agents, employees, contractors or invitees results in contamination of the Premises, the Project or any adjacent property during the term of this Lease or any extension or renewal hereof or holding over hereunder, Tenant hereby indemnifies and shall defend and hold Landlord, its officers, directors, employees, agents and contractors harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities, or losses (including, without limitation, diminution in value of the Premises or any portion of the Project, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises or the Project, damages arising from any adverse impact on marketing of space in the Premises or the Project, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Lease term as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Materials present in the air, soil or ground water above, on, or under the Premises. Without limiting the foregoing, if the presence of any Hazardous Materials on the Premises, the Project or any adjacent property, caused or permitted by Tenant results in any contamination of the Premises, the Project or any adjacent property, Tenant shall promptly and diligently take all actions at its sole expense as are necessary to return the Premises, the Project or any adjacent property, as nearly as reasonably practical to the condition existing prior to the time of such contamination, provided that Landlord's approval of such action shall first be obtained, which approval shall not unreasonably be withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Premises or the Project.

(b) BUSINESS. Landlord acknowledges that it is not the intent of this Article 30 to prohibit Tenant from operating its business as described in Section 2.1.9 above. Tenant may operate its business according to the custom of the industry so long as the use or presence of Hazardous Materials is strictly and properly monitored according to all applicable governmental requirements. As a material inducement to Landlord to allow Tenant to use Hazardous Materials

in connection with its business, Tenant agrees to deliver to Landlord prior to the Term Commencement Date a list identifying each type of Hazardous Materials to be present on the Premises and setting forth any and all governmental approvals or permits required in connection with the presence of such Hazardous Materials on the Premises ("Hazardous Materials List"). Tenant shall deliver to Landlord an updated Hazardous Materials List at least once a year and shall also deliver an updated list upon request from time-to-time of Landlord. Tenant shall deliver to Landlord true and correct copies of the following documents (the "Documents") relating to the handling, storage, disposal and emission of Hazardous Materials prior to the Term Commencement Date, or if unavailable at that time, concurrent with the receipt from or submission to a governmental agency: permits; approvals; reports and correspondence; storage and management plans, notice of violations of any laws; plans relating to the installation of any storage tanks to be installed in or under the Project (provided, said installation of tanks shall only be permitted after Landlord has given Tenant its written consent to do so, which consent may be withheld in Landlord's sole and absolute discretion); and all closure plans or any other documents required by any and all federal, state and local governmental agencies and authorities for any storage tanks installed in, on or under the Project for the closure of any such tanks. Tenant is not required, however, to provide Landlord with any portion(s) of the Documents containing information of a proprietary nature which, in and of themselves, do not contain a reference to any Hazardous Materials or hazardous activities. It is not the intent of this Section to provide Landlord with information which could be detrimental to Tenant's business should such information become possessed by Tenant's competitors. At the written request of Landlord, Tenant agrees that it shall enter into a written agreement with other tenants at the Building concerning the equitable allocation of fire control areas (as defined in the Uniform Building Code, and adopted by the City of San Diego ("UBC")) within the Building for the storage of Hazardous Materials. If Tenant's use of Hazardous Materials is such that it utilizes fire control areas in the Building in excess of Tenant's Share, Tenant agrees that it shall, at its own expense, and upon the written request of Landlord, establish and maintain a separate area of the Premises classified by the UBC as an"H" occupancy area, for the use and storage of Hazardous Materials, or take such other action so that its share of the fire control areas of the Building is not greater than Tenant's Share of the Building.

(c) TERMINATION OF LEASE. Except as disclosed by Tenant to Landlord in a Disclosure Schedule attached hereto as Schedule 30(c), notwithstanding the provisions of Section 30(a) above, if (i) Tenant, as of the date hereof, has been required by any prior landlord, lender or governmental authority to take remedial action in connection with Hazardous Materials contaminating a property if the contamination resulted from Tenant's action or use of the property in question, or (ii) Tenant is subject to an enforcement order issued by any governmental authority in connection with the use, disposal or storage of a Hazardous Materials, Landlord shall have the right to terminate this Lease in Landlord's sole and absolute discretion. If any statement made to Landlord by any prospective subtenant pursuant to Section 22(c)(iv) hereof shall prove to be untrue in any material respect, Landlord may direct Tenant to terminate any such subtenant's sublease. If Tenant shall fail to terminate such subtenant's sublease within 30 days of Landlord's notice, Landlord may terminate this Lease. In addition, if any statement made to Landlord by any prospective assignee pursuant to Section 22(c)(iv) hereof shall prove to be untrue in any material respect, Landlord may terminate this Lease.

(d) TESTING. Landlord shall have the right, on not less than 30 days prior notice, to conduct annual inspections and tests of the Premises to determine whether any contamination in breach of Tenant's obligations under this Section 30 has occurred as a result of Tenant's use thereof. Such inspections and tests shall be conducted at Landlord's expense, unless such inspections and tests reveal that such contamination has occurred as a result of Tenant's use of the Premises, in which case Tenant shall reimburse Landlord for the reasonable cost of such inspections and tests, not to exceed $1,000 annually. In addition, at any time, and from time to time, prior to the expiration or earlier termination of the Term, Landlord shall have the right to conduct appropriate tests of the Premises and the Project or any portion thereof to demonstrate that contamination has occurred as a result of Tenant's use of the Premises. If contamination has

occurred for which Tenant is liable under this Section 30, Tenant shall pay all costs to conduct such tests. If no such contamination is found, Landlord shall pay the costs of such tests (which shall not constitute an Operating Expense). Landlord shall provide Tenant with a copy of all reports and tests of the Premises made by or on behalf of Landlord. Tenant shall be solely responsible for and shall defend, indemnify and hold the Landlord, its agents and contractors harmless from and against any and all claims, costs and liabilities including actual attorneys' fees, charges and disbursements, arising out of or in connection with any removal, clean up, restoration and materials required hereunder to return the Premises, the Project or any adjacent property, as nearly as reasonably practical, to the their condition existing prior to the time of any such contamination. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights that Landlord holds against Tenant.

(e) UNDERGROUND TANKS. If underground or other storage tanks storing Hazardous Materials are located on the Premises or are hereafter placed on the Premises by any party, Tenant shall monitor the storage tanks, maintain appropriate records, implement reporting procedures, properly close any underground storage tanks, and take or cause to be taken all other steps necessary or required under applicable state and federal law, as such now exists or may hereafter be adopted or amended.

(f) TENANT'S OBLIGATIONS. Tenant's obligations under this Article 30 shall survive the expiration or earlier termination of the Lease. During any period of time after the expiration or earlier termination of this Lease required by Tenant or Landlord to complete the removal from the Premises of any Hazardous Materials and the release and termination of any licenses or permits restricting the use of the Premises, Tenant shall continue to pay the full Rent in accordance with this Lease, which Rent shall be prorated daily.

(g) DEFINITION OF "HAZARDOUS MATERIALS." As used herein, the term "Hazardous Materials" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or the United States government and includes, without limitation, any material or substance which is (i) defined as a "hazardous waste," "extremely hazardous waste" or "restricted hazardous waste" under Section 25515 or 25117, or listed pursuant to Section 25140, of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 2, Chapter 6.8 (Carpenter-Presly-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material," "hazardous substance" or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) listed under Article 9 and defined as hazardous or extremely hazardous pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20, (viii) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1317), (ix) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conversation and Recovery Act, 42 U.S.C. Section 6901, et. seq. (42 U.S.C. Section 6903), or (x) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. Section 9601 et. seq. (42 U.S.C. Section 9601).

31. TENANT'S REMEDIES/LIMITATION OF LIABILITY. Landlord shall not be in default hereunder unless Landlord fails to perform any of its obligations hereunder within 30 days after written notice from Tenant specifying such failure (unless such performance will, due to the nature of the obligation, require a period of time in excess of 30 days, then after such period of time as is reasonably necessary). Upon any default by Landlord, Tenant shall give notice by registered or certified mail to any beneficiary of a deed of trust or Mortgagee of a Mortgage covering the Premises and to any landlord of any lease of property in or on which the Premises are located and Tenant shall offer such beneficiary, Mortgagee and/or landlord a reasonable opportunity to cure the default, including time to obtain possession of the Project by power of sale or a judicial action if

such should prove necessary to effect a cure; provided Landlord shall have furnished to Tenant in writing the names and addresses of all such persons who are to receive such notices.

Notwithstanding the foregoing, if any claimed Landlord default hereunder will immediately, materially and adversely affect Tenant's ability to conduct its business in the Premises (a "MATERIAL LANDLORD DEFAULT"), Tenant shall, as soon as reasonably possible but in any event within 2 business days of obtaining knowledge of such claimed Material Landlord Default, give Landlord written notice of such claim and shall at the same time call Landlord's local administrative office and give telephonic notice of such claimed Material Landlord Default. Landlord shall then have 2 business days to commence cure of such claimed Material Landlord Default and shall diligently prosecute such cure to completion. If such claimed Material Landlord Default is not a default by Landlord hereunder, or if Tenant failed to give Landlord the notice required hereunder within 48 hours of learning of the conditions giving rise the claimed Material Landlord Default, Landlord shall be entitled to recover from Tenant, as Additional Rent, any costs incurred by Landlord in connection with such cure in excess of the costs, if any, that Landlord would otherwise have been liable to pay hereunder. If Landlord fails to commence cure of any claimed Material Landlord Default, Tenant may commence and prosecute such cure to completion, and shall be entitled to recover the costs of such cure from Landlord, subject to the limitations set forth in the immediately preceding sentence of this paragraph.

All obligations of Landlord hereunder shall be construed as covenants, not conditions; and, except as may be otherwise expressly provided in this Lease, Tenant may not terminate this Lease for breach of Landlord's obligations hereunder. All obligations of Landlord under this Lease will be binding upon Landlord only during the period of its ownership of the Premises and not thereafter; provided, however, Landlord shall be liable for the proper use, or delivery to any successor Landlord hereunder, of any Excess TI Deposit made by Tenant under the Work Letter. The term "LANDLORD" in this Lease shall mean only the owner, for the time being of the Premises, and upon the transfer by such owner of its interest in the Premises, such owner shall thereupon be released and discharged from all obligations of Landlord thereafter accruing, but such obligations shall be binding during the Term upon each new owner for the duration of such owner's ownership. Any liability of Landlord under this Lease shall be limited solely to its interest in the Project (including Landlord's interest in any condemnation or casualty proceeds), and in no event shall any personal liability be asserted against Landlord in connection with this Lease nor shall any recourse be had to any other property or assets of Landlord or any of Landlord's officers, employees, agents or contractors. Under no circumstances shall Landlord or any of Landlord's officers, employees, agents or contractors be liable for injury to Tenant's business or for any loss of income or profit therefrom.

32. INSPECTION AND ACCESS. Landlord and its agents, representatives, and contractors may enter the Premises at any reasonable time to inspect the Premises and to make such repairs as may be required or permitted pursuant to this Lease and for any other business purpose. Landlord and Landlord's representatives may enter the Premises during business hours on not less than 48 hours advance written notice (except in the case of emergencies in which case no such notice shall be required and such entry may be at any time) for the purpose of effecting any such repairs, inspecting the Premises, showing the Premises to prospective purchasers and, during the last year of the Term, to prospective tenants or for any other business purpose. Tenant shall have the right to provide escorts for any such entry into all or any portion of the Premises provided such escorts don't materially interfere with Landlord's rights hereunder. During the last 12 months of the Term, Landlord may erect a suitable sign on the Premises stating the Premises are available to let or that the Project is available for sale. Landlord may grant easements, make public dedications, designate common areas and create restrictions on or about the Premises, provided that no such easement, dedication, designation or restriction materially interferes with Tenant's use or occupancy of the Premises for the Permitted Use. At Landlord's request, Tenant shall execute such instruments as may be necessary for such easements, dedications or restrictions.

33. SECURITY. Tenant acknowledges and agrees that security devices and services, if any, while intended to deter crime may not in given instances prevent theft or other criminal acts and that Landlord is not providing any security services with respect to the Premises. Tenant agrees that Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with respect to, any loss by theft or any other damage suffered or incurred by Tenant in connection with any unauthorized entry into the Premises or any other breach of security with respect to the Premises. Tenant shall be solely responsible for the personal safety of Tenant's officers, employees, agents, contractors, guests and invitees while any such person is in, on or about the Premises and/or the Project. Tenant shall at Tenant's cost obtain insurance coverage to the extent Tenant desires protection against such criminal acts.

34. FORCE MAJEURE. With exception of obligations to pay money, neither party shall be held responsible for delays in the performance of its obligations hereunder when caused by strikes, lockouts, labor disputes, weather, natural disasters, inability to obtain labor or materials or reasonable substitutes therefor (other than by reason of an inability to pay therefor), governmental restrictions, governmental regulations, governmental controls, delay in issuance of permits, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes beyond the reasonable control of such party ("FORCE MAJEURE").

35. BROKERS, ENTIRE AGREEMENT, AMENDMENT. Landlord and Tenant each represent and warrant that it has not dealt with any broker, agent or other person (collectively, "BROKER) in connection with this transaction and that no Broker brought about this transaction, other than John Burnham & Company, who shall be paid a commission by Landlord pursuant to a separate agreement. Landlord and Tenant each hereby agree to indemnify and hold the other harmless from and against any claims by any other Broker claiming a commission or other form of compensation by virtue of having dealt with Tenant or Landlord, as applicable, with regard to this leasing transaction. This Lease constitutes the complete agreement of Landlord and Tenant with respect to the subject matter hereof. No representations, inducements, promises or agreements, oral or written, have been made by Landlord or Tenant, or anyone acting on behalf of Landlord or Tenant, including any Brokers representing either Landlord or Tenant, which are not contained herein, and any prior agreements, promises, negotiations, or representations are superseded by this Lease. Tenant represents and warrants that no broker or agent has made any representation or warranty relied upon by Tenant in Tenant's decision to enter into this Lease. Landlord in executing this Lease does so in reliance upon Tenant's representations and warranties contained herein. This Lease may not be amended except by an instrument in writing signed by both parties hereto.

36. LIMITATION ON LANDLORD'S LIABILITY. NOTWITHSTANDING ANYTHING SET FORTH HEREIN OR IN ANY OTHER AGREEMENT BETWEEN LANDLORD AND TENANT TO THE CONTRARY: (A) LANDLORD SHALL NOT BE LIABLE TO TENANT OR ANY OTHER PERSON FOR (AND TENANT AND EACH SUCH OTHER PERSON ASSUME ALL RISK OF) LOSS, DAMAGE OR INJURY, WHETHER ACTUAL OR CONSEQUENTIAL TO: TENANT'S PERSONAL PROPERTY OF EVERY KIND AND DESCRIPTION, INCLUDING, WITHOUT LIMITATION TRADE FIXTURES, EQUIPMENT, INVENTORY, SCIENTIFIC RESEARCH, SCIENTIFIC EXPERIMENTS, LABORATORY ANIMALS, PRODUCT, SPECIMENS, SAMPLES, AND/OR SCIENTIFIC, BUSINESS, ACCOUNTING AND OTHER RECORDS OF EVERY KIND AND DESCRIPTION KEPT AT THE PREMISES AND ANY AND ALL INCOME DERIVED OR DERIVABLE THEREFROM; (B) THERE SHALL BE NO PERSONAL RECOURSE TO LANDLORD FOR ANY ACT OR OCCURRENCE IN, ON OR ABOUT THE PREMISES OR ARISING IN ANY WAY UNDER THIS LEASE OR ANY OTHER AGREEMENT BETWEEN LANDLORD AND TENANT WITH RESPECT TO THE SUBJECT MATTER HEREOF AND ANY LIABILITY OF LANDLORD HEREUNDER SHALL BE STRICTLY LIMITED TO LANDLORD'S INTEREST IN THE PROPERTY OF WHICH THE PREMISES ARE A PART.

37. SEVERABILITY. If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws, then and in that event, it is the intention of the parties

hereto that the remainder of this Lease shall not be affected thereby. It is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

38. SIGNS; EXTERIOR APPEARANCE. Tenant shall not, without the prior written consent of Landlord, which may be granted or withheld in Landlord's sole discretion, except with respect to (v) below as to which Landlord's consent shall not be unreasonably withheld: (i) attach any awnings, exterior lights, decorations, balloons, flags, pennants, banners, painting or other projection to any outside wall of the Building, (ii) use any curtains, blinds, shades or screens other than Landlord's standard window coverings, (iii) coat or otherwise sunscreen the interior or exterior of any windows, (iv) place any bottles, parcels, or other articles on the window sills, (v) place any equipment, furniture or other items of personal property on any exterior balcony, (vi) paint, affix or exhibit on any part of the Premises, the Building or the Project any signs, notices, window or door lettering, placards, decorations, or advertising media of any type which can be viewed from the exterior of the Premises, except for (i) signage on the exterior of the Building and on any signage monument that may be located in the Project, which shall be subject to any applicable local governmental restrictions or requirements, and (ii) local (interbuilding) communications antennas on the roof of the Building, in each case in such location, size and deign as shall be reasonably approved by Landlord, and, with respect to the antennas, provided that such equipment does not interfere with any other tenant in the project and is located, maintained and operated in compliance with all applicable laws and regulations. Interior signs on doors and the directory tablet shall be inscribed, painted or affixed for Tenant by Landlord at the sole cost and expense of Tenant, and shall be of a size, color and type acceptable to Landlord. Nothing may be placed on the exterior of corridor walls or corridor doors other than Landlord's standard lettering. The directory tablet shall be provided exclusively for the display of the name and location of tenants.

39. RIGHT TO EXPAND

(a) EXPANSION IN THE BUILDING. Tenant shall have the right, but not the obligation, to expand the Premises (the "EXPANSION RIGHT") to include any space available in the Building which has never been leased to any other tenant (the "EXPANSION SPACE") upon the terms and conditions set forth in this Section 39. Tenant's Expansion Right shall not apply to any space in the Building once it has been let to any third party tenant. If at any time Landlord reasonably believes that a prospective tenant (a "NEW TENANT") for any of the Expansion Space is about to sign a letter of intent to lease all or any portion of the Expansion Space, Landlord shall deliver to Tenant: (i) written notice of such fact (the "EXPANSION NOTICE") describing the portion of the Expansion Space (the "NOTICE SPACE") to be subject to such letter of intent, and (ii) a draft amendment to this Lease (the "EXPANSION AMENDMENT") adding the Notice Space to the Premises demised hereunder to be leased for the then remaining Term hereof (and any Extension Terms duly elected by Tenant), for the Base Rent then payable hereunder, to be improved subject to, and with the same Tenant Improvement Allowance as is set forth in, the Work Letter hereto, and otherwise on the same terms and conditions as are set forth in this Lease and with (i) the schedule for build-out of such Expansion Space to start as of the date of execution of the Lease amendment under which such Expansion Space is to be let as the beginning of such schedule and (ii) appropriate adjustments to Tenant's Share. Tenant shall have 10 business days following delivery of the Expansion Notice in which to exercise the Expansion Right by delivering to Landlord 4 fully executed copies of the Expansion Amendment. Upon receipt, Landlord shall promptly execute two copies of such Expansion Amendment and return them to Tenant. In addition, Tenant may, at any time it has an Expansion Right with respect to any Expansion Space deliver a notice to Landlord electing to Lease all or a portion of such Expansion Space (unless the remaining Expansion Space on either floor on the Building would be 10,000 square feet or less, In which case Tenant must elect to lease all of such Expansion Space) on the terms described above.

(b) AMENDED LEASE. If Tenant fails to exercise its Expansion Right by delivering four fully executed copies of such Expansion Amendment to Landlord within 10 business days following delivery of the Expansion Notice, Tenant shall be deemed to have waived its right to lease the Notice Space; provided, however, that if Landlord has not executed a lease for the Notice Space with the New tenant or any other person within 180 days of delivery of the Expansion Notice to Tenant, Tenant's Expansion Rights with respect to the Notice Space shall be reinstated; provided, further, that if Landlord and such New Tenant are in active negotiations for a lease of the Notice Space 150 days after delivery of the Expansion Notice to Tenant, Landlord may at any time thereafter give Tenant a second Expansion Notice with respect to such Expansion Space, which shall be accepted or rejected by Tenant as described in Section 39(a) hereof.

(c) EXCEPTIONS. Notwithstanding the above, the Expansion Right shall not be in effect and may not be exercised by Tenant:

(i) during any period of time that Tenant is in Default under any provision of the Lease; or

(ii) if Tenant has been in Default under any provision of the Lease 3 or more times, whether or not the Defaults are cured, during the 12 month period prior to the date on which Tenant seeks to exercise the Expansion Right.

(d) TERMINATION. The Expansion Right shall terminate and be of no further force or effect even after Tenant's due and timely exercise of the Expansion Right, if, after such exercise, but prior to the commencement date of the Expansion Space, (i) Tenant fails to timely cure any Default by Tenant under the Lease; or (ii) Tenant has Defaulted 3 or more times during the period from the date of the exercise of the Expansion Right to the date of the commencement of the Expansion Space, whether or not such Defaults are cured.

40. RIGHT TO NEGOTIATE. If Landlord, in its sole discretion, elects to develop one or more additional buildings on the real property on which the Project is located ("NEW CONSTRUCTION SPACE"), Landlord shall give Tenant notice of such potential development. If Tenant elects to do so, Landlord and Tenant shall negotiate in good faith for Tenant's prospective occupancy of all or a portion of such New Construction Space, provided, however, that Landlord shall have the right to terminate such negotiations if no lease has been signed within thirty days of the commencement of such negotiations.

41. RIGHT TO EXTEND TERM. Tenant shall have the right to extend the Term of the Lease upon the following terms and conditions:

(a) EXTENSION RIGHTS. Tenant shall have two consecutive rights (each, an "Extension Right") to extend the term of this Lease for 5 years each (each, an "Extension Term") on the same terms and conditions as this Lease by giving Landlord written notice of its election to exercise each Extension Right at least 180 days prior to the expiration of the initial term of the Lease or the expiration of any prior Extension Term. During any Extension Term, Base Rent shall be payable at the rate of 95% of the Market Rate (as defined below), but in no event less than the Base Rent payable as of the date immediately preceding the commencement such Extension Term. Base Rent shall be adjusted on the commencement of each Extension Term and on each annual anniversary of the commencement of such Extension Term shall be increased by a percentage as determined by Landlord and agreed to by Tenant at the time Market Rent is determined, but in no event less than the Rent Adjustment Percentage hereunder. As used herein, "Market Rate" shall mean the then market rental rate as determined by Landlord and agreed to by Tenant.

If, on or before the date which is 120 days prior to the expiration of the initial Term of this Lease, or the expiration of any Extension Term, Tenant has not agreed with Landlord's determination of the Market Rate and the rent escalations during such subsequent Extension Term

after negotiating in good faith, Tenant may by written notice to Landlord elect arbitration as described in Section 41 (b) below. If Tenant does not elect such arbitration, Tenant shall be deemed to have waived any right to extend, or further extend, the Term of the Lease and all of the remaining Extension Rights shall terminate.

(b) ARBITRATION.

(i) Within 10 days of Tenant's notice to Landlord of its election to arbitrate Market Rate and escalations, each party shall deliver to the other a proposal containing the Market Rate and escalations that the submitting party believes to be correct ("EXTENSION PROPOSAL") subject to the minimum Base Rent and escalation rate set forth in Section 41 (a) hereof. If either party fails to timely submit an Extension Proposal, the other party's submitted proposal shall determine the Base Rent for the Extension Term. If both parties submit Extension Proposals, then Landlord and Tenant shall meet within 7 days after delivery of the last Extension Proposal and make a good faith attempt to mutually appoint a single Arbitrator (as defined below) to determine the Market Rate and escalations. If Landlord and Tenant are unable to agree upon a single Arbitrator, then each shall, by written notice delivered to the other within 10 days after the meeting, select an Arbitrator. If either party fails to timely giver notice of its selection for an Arbitrator, the other party's submitted proposal shall determine the Base Rent for the Extension Term. The 2 Arbitrators so appointed shall, within 5 business days after their appointment, appoint a third Arbitrator. If the 2 Arbitrators so selected cannot agree on the selection of the third Arbitrator within the time above specified, then either party, on behalf of both parties may request such appointment of such third Arbitrator by application to any state court of general jurisdiction in the jurisdiction in which the Premises are located, upon 10 days prior written notice to the other party of such intent.

(ii) The authority of the Arbitrator(s) shall be limited strictly to a selection of either Landlord's Extension Proposal in its entirety or Tenant's Extension Proposal in its entirety as the Extension Proposal which most closely approximates the Market Rate and escalations. The Arbitrator(s) shall have no authority to create an independent structure of Market Rate and escalations, combine elements of both Extension Proposals to create a third, or compromise or alter in any way any of the components of the Extension Proposals submitted by the parties. The sole decision to be made shall be which of the parties' Extension Proposals in its entirety shall determine the Market Rate and escalations for the Renewal Term. Notwithstanding the foregoing, if the Arbitrator(s) select an Extension Proposal which results in a Base Rent less than the Base Rent payable as of the date immediately preceding the commencement such Extension Term or escalations less than the Rent Adjustment Percentage hereunder, the Base Rent and/or Rent Adjustment Percentage hereunder for the Extension Term shall be increased to the Base Rent payable as of the date immediately preceding the commencement such Extension Term or the Rent Adjustment Percentage hereunder, as applicable.

(iii) The decision of the Arbitrator(s) shall be made within 30 days after the appointment of a single Arbitrator or the third Arbitrator, as applicable. The decision of the single Arbitrator or majority of the 3 Arbitrators shall be final and binding upon the parties. Each party shall pay the fees and expenses of the Arbitrator appointed by or on behalf of such party and the fees and expenses of the third Arbitrator shall be borne equally by both parties. If the Market Rate and escalations are not determined by the first day of the Renewal Term, then Tenant shall pay Landlord Base Rent in an amount equal to the Base Rent in effect immediately prior to the Renewal Term until such determination is made. After the determination of the Market Rate and escalations, the parties shall make any necessary adjustments to such payments made by Tenant. Landlord and Tenant shall then execute an amendment recognizing the Market Rate and escalations for the Renewal Term.

(iv) An "ARBITRATOR" shall be any person appointed by or on behalf of either party or appointed pursuant to the provisions hereof and: (i) shall be (A) a member of the American Institute of Real Estate Appraisers with not less than 10 years of experience in the appraisal of improved office and high tech industrial real estate in the greater San Diego metropolitan area, or (B) a licensed commercial real estate broker with not less than 15 years experience representing landlords and/or tenants in the leasing of high tech or life sciences space in the greater San Diego metropolitan area, (ii) devoting substantially all of their time to professional appraisal or brokerage work, as applicable, at the time of appointment and (iii) be in all respects impartial and disinterested.

(c) RIGHTS PERSONAL. Extension Rights are personal to IDEC Pharmaceuticals Corporation and are not assignable except in connection with an Affiliate Transfer or other assignment of this Lease approved by Landlord.

(d) EXCEPTIONS. Notwithstanding anything set forth above to the contrary, Extension Rights shall not be in effect and Tenant may not exercise any of the Extension Rights:

(i) during any period of time that Tenant is in Default under any provision of this Lease; or

(ii) if Tenant has been in Default under any provision of this Lease 3 or more times, whether or not the Defaults are cured, during the 12 month period immediately prior to the date that Tenant intends to exercise an Extension Right, whether or not the Defaults are cured.

(e) NO EXTENSIONS. The period of time within which any Extension Rights may be exercised shall not be extended or enlarged by reason of the Tenant's inability to exercise the Extension Rights.

(f) TERMINATION. The Extension Rights shall terminate and be of no further force or effect even after Tenant's due and timely exercise of an Extension Right, if, after such exercise, but prior to the commencement date of an Extension Term, (i) Tenant fails to timely cure any Default by Tenant under this Lease; or (ii) Tenant has Defaulted 3 or more times during the period from the date of the exercise of an Extension Right to the date of the commencement of the Extension Term, whether or not such Defaults are cured.

42. MISCELLANEOUS.

(a) NOTICES. All notices or other communications between the parties shall be in writing and shall be deemed duly given, if delivered in person or by reputable overnight guaranty courier, addressed and sent to the parties at their addresses set forth above. Landlord and Tenant may from time to time by written notice to the other designate another address for receipt of future notices.

(b) JOINT AND SEVERAL LIABILITY. If and when included within the term "TENANT," as used in this instrument, there is more than one person, firm or corporation, each shall be jointly and severally liable for the obligations of Tenant.

(c) LANDLORD CONSENTS. Except as otherwise expressly provided in this Lease or as otherwise required by law, Landlord retains the absolute right to withhold any consent or approval.

(d) FINANCIAL INFORMATION. At Landlord's request from time to time Tenant shall furnish Landlord with true and complete copies of its most recent annual and quarterly financial statements

prepared by Tenant or Tenant's accountants and any other financial information or summaries that Tenant typically provides to its lenders or shareholders.

(e) RECORDATION. Neither this Lease nor a memorandum of lease shall be filed by or on behalf of Tenant in any public record. Landlord may prepare and file, and upon request by Landlord Tenant will execute, a memorandum of lease.

(f) INTERPRETATION. The normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any exhibits or amendments hereto. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

(g) NOT BINDING UNTIL EXECUTED. The submission by Landlord to Tenant of this Lease shall have no binding force or effect, shall not constitute an option for the leasing of the Premises, nor confer any right or impose any obligations upon either party until execution of this Lease by both parties.

(h) LIMITATIONS ON INTEREST. It is expressly the intent of Landlord and Tenant at all times to comply with applicable law governing the maximum rate or amount of any interest payable on or in connection with this Lease. If applicable law is ever judicially interpreted so as to render usurious any interest called for under this Lease, or contracted for, charged, taken, reserved, or received with respect to this Lease, then it is Landlord's and Tenant's express intent that all excess amounts theretofore collected by Landlord be credited on the applicable obligation (or, if the obligation has been or would thereby be paid in full, refunded to Tenant), and the provisions of this Lease immediately shall be deemed reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

(i) CHOICE OF LAW. Construction and interpretation of this Lease shall be governed by the internal laws of the state in which the Premises are located, excluding any principles of conflicts of laws.

(j) TIME. Time is of the essence as to the performance of Tenant's obligations under this Lease. All references to "days" herein shall mean calendar days unless business days are indicated.

(k) INCORPORATION BY REFERENCE. All exhibits and addenda attached hereto are hereby incorporated into this Lease and made a part hereof. If there is any conflict between such exhibits or addenda and the terms of this Lease, such exhibits or addenda shall control.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

TENANT:

IDEC PHARMACEUTICALS CORPORATION,
a Delaware corporation

By:/s/ Phillip Schneider

Its: VP & CFO

LANDLORD:

ARE -10933 NORTH TORREY PINES, LLC,
a Delaware limited liability company

By: ALEXANDRIA REAL ESTATE EQUITIES, INC.,
a Maryland corporation, Managing Member

By: /s/ Lynn Anne Shapiro

Its: GENERAL COUNSEL

[NOTARY SEAL]

EXHIBIT A-1

THE PREMISES

[FLOOR PLAN]

EXHIBIT A-2

THE PREMISES

[FLOOR PLAN]

EXHIBIT A-3

THE PREMISES

[FLOOR PLAN]

ARC Science Center/IDEC Pharmaceuticals Corporation

EXHIBIT B

LEGAL DESCRIPTION OF PROJECT

Lot 1 of Torrey Pines Science Park Unit No. 1 in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 6229, filed in the Office of the County Recorder of San Diego County on November 21, 1968.

EXHIBIT B-1

THE PROJECT

[SITE PLAN]

EXHIBIT C

WORK LETTER

THIS WORK LETTER dated as of June 24, 1999 (this "Work Letter") is made and entered into by and between ARE-10933 NORTH TORREY PINES, LLC, a Delaware limited liability company ("Landlord"), and IDEC PHARMACEUTICALS CORPORATION, a Delaware corporation ("Tenant"), and is attached to and made a part of the Lease dated as of June 24, 1999 (the "Lease"), by and between Landlord and Tenant. Any initially capitalized terms used but not defined herein shall have the meanings given them in the Lease.

1. General Requirements

1.1 Tenant's Authorized Representative. Tenant designates Robert F. Dilworth and Bert Van Loon collectively, "Tenant's Representative") as the only persons authorized to act for Tenant pursuant to this Work Letter. Landlord may rely and act on, without further inquiry of any kind, any written request, approval, inquiry or other communication ("Communication") from or on behalf of Tenant in connection with this Work Letter given by either Tenant's Representative. Tenant's Representative may be contacted at the voice, facsimile and pager telephone numbers and e-mail addresses set forth on Schedule C-1, attached hereto and incorporated herein by this reference. When Landlord has attempted to contact Tenant's Representative by each of such means, Landlord shall have no further obligation of any kind to attempt to locate either Tenant's Representative or Tenant with respect to any Communication under this Work Letter. Tenant may change Tenant's Representatives or any telephone number or e-mail address set forth on Schedule C-1 at any time upon not less than 5 Business Days advance written notice to Landlord. No period set forth herein for any approval of any matter by Tenant's Representative shall be extended by reason of any change in Tenant's Representative. Neither Tenant nor Tenant's Representative shall be authorized to direct Landlord's contractors in the performance of Landlord's Work (as hereinafter defined).

1.2 Landlord's Authorized Representative. Landlord designates Vincent Ciruzzi ("LANDLORD'S REPRESENTATIVE") as the only person authorized to act for Landlord pursuant to this Work Letter. Tenant shall not be obligated to respond to or act upon any request, approval, inquiry or other Communication from or on behalf of Landlord in connection with this Work Letter unless such Communication is in writing from Landlord's Representative. Landlord's Representative may be contacted at the voice, facsimile and pager telephone numbers and e-mail addresses set forth on Schedule C-2, attached hereto and incorporated herein by this reference. When Tenant has attempted to contact Landlord's Representative by each of such means, Tenant shall have no further obligation of any kind to attempt to locate Landlord's Representative or Landlord with respect to any Communication under this Work Letter. Landlord may change Landlord's Representatives or any telephone number or e-mail address set forth on Schedule C-2 at any time upon not less than 5 Business Days advance written notice to Tenant. No period set forth herein for any approval of any matter by Landlord's Representative shall be extended by reason of any change in Landlord's Representative.

1.3 Development Schedule. The schedule for design and development of Landlord's Improvements (as defined below), the Tenant Improvements (as defined below) and the Central Plant (as defined below), including without limitation the time periods for delivery of construction documents and performance of construction, shall be in accordance with the Development Schedule attached hereto as Schedule A, subject to adjustment as mutually agreed by the parties in writing or as provided in this Work Letter (the "Development Schedule").

1.4 Architects, Consultants and Contractors. Landlord and Tenant hereby acknowledge and agree that the architect for the Tenant Improvements (the "Tl Architect") shall be McGraw Baldwin Architects, and (ii) the general contractor for the Tenant Improvements shall be DPR Construction, Inc.

2. Tenant Improvements.

2.1 Tenant Improvements Defined. As used herein, "Tenant Improvements" shall mean all improvements to the Building desired by Tenant of a fixed and permanent nature, but excluding the Central Plant and the improvements described on Schedule B attached hereto ("Landlord's Improvements"). Landlord shall provide HVAC and electrical service to the Premises by means of a central HVAC and electrical distribution plant ("Central Plant"), the design of which shall be reasonably approved by Landlord and Tenant at or prior to the approval of the Preliminary Construction Drawings pursuant to Section 2.3 below; provided, however, that Tenant may disapprove any design of the Central Plant to the extent that Tenant's pro rata share of the capacity of such Central Plant and the temperature, humidity and air flow are not sufficient for Tenant's requirements as detailed on the TI Design/Engineering Drawings. The costs of any such Central Plant shall be allocated to Tenant in accordance with Tenant's Share of the Building and shall be charged to the TI Allowance. Other than the Tenant Improvements, Landlord's Improvements and the Central Plant, Landlord shall not have any obligation whatsoever with respect to the finishing of the Premises for Tenant's use and occupancy. The term "Tenant Improvements" shall mean the Tenant Improvements to be constructed prior to Tenant's initial occupancy of the Building.

2.2 Tenant's Space Plans. Tenant shall deliver to Landlord schematic drawings and outline specifications (the "TI Design/Engineering Drawings") detailing Tenant's requirements for the Tenant Improvements (including Tenant's required capacity from the Central Plant) within five business days of the execution of this Work Letter. Not more than 10 Business Days thereafter, Landlord shall deliver to Tenant Landlord's reasonable written objections, questions or comments with regard to the TI Design/Engineering Drawings. Tenant shall act reasonably to cause the TI Design/Engineering Drawings to be revised to address such written comments in a mutually satisfactory manner and shall resubmit said drawings to Landlord for approval within 10 Business Days thereafter. Such process shall continue until Landlord has approved the TI Design/Engineering Drawings. In no event shall Landlord have the right to direct upgrades in the quality (above the generic Laboratory standard of Tenant's improvements in its facility at 11011 Torreyana Road, San Diego, California) or quantity (other than to comply with any Legal Requirement) of any of the materials or equipment to be installed in connection with the Tenant Improvements, nor shall any such changes adversely affect the safety or quality of the Tenant Improvements.

2.3 Landlord's Approval. Promptly after receiving Landlord's approval of the TI Design/Engineering Drawings, Tenant shall cause the Tl Architect to complete working drawings and specifications ("Preliminary Construction Drawings") based upon the approved TI Design/Engineering Drawings. Within 10 Business Days after receipt by Landlord of said Preliminary Construction Drawings, Landlord shall notify Tenant of the manner, if any, in which said Preliminary Construction Drawings as submitted by Tenant are unacceptable in Landlord's reasonable judgment, and Tenant shall re-submit such Preliminary Construction Drawings to Landlord for approval. In no event shall Landlord have the right to direct upgrades in the quality (above the generic Laboratory standard of Tenant's improvements in its facility at 11011 Torreyana Road, San Diego, California) or quantity (other than to comply with any Legal Requirement) of any of the materials or equipment to be installed in connection with the Tenant Improvements, nor shall any such changes adversely affect the safety or quality of the Tenant Improvements. Landlord shall notify Tenant of any objections to a resubmission within 10 Business Days after receipt. Upon Landlord's final approval, the Preliminary Construction Drawings shall become the "TI Construction Drawings". It is hereby acknowledged by Landlord and Tenant that the TI Construction Drawings must be completed and approved not later than November 30, 1999, in order for the Tenant Improvements to be Substantially Complete by the Target Term Commencement Date. Any subsequent changes, modifications or alterations to the TI Construction Drawings following Landlord's and Tenant's approval of same shall be processed in the manner provided in Section 4 of this Work Letter.

3. Performance of Landlord's Work.

3.1 Definition of Landlord's Work. As used herein, "Landlord's Work" shall mean the work of constructing Landlord's Improvements, the Central Plant and the Tenant Improvements. The contract for construction of the Tenant Improvements shall be a guaranteed maximum price contract, in a form mutually approved by Landlord and Tenant. Tenant shall be expressly made a third party beneficiary of all warranties set forth in such contract. Any subcontracts for work or materials in an aggregate amount of $100,000 or more, and any work (other than general conditions) to be done directly by the general contractor for the Tenant Improvements shall be subject to the mutual approval of Landlord and Tenant. No approval required under this Section 3.1 shall be unreasonably withheld or delayed.

3.2 Commencement and Permitting of Landlord's Work. Landlord shall commence construction of Landlord's Improvements upon obtaining a building permit authorizing the construction of Landlord's Improvements (the "Building Permit"), which Building Permit shall be obtained at Landlord's expense. Landlord shall commence construction of the Tenant Improvements upon the later of (i) obtaining a building permit authorizing the construction of the Tenant Improvements consistent with the TI Construction Drawings (the "TI Permit"), or (ii) having sufficiently completed Landlord's Improvements such that the work of constructing the Tenant Improvements can be efficiently prosecuted. The cost of obtaining the TI Permit shall be payable from the TI Fund. Tenant shall assist Landlord in obtaining the Building Permit and the TI Permit. If any Governmental Authority having jurisdiction over the construction of Landlord's Work or any portion thereof shall impose terms or conditions upon the construction thereof which: (i) are inconsistent with Landlord's obligations hereunder, (ii) increase the cost of constructing Landlord's Work, or (iii) will materially

delay the construction of Landlord's Work, Landlord and Tenant shall reasonably and in good faith seek means by which to mitigate or eliminate any such adverse terms and conditions.

3.3 Completion of Landlord's Work. On or before the Term Commencement Date (subject to Tenant Delay and Force-Majeure Delays), Landlord shall substantially complete or cause to be substantially completed Landlord's Work in a good and workmanlike manner, in accordance with the Building Permit and the TI Permit, shall obtain a temporary certificate of occupancy for the Premises subject, in each case, to Minor Variations and normal "punch list" items of a non-material nature which do not interfere with the use of the Premises for the Permitted Uses and shall have conducted, at Landlord's cost and not to be paid from the TI Fund, an environmental assessment (the "Baseline Assessment") of the Premises ("Substantial Completion"). Upon the Substantial Completion of Landlord's Work, the TI Architect and the general contractor shall execute and deliver, for the benefit of Tenant and Landlord, a Certificate of Substantial Completion in the form of the American Institute of Architects document G704. For purposes of this Work Letter, "Minor Variations" shall mean any modifications reasonably required: (i) to comply with all applicable Legal Requirements and/or to obtain or to comply with any required permit (including the Building Permit and the TI Permit) which are not material; (ii) to comply with any request by the Tenant for modifications to Landlord's Work; (iii) to comport with good design, engineering, and construction practices which are not material; or (iv) to make reasonable adjustments for field deviations or conditions encountered during the construction of Landlord's Work which are not material.

3.4 Selection of Materials, Etc. As to all building materials and equipment which Land-lord is obligated to supply for Landlord's Improvements under this Work Letter, Landlord shall select the manufacturer thereof in its sole discretion. Tenant and Landlord shall mutually select the manufacturer of all building materials and equipment which Landlord is obligated to supply for the Tenant Improvements under this Work Letter, including the major mechanical components of the Central Plant.

3.5 Delivery of the Premises. When Landlord's Work is Substantially Complete, subject to the remaining terms and provisions of this Section 3.5, Tenant shall accept the Premises. Tenant's taking possession and acceptance of the Premises shall not constitute a waiver of: (i) any warranty with respect to workmanship (including installation of equipment) or material (exclusive of equipment provided directly by manufacturers), (ii) any non-compliance of Landlord's Work with Code, (iii) Landlord's obligation to cause any "punch list" items to be corrected, or (iv) any claim that the Tenant Improvements were not completed substantially in accordance with the TI Construction Drawings (subject to Minor Variations and such other changes as are permitted hereunder) (collectively, a "Construction Defect"). Tenant shall have one year after Substantial Completion within which to notify Landlord of any such Construction Defect discovered by Tenant during such one-year period, and Landlord shall use reasonable efforts to remedy or cause the responsible contractor to remedy any such Construction Defect within 30 days thereafter. Notwithstanding the foregoing, Landlord shall not be in default under the Lease if:

(a) with respect to the Tenant Improvements, the applicable contractor, despite Landlord's reasonable efforts, fails to remedy such Construction Defect within such 30 day period, in which case Landlord shall have no further obligation with respect to such

Construction Defect other than to cooperate, at no cost to Landlord, with Tenant should Tenant elect to pursue a claim against such contractor, provided that Tenant indemnifies and holds Landlord harmless from and against any liability, loss, cost damage or expense in connection with any such claim, or

(b) with respect to Landlord's Improvements and the Central Plant, the applicable contractor, despite Landlord's reasonable efforts, fails to remedy such Construction Defect within such 30 day period, but Landlord, within 30 days thereafter commences and diligently and continuously prosecutes such remedial action to completion.

Tenant shall be entitled to receive the benefit of all construction warranties and manufacturer's equipment warranties relating to equipment installed in the Premises. If requested by Tenant, Landlord shall attempt to obtain extended warranties from manufacturers and suppliers of such equipment, but the cost of any such extended warranties shall be borne solely out of the TI Fund. Landlord shall diligently pursue any claims arising out of latent defects in the Landlord Improvements and the Central Plant. Landlord shall promptly undertake and complete, or cause to be completed, all punch list items.

3.6 Commencement Date Delay. The Commencement Date shall occur when Landlord's Work has been Substantially Completed (the "Completion Date"), except to the extent that completion of Landlord's Work shall have been actually delayed by any one or more of the following causes (a "Tenant Delay"):

3.6.1 No Tenant's Representative was available to give or receive any Communication or to take any other action required to be taken by Tenant hereunder;

3.6.2 Tenant's Change Requests whether or not any such Change Request is actually implemented;

3.6.3 Construction of any Changes;

3.6.4 Tenant's request for materials, finishes or installations requiring unusually long lead times;

3.6.5 Tenant's delay in reviewing, revising or approving plans and specifications or the Budget beyond the periods set forth herein or any period of redesign requested by Tenant to reduce the total costs of the Tenant Improvements following the receipt of the Budget pursuant to Section 5.1;

3.6.6 Tenant's delay in providing information critical to the normal progression of construction of Landlord's Work. Tenant shall provide such information as soon as reasonably possible, but in no event longer than 5 Business Days after receipt of any request for such information from Landlord;

3.6.7 Tenant's delay in making payments to Landlord for Excess TI Costs;

3.6.8 Any other act or omission by Tenant, its agents, contractors or persons employed by any of such persons which impedes the construction of Landlord's Work following notice of such delay from Landlord to Tenant's Representative.

Tenant Delay shall further include, at Landlord's option, any period that Landlord was excused from proceeding with Landlord's Work hereunder as a result of an Event of Default under the Lease pursuant to Section 8 hereof. If the Commencement Date is delayed for any of the foregoing reasons, the TI Architect shall on a monthly basis certify the number of days of Tenant Delay hereunder. If there are more than 30 days of Tenant Delay ("Excess Tenant Delay"), the Commencement Date under the Lease shall for all purposes be the number of days of Excess Tenant Delay before the date of Substantial Completion.

4. Changes. Any changes requested by Tenant to Landlord's Improvements at any time, or to the Tenant Improvements or the capacities required from the Central Plant after the delivery and approval by Landlord of the TI Design/Engineering Drawings, shall be requested and instituted in accordance with the provisions of this Section 4 and shall be subject to the written approval of Landlord and the Tl Architect, such approval not to be unreasonably withheld, conditioned or delayed.

4.1 Tenant's Right to Request Changes. If Tenant shall request changes to Landlord's Work ("Changes"), Tenant shall request such Changes by notifying Landlord in writing in substantially the same form as the AIA standard change order form (a "Change Request"), which Change Request shall detail the nature and extent of any such Change. Such Change Request must be signed by Tenant's Representative.

4.1.1 If such Change Request relates to Landlord's Improvements or the Central Plant, Landlord shall, before proceeding with any Change, use its best efforts to respond to Tenant as soon as reasonably possible with an estimate of: (i) the time it will take, and (ii) the architectural and engineering fees and costs which will be incurred, to analyze such Change Request. Landlord shall thereafter submit to Tenant in writing, within 5 Business Days of receipt of the Change Request (or such longer period of time as is reasonably required depending on the extent of the Change Request), an analysis of the additional cost or savings involved, including, without limitation architectural and engineering costs and the period of time, if any, that the Change will extend the date on which Landlord's Work will be Substantially Complete.

4.1.2 If such Change Request relates to the Tenant Improvements, Tenant shall cause the TI Architect to estimate: (i) the time it will take, and (ii) the architectural and engineering fees and costs which will be incurred, to analyze such Change Request. Thereafter Landlord, the TI Architect and Landlord's general contractor for the Tenant Improvements shall analyze the Change Request and submit to Tenant in writing, within 5 Business Days of receipt of the Change Request (or such longer period of time as is reasonably required depending on the extent of the Change Request), an analysis of the additional cost or savings involved, including, without limitation, architectural and engineering costs and the period of time, if any, that the Change will extend the date on which Landlord's Work will be Substantially Complete.

Any delay in the completion of Landlord's Work caused by a Change, including any suspension of Landlord's Work to the extent affected or potentially affect by the proposed Change while any such Change is being evaluated and/or designed, shall be a Tenant Delay; provided, however, that Tenant shall have the right to approve or disapprove any suspension of Landlord's Work of building the Tenant Improvements and/or the Central Plant while any such Change is being evaluated, provided, further that if Tenant disapproves any suspension of such work, Tenant shall be solely responsible for all costs of removing and/or rebuilding any such Work to the extent affected by any approved Change.

4.2 Implementation of Changes. If Tenant: (i) approves in writing the cost or savings and the estimated extension in the time for completion of Landlord's Work, if any, and (ii) deposits with Landlord any Excess TI Costs (as defined below) required in connection with such Change (including any costs arising pursuant to Section 4.1), Landlord shall cause the approved Change to be instituted. Notwithstanding any approval or disapproval by Tenant of any estimate of the delay caused by such proposed Change, the TI Architect's determination of the amount of Tenant Delay in connection with such Change shall be final and binding on Landlord and Tenant.

5. Costs.

5.1 Budget For Tenant Improvements. Before the commencement of construction of the Tenant Improvements, Landlord shall obtain a detailed breakdown, by trade, of the costs incurred or which will be incurred, in connection with the design and construction of the Tenant Improvements, including Tenant's Share of the costs of the Central Plant (the "Budget"). The Budget shall be based upon the TI Construction Drawings approved by Tenant and shall include a payment to Landlord, of administrative rent ("Administrative Rent") equal to 3% of the cost of designing and constructing the Tenant Improvements (including an allocation of the costs of the Central Plant) for monitoring and inspecting the construction of the Tenant Improvements, which sum shall be payable from the TI Fund. Such Administrative Rent shall include, without limitation, all out-of-pocket costs, expenses and fees incurred by or on behalf of Landlord, including the cost of any overhead, arising from, out of or in connection with such monitoring of the construction of the Tenant Improvements, incurred by or on behalf of Landlord regardless whether Landlord's actual costs and expenses exceed the Administrative Rent. Tenant shall approve or disapprove the Budget within 10 business days after receipt thereof from Landlord. Tenant's failure to deliver notice of disapproval shall constitute Tenant's approval thereof. If Tenant disapproves the Budget, Tenant shall notify Landlord of such disapproval within such 10 Business Day period and the parties shall as soon as reasonably possible meet in order to revise the TI Construction Drawings to reduce the Budget to a level that is acceptable to Tenant, provided that any delay in approving the Budget beyond the 10 Business Days provided above shall constitute Tenant Delay. Notwithstanding anything set forth in this Work Letter of the Lease, Tenant shall not be required to pay for the cost of any completion or performance bond in connection with any of the work performed by any contractor pursuant to this Work Letter, unless Tenant shall request any such bond.

5.2 TI Allowance. Landlord shall provide to Tenant a tenant improvement allowance ("TI Allowance") of $100 per rentable square foot of the Premises. The TI Allowance shall be disbursed in accordance with this Work Letter. If upon the Substantial Completion of the Tenant Improvements any portion of the TI Allowance remains, Tenant shall thereafter, at any time and

from time-to-time during the initial 12 months of the Term, have the right to submit for Landlord's approval, as described in Section 2.2 hereof, TI Design/Engineering Drawings with respect to any additional Tenant Improvements Tenant wishes to have constructed in the Premises. Thereafter the design of such additional Tenant Improvements shall proceed on the schedule, and shall be subject to the approval process, set forth in Section 2 hereof, and such additional Tenant Improvements shall be constructed by Landlord as described herein, provided that Landlord shall be obligated to pursue the construction of such additional Tenant Improvements with reasonable diligence, but shall not be obligated to Substantially Complete such additional Tenant Improvements by any fixed date; and provided further, that Landlord shall not have any obligation to disburse any portion of the TI Allowance more than 12 months after the Lease Commencement Date. No failure by Tenant to use all of the TI Allowance shall result in any adjustment of Rent under the Lease.

5.3 Costs Includable in TI Allowance. The TI Allowance shall be used solely for the payment of design and construction costs in connection with the construction of the Tenant Improvements, including, without limitation, the cost of preparing the TI Design/Engineering Drawings, the Preliminary TI Plans, and the TI Construction Drawings, all costs set forth in the Budget (including Landlord's Administrative Rent, extended warranties, if any, Landlord's out-of-pocket expenses and an allocation of the costs of the Central Plant), costs resulting from Tenant Delay and the cost of Changes. The TI Allowance shall not be used to purchase any furniture, personal property or other non-building system materials or equipment not incorporated into the Improvements, including, without limitation, biological safety cabinets and other scientific equipment.

5.4 Excess TI Costs. It is understood and agreed that Landlord is under no obligation to bear any portion of the cost of any of the Tenant Improvements, or Tenant's Share of the costs of the Central Plant, except to the extent of the TI Allowance. If at any time and from time-to-time, the aggregate TI Costs under the Budget exceed the aggregate TI Allowance ("Excess TI Costs"), Tenant shall deposit with Landlord, as a condition precedent to Landlord's obligation to complete the Tenant Improvements, one-quarter of the difference, in cash (the "Excess TI Deposit"), prior to the commencement of construction of the Tenant Improvements, to be held by Landlord until Tenant has funded the balance of any such Excess TI Costs as provided herein. Each month, in connection with the monthly draws to pay for the Tenant Improvements, Tenant shall pay a pro rata portion of such monthly draw equal to the amount of such monthly draw, multiplied by a fraction, the numerator of which is the Excess TI Costs and the denominator of which is the TI Fund. When all of the Excess Costs other than the Excess TI Deposit have been directly funded by Tenant, Landlord shall disburse the Excess TI Deposit in payment for Tenant Improvements. If Tenant fails to deposit, or is late in depositing, the Excess TI Deposit with Landlord or if Tenant fails to pay each monthly draw within 10 business days of receipt of the contractor's monthly draw as approved for payment by Landlord, Landlord shall have all of the rights and remedies set forth in the Lease for nonpayment of Rent (including, but not limited to, the right to interest at the Default Rate and the right to assess a late charge), and for purposes of any litigation instituted with regard to such amounts the same will be considered Rent. Such Excess TI Costs, together with the TI Allowance, is herein referred to as the "TI Fund". Funds so deposited by Tenant shall be, at Landlord's option, the last thereafter disbursed to pay TI Costs. Notwithstanding anything to the contrary set forth in this Section 5.4, Tenant shall be fully and solely liable for TI Costs and the cost of Minor Variations

in excess of the TI Allowance. If upon Substantial Completion of the Tenant Improvements and the payment of all sums due in connection therewith there remains any undisbursed TI Allowance, Tenant shall be entitled to such undisbursed TI Allowance solely to the extent of any Excess TI Deposit Tenant has actually made with Landlord.

5.5 Payment for Landlord's Improvements. The Landlord shall bear all costs, expenses and fees incurred by or on behalf of Landlord in connection with the construction of Landlord's Improvements, other than as a result of Tenant requested Changes, subject to the terms hereof and the terms of the Lease. Such payment shall be made by Landlord, to the extent of Landlord's approval thereof, no later than 30 days following receipt of a full draw package in a format to be mutually approved by Landlord and Tenant.

6. Tenant Access.

6.1 Tenant's Access Rights. Landlord hereby agrees to permit Tenant access, at Tenant's sole risk and expense, to the Building (i) 60 days prior to the Term Commencement Date to perform any work ("Tenant's Work") required by Tenant other than Landlord's Work and provided that such Tenant's Work is coordinated with the TI Architect and the general contractor, and complies with the Lease and all other reasonable restrictions and conditions Landlord may impose, and (ii) prior to the completion of Landlord's Work, to inspect and observe work in process; all such access shall be during normal business hours or at such other times as are reasonably designated by Landlord. Notwithstanding the foregoing, Tenant shall have no right to enter onto the Premises or the Building unless and until Tenant shall deliver to Landlord evidence reasonably satisfactory to Landlord demonstrating that any insurance reasonably required by Landlord in connection with such pre-commencement access (including, but not limited to, any insurance which Landlord may require pursuant to the Lease) is in full force and effect.

6.2 No Interference. Neither Tenant nor its employees, consultants, agents, contractors, and suppliers shall interfere with the performance of Landlord's Work, nor with any inspections or issuance of final approvals by San Diego County or the City of San Diego, and upon any such interference, Landlord shall have the right to exclude Tenant and Tenant's employees, consultants, contractors and agents from the Premises and the Building until Substantial Completion of Landlord's Work.

6.3 No Acceptance of Premises. The fact that Tenant may, with Landlord's consent, enter into the Building prior to the date Landlord's Work is Substantially Complete for the purpose of performing any Tenant's Work shall not be deemed an acceptance by Tenant of possession of the Premises, but in such event Tenant shall indemnify and hold Landlord harmless from any loss of or damage to Tenant property, completed work, fixtures, equipment, materials or merchandise, and from liability for death of, or injury to, any person to the extent such loss of damage is caused by the willful misconduct or negligence of Tenant or its agents.

7. Notification of Delays. Not less than once each calendar month from the date of this Work Letter through the Term Commencement Date, Landlord shall deliver to Tenant written notification of the number of days during the immediately preceding calendar month Landlord's performance under this Work Letter or the Lease was delayed as a result of Tenant Delay or Force Majeure

Delays, which written notification shall also include a description of the nature of such Tenant Delay or Force Majeure Delay.

8. Lease Defaults. Notwithstanding anything set forth herein or in the Lease to the contrary, Landlord shall have no obligation to perform any Landlord's Work hereunder or to advance all or any portion of the TI Fund during any period an Event of Default under the Lease exists.

9. Dispute Resolution.

9.1 Upon any dispute regarding the design or construction (including substitutions of materials) of the Tenant Improvements or the required capacity of Tenant's share of, or the specifications for the services provided through, the Central Plant, which is not settled within 5 Business Days after notice of such dispute is delivered by one party to the other, Tenant shall make the final decision regarding the design and/or construction of the Tenant Improvements or the required capacity of Tenant's share of, or the specifications for the services provided through, the Central Plant, provided Tenant acts reasonably and such final decision is consistent with the intent of the TI Design/Engineering Drawings, the Preliminary Construction Drawings and the Construction Drawings, as applicable, provided further that all costs and expenses resulting from any such decision by Tenant (including, without limitation, any costs imposed on Landlord, as reasonably estimated by Landlord to modify Landlord's Improvements to accommodate the Tenant Improvements, but excluding Landlord's "carry" costs and overhead) shall be payable out of the TI Fund, as defined in Section 5.4 above, and provided that such resolution does not, in Landlord's reasonable judgement, adversely affect or any portion of the Building outside the Premises or any Building system.

9.2 Upon any dispute regarding the design or construction (including substitutions of materials) of the Landlord Improvements which is not settled within 5 Business Days after notice of such dispute is delivered by one party to the other, Landlord shall make the final decision regarding the design and/or construction of the Landlord Improvements and the Central Plant (other than as described in Section 9.1 hereof), provided Landlord acts reasonably and such final decision is consistent with the intent of the drawings for Landlord's Improvements delivered and developed in connection with the TI Design/Engineering Drawings, the Preliminary Construction Drawings and the Construction Drawings, as applicable, provided further that all costs and expenses resulting from any such decision by Landlord shall be payable by Landlord and not charged to the Tl Fund and provided that such resolution does not, in Landlord's reasonable judgement, adversely affect the Premises.

10. Miscellaneous

10.1 Consents. Whenever consent or approval of either party is required under this Work Letter, that party shall not unreasonably withhold, condition or delay such consent or approval, except as may be expressly set forth herein to the contrary.

10.2 Modification. No modification, waiver or amendment of this Work Agreement or of any of its conditions or provisions shall be binding upon Landlord or Tenant unless in writing signed by Landlord and Tenant.

10.3 Counterparts. This Work Letter may be executed in any number of counterparts but all counterparts taken together shall constitute a single document.

10.4 Governing Law. This Work Letter shall be governed by, construed and enforced in accordance with the internal laws of the state in which the Premises are located, without regard to choice of law principles of such State.

10.5 Time of the Essence. Time is of the essence of this Work Agreement and of each and all provisions thereof.

10.6 Severability. If any term or provision of this Work Letter is declared invalid or unenforceable, the remainder of this Work Letter shall not be affected by such determination and shall continue to be valid and enforceable.

10.7 Merger. All understandings and agreements, oral or written, heretofore made between the parties hereto and relating to Landlord's Work are merged in this Work Letter, which alone (but inclusive of provisions of the Lease incorporated herein and the final approved constructions drawings and specifications prepared pursuant hereto) fully and completely expresses the agreement between Landlord and Tenant with regard to the matters set forth in this Work Letter.

10.8 Entire Agreement. This Work Letter is made as a part of and pursuant to the Lease and, together with the Lease, constitutes the entire agreement of the parties with respect to the subject matter hereof. This Work Letter is subject to all of the terms and limitation set forth in the Lease, and neither party shall have any rights or remedies under this Work Letter separate and apart from their respective remedies pursuant to the Lease.

[SIGNATURES BEGIN ON NEXT PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Work Letter to be effective on the date first above written.

TENANT:

IDEC PHARMACEUTICALS CORPORATION,
a Delaware corporation

By: Phillip Schneider

Its: VP & CFO

LANDLORD

ARE -10933 NORTH TORREY PINES, LLC,
a Delaware limited liability company

By: ALEXANDRIA REAL ESTATE EQUITIES, INC.,
a Maryland corporation, Managing Member

By: /s/ Lynn Anne Shapiro

Its: General Counsel

SCHEDULE A to Work Letter

Development Schedule

Event	Date
Execution of lease	As of
Delivery of space plans for Tl Design/Engineering Drawings pursuant to Section 2.2 of the Work Letter	5 Business Days after execution
Commencement of construction of Landlord's Improvements	8/1/99
Delivery of Preliminary Tl Plans pursuant to Section 2.3 of the Work Letter	9/1/99
Delivery of Tl Construction Drawings pursuant to Section 2.3 of the Work Letter	11/15/99
Tenant's approval of Budget for Tenant Improvements pursuant to Section 5.1 of the Work Letter	12/10/99
Commence construction of Tenant Improvements	1/1/00
Substantial Completion of Tenant Improvements	7/1/00
Issuance of Temporary Certificate of Occupancy	7/1/00

SCHEDULE B TO WORK LETTER

LANDLORD'S WORK

OUTLINE SPECIFICATIONS
ALEXANDRIA TECHNOLOGY CENTER AT SCIENCE PARK

SHELL BUILDING, CORE & SITEWORK SCOPE

JUNE 17,1999

MCGRAW/BALDWIN ARCHITECTS
701 B STREET, SUITE 200
SAN DIEGO, CA 92101

PROJECT DATA

PROJECT: ALEXANDRIA TECHNOLOGY CENTER AT SCIENCE PARK

LOCATION: LOT 1
TORREY PINES SCIENCE PARK

DATE: JUNE 17, 1999

1. Construction Type — Type II-NR, Sprinklered

2. Number of Buildings — One(1)

3. Number of Stories — Two (2) over Basement

4. Use — Laboratory and Offices

5. Gross Square Footage (approx.)

Basement	41,860 SF	Core Areas	4,786 SF
1st Floor	38,350 SF	1st Floor	2,502SF
2nd Floor	38.048 SF	2nd Floor	2,284SF
Total Bldg.	76,398 SF	Total Core	4,786SF

6. Estimated Site Area — 16.08 acres (700,450 sq. ft.)

7. Estimated Site Coverage — 22.2%

8. Parking provided — Approximately 3/1000 parking spaces

9. Trash Dumpsters — One (1) trash enclosure for five (5) standard (4'x7') trash bins.

10. Floor-to-Floor Height
Garage Floor to First Floor: 10"-10"
First Floor to Second Floor: 14"-3"
Second Floor to Parapet: 15"-3"

11. Ceilings — 2x2 tegular lay-in at lobby.
Continuous gypsum board ceiling at restrooms.
Other ceilings by Tenant Improvement.

12. Drive Aisle Widths — As required by Code

13. Fire Sprinkling — Fully Fire Sprinklered - Fire riser to shell building and core distribution only.

14. Electrical — 480Y/277 Volt, 4000 AMP, 3 phase, 4 wire service to building.

DESCRIPTION:	The project consists of (1) Two-story office building approximately 80 car basement parking garage totaling 118,258 gross square feet. All site improvements, shell building and core improvements (lobby, restrooms, and elevators) are part of this project.
SCOPE:	All building and site improvements shall be complete in every respect as defined by, but not limited to, the content of the schematic drawings and outline specifications. Exceptions to this scope will be tenant driven improvements such as interior tenant spaces, central mechanical plant enclosure and hazardous materials enclosure requirements, that are all part of the Tenant Improvements. Site/Shell/Core project will provide location only for plumbing rooms, and location, foundation and concrete pads only for central plant and emergency generators. Design fees, permit fees, inspection fees and Builder's Risk Insurance to be provided as required for Site/Shell/Core improvements.
CODES:	The building shall be Type II, non-rated, B occupancy. All construction shall conform to local, state and federal codes and regulations in effect at the time of building department plan check submittal. All placement of concrete, reinforcing steel in masonry units and/or concrete and all field weld plates and field welding shall be inspected by an independent testing laboratory, where required.

DIVISION 1 GENERAL REQUIREMENTS

All work shall be in conformance with all applicable building codes and regulations. Contractor shall be responsible for coordination of all work to be performed and for conformance to the contract documents. Special considerations shall be made to accommodate and minimize disruptions to existing tenants on site.

DIVISION 2 SITEWORK

Earthwork	Provide all grading and reshaping of existing site as required to achieve conformance with new finish grade elevations for building, parking, and central plant.
Site Utilities	Provide all sewer, gas, water, storm drain, electrical, telephone, cable television and data / fiber-optic services as required stubbed inside building or as necessary to serve core improvements. Distribution of utility of services other than core provided by Tenant Improvement.
Irrigation	All landscaped areas to be fully irrigated and operated by a central automatic controller. Provide planter drainage to comply per minimum City of San Diego standards.

Landscaping	Provide plant material and soil amendments per City of San Diego landscape guideline standards.
Enhanced Concrete Paving	Provide approximately 2,100 sf integral color, 7" nominal thickness, reinforced 3,500 psi concrete slab over Class II base, per soils report.
Enhanced Architectural Paving	Provide approximately 8,000 sf integral color, 4" nominal thickness enhanced over natural grade with combination of broom finish main building entrance. All other walkways to be natural color concrete broom finish. All enhanced paving to be sealed.
Asphalt Concrete	Asphalt concrete paving over Class II crushed aggregate base minimum thickness to be 3" A.C. over 4" base at parking; A.C. over 4" base at drives or as specified per soils report. Provide sand seal finish and striping.
Curb & Mow Strips	All curb and gutters shall be constructed of concrete in accordance to City of San Diego standards.

DIVISION 3 CONCRETE

Foundations	Continuous grade beam and spread footings of reinforced concrete below grade for lateral frames, columns and retaining walls in accordance with the soils report.
Basement Floor Slab	Slab-on-grade minimum 5" thick 3000 p.s.i. concrete slab on grade, reinforced with #3 bars at 18" o.c., over 2" sand. Include 6 mil visqueen under slab areas underlain by an additional 2 inches of sand.
First/Second Floor	2 1/2" thick lightweight structural concrete over metal decking with 6x6 by 1.4 x 1.4 welded wire mesh reinforcing.
Walls	Precast or GFRC panels with selected exposed aggregate architecture finish. Thickness as determined by the structural engineer.
Trash Enclosures	6'-0" high cast in-place, precast concrete or masonry with finish to match building. Enclosure will provide for a total of 5 trash bins located per plan.
Concrete Pads	Concrete pad only provided for mechanical central plant, hazardous materials enclosure area and emergency generator.

DIVISION 4 MASONRY

Basement/Garage	Basement wall to be solid grouted CMU. High-strength CMU reinforced to resist lateral soil pressure.

Retaining Walls	Construct retaining walls as required by site plan. Waterproof all basement and site retaining walls.
Mechanical Screening	Allocated portion of screening and gates provided by Tenant Improvement in accordance with Tenant's respective rentable square footage.

DIVISION 5 METALS

Columns	Steel columns, (approximate 30'x30' bay spacing) base plates and connections as determined by the structural engineer. Steel columns located in parking areas will require concrete protection from vehicles up to a height of 42".
Roof Framing	All major roof framing to consist of wide flange steel girders (approximate 30'x30' bay spacing) over 20 gauge metal decking. Roof loading will be 20 psf live load.
First and Second Floor design Framing	First and second floor framing to consist of composite steel beam over 3" 20-gauge vented metal decking. Floor loading provided as follows: Exit corridors 100 psf live load Floor loads 125 psf live load Floor assembly (2 1/2" L.W. concrete over metal deck) is a one-hour rated assembly. Fire proofing is proposed at beams and columns at basement/ first floor occupancy separation. Special vibration protection/assembly or added thickness concrete by Tenant Improvement.
Exit Stairs	Provide seven (7) flights of steel stairs with concrete poured pan treads. Architectural shaped stainless steel handrails with guardrails on both sides of stairs.
Miscellaneous	Concrete panels embeds, mechanical screen posts, steel roof access ladder and trash enclosures hardware will be provided under this section of work.
Mechanical Louver Shafts	Aluminum louver system with high performance "metallic xl" (kynar) finish, including all necessary structural support.

DIVISION 6 WOOD AND PLASTIC

Rough Carpentry	All wood-framing and bracing shall conform to applicable requirements for lumber grading as specified in West Coast Lumber Inspection Bureau Grading and Dressing Rule No. 16 the Western Wood Products Association, and the American Plywood. In addition to complying with applicable codes and regulations, comply with

	pertinent recommendations contained in 1994 edition UBC chapter 25.
Finished Carpentry	All finished carpentry shall conform to the applicable requirements for "Custom Grade" of the Manual of Millwork of the Woodwork Institute of California, the West Cost Lumberman's Association Grading and Dressing Rules No. 16 the Western Wood Products Association, The National Hardwood Lumber Association and The American Plywood Association.

DIVISION 7 MOISTURE AND THERMAL PROTECTION

Membrane Roofing	Roof shall have a 10-year bondable, four-ply fiberglass built-up roofing system with capsheet (i.e., Manville specification 4 GIC with R-19 polyisocyanurate rigid insulation board, or approved equal).
Building/Sound & Thermal Insulation	Batt acoustical insulation at core restroom and elevator room walls. All other acoustical insulation to be provided by Tenant Improvement.
Basement and Site Retaining Walls	Paraseal waterproofing membrane system with prefabricated site retaining walls. Drainage composite board and perforated subdrains.
Roof Drainage	Provide internal PVC roof and overflow drains. Roof drains to connect to below grade storm drain where accessible or daylight at face of curb or building wall in loading areas. Minimum roof slope to be 1/4" per foot.
Sealants	Utilize silicone base sealant at all glazing conditions. Concrete panel joints are to receive polyurethane sealant with 1" polyurethane backer rod. Sealant used in walking surfaces shall be polyurethane type. Colors to be selected by Architect.
Sheet Metal	Provide all sheet metal work for the building, complete; including reglets, and counter flashing for roofing. Materials to be galvanized sheet metal, 24 gauge minimum thickness.

DIVISION 8 DOOR AND WINDOWS

Main Entrance	Provide "Herculite" all glass system including two pair of 3'-0" x 8'-0" doors at main entrance. (First and Second Floor)
Secondary Entrance Doors	Provide a total of (4) double and (6) single narrow stile aluminum glass doors or as required by code. Frame finish to be as specified in "Aluminum Framing" below.
Garage Doors	High cycle motorized overhead coiling door at garage entry and at loading dock.

Hollow Metal Doors	3'-0 x 7'-0 painted hollow metal at building core restrooms and garage elevator vestibules.
Hardware	Hardware for exterior doors and building core included in shell building
Aluminum	Extruded aluminum sections with off-set flush glazed; both captured and silicone butt joints at horizontal and vertical mullions framing system. Interior and exterior color finish to be factory applied, high performance "metallic XL" (kynar) finish.
Glass & Glazing	Glass to be provided as follows: Curtain Wall Glass: 1/4" High performance: Greylite 14/Solar grey/Solar grey eclipse and clear, or comparable color 1/4" Spandrel glass

DIVISION 9 FINISHES - (PROVIDED AT CORE/LOBBY/PUBLIC RESTROOM AREAS ONLY)

Carpeting	Carpet in Tenant Areas to be provided by Tenant Improvement. Carpeting in common areas to be provided by Landlord where applicable.
Vinyl Flooring	Vinyl flooring in Tenant Areas to be provided by Tenant Improvement. Vinyl flooring in common areas to be provided by Landlord where applicable.
Ceramic Tile	Ceramic tile flooring with 48" high, ceramic tile wainscot at all wet walls and returns from wet walls. Full height ceramic tile at showers.
Painting	Enamel paint on exterior steel surfaces, metal doors and frames to receive paint: Primer + 2 coats at exterior.
Metal Framing & Furring	Steel studs shall be 16, 20 and 25 gauge as indicated on drawings or as required. Drywall furring channels shall be 26 gauge "hat" sections. Backing plates shall be 18 Ga. steel of proper size to accommodate fastenings and fastened to 20 gauge steel studs. See drawings for specific size and location.
Gypsum & Drywall	Provide gypsum wallboard at designated locations shown. Board thickness to be 5/8" at vertical and 5/8" at horizontal surface applications. In areas requiring fire ratings, wallboard shall be 5/8" "Type X". In areas subject to moisture, use water-resistant (WR) gypsum board. Elevator shaft, electrical/tel rooms, and stairs shafts included in shell building. Mechanical shafts/enclosures provided by tenant.
Acoustical Ceilings	2x4 suspended tegular acoustical ceiling in T-bar ceiling grid.

DIVISION 10 SPECIALITIES- (PROVIDED BY LANDLORD AT CORE AREAS ONLY)

Toilet Accessories	Automatic Sensor type plumbing features
Toilet Partitions	Ceiling and/or floor supported solid laminate toilet partitions & doors
Interior Signage	Accessibility signage at restrooms, building directory, and life safety signage as required by code to be provided by Landlord. All other interior signage by Tenant Improvement.
Exterior Signage	One new monument sign outside this building. Lettering and graphics by Tenant.
Fire Extinguishers	Provide as required by code for shell building. All others provided by Tenant Improvement.
Roof Hatch	Roof access hatch and ladder provided above one stairwell.

DIVISION 11 EQUIPMENT

Dock bumpers provided. Dock leveler by Tenant Improvement, if needed.

DIVISION 12 FURNISHINGS

Not Applicable

DIVISION 13 SPECIAL CONSTRUCTION

Not Applicable

DIVISION 14 CONVEYING SYSTEMS

Elevators	Provide one 2500 Ib. capacity, 150 feet per minute, 3-stop hydraulic passenger elevator located in main lobby, complete with standard cab finishes. Provide one 4500 Ib. capacity, 3-stop service elevator.

DIVISION 15 PLUMBING & HVAC SYSTEMS

Plumbing	Sanitary waste, domestic cold and hot water, industrial cold and hot waste and natural gas stubbed to building shell and central plant yard. Main service backflow preventer is provided. Complete plumbing systems provided to core improvements (restrooms, janitor's closet at

each of two floors; showers at 1st Floor). Roof/overflow drains and hose bibs are provided for shell. All other plumbing distribution and systems provided by Tenant Improvement.

HVAC

Garage exhaust system and core restroom exhaust provided by Landlord. All other HVAC systems including central mechanical plant and central mechanical plant control systems to be allocated by respective Tenant Improvement.

DIVISION 16 ELECTRICAL SYSTEMS

Main service switchgear and main feeder conduits to garage level provided. Distribution provided only to shell and core improvements. Site lighting provided at drives and parking areas. All other distribution provided by Tenant Improvements. Electrical distribution to central plant, hazardous materials enclosure, and tenant areas in garage to be allocated by respective Tenant Improvement.

Telephone, data and cable TV service provided to garage.

Electrical related to controls within tenant space, plumbing equipment and HVAC systems (except restrooms and garage exhaust) to be provided by Tenant Improvement.

END OUTLINE SPECIFICATIONS

EXHIBIT D

COMMENCEMENT DATE

ACKNOWLEDGMENT OF COMMENCEMENT DATE

This ACKNOWLEDGMENT OF COMMENCEMENT DATE dated as of _____,1999 is made by ARE -10933 NORTH TORREY PINES, LLC, a Delaware limited liability company ("LANDLORD"), and IDEC PHARMACEUTICALS CORPORATION, a Delaware corporation ("TENANT") and is attached to and made a part of the Lease dated June 24, 1999 (the "Lease"), by and between Landlord and Tenant. Any initially capitalized terms used but not defined herein shall have the meanings given them in the Lease.

Landlord and Tenant hereby acknowledge and agree, for all purposes of the Lease, that the Commencement Date of the Term of the Lease is_____, 1999.

IN WITNESS WHEREOF, Landlord and Tenant have executed this ACKNOWLEDGMENT OF COMMENCEMENT DATE to be effective on the date first above written.

TENANT:

IDEC PHARMACEUTICALS CORPORATION,
a Delaware corporation

By:_____
Its:_____

LANDLORD:

ARE-10933 NORTH TORREY PINES, LLC,
a Delaware limited liability company

By: ALEXANDRIA REAL ESTATE EQUITIES, INC.,
a Maryland corporation, Managing Member

By:_____
Its:_____

EXHIBIT E

RULES AND REGULATIONS

1. The sidewalk, entries, and driveways of the Project shall not be obstructed by Tenant, or its agents, or used by them for any purpose other than ingress and egress to and from the Premises.

2. Tenant shall not place any objects, including antennas, outdoor furniture, etc., in the parking areas, landscaped areas or other areas outside of its Premises, or on the roof of the Project.

3. Except for seeing-eye dogs and animals directly used in the conduct of Tenant's business in the Premises which are kept in controlled environments ("LABORATORY ANIMALS"), no animals shall be allowed in the offices, halls, or corridors in the Project.

4. Tenant shall not disturb the occupants of the Building or adjoining buildings by the use of any radio or musical instrument or by the making of loud or improper noises.

5. Tenant shall not install or operate any steam or gas engine or boiler, or other mechanical apparatus in the Premises, except as specifically provided in the Lease. The use of oil, gas or inflammable liquids for heating, lighting or any other purpose is expressly prohibited. Explosives or other articles deemed extra hazardous shall not be brought into the Project.

6. Parking any type of recreational vehicles is specifically prohibited on or about the Project. Except for the overnight parking of operative vehicles, no vehicle of any type shall be stored in the parking areas at any time. In the event that a vehicle is disabled, it shall be removed within 48 hours. There shall be no "For Sale" or other advertising signs on or about any parked vehicle. All vehicles shall be parked in the designated parking areas in conformity with all signs and other markings. All parking will be open parking, and no reserved parking, numbering or lettering of individual spaces will be permitted except as specified in the Lease.

7. Tenant shall maintain the Premises free from rodents, insects and other pests, except for Laboratory Animals.

8. Landlord reserves the right to exclude or expel from the Project any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs or who shall in any manner do any act in violation of the Rules and Regulations of the Project.

9. Tenant shall not cause any unnecessary labor by reason of Tenant's carelessness or indifference in the preservation of good order and cleanliness. Landlord shall not be responsible to Tenant for any loss of property on the Premises, however occurring, or for any damage done to the effects of Tenant by the janitors or any other employee or person.

10. Tenant shall give Landlord prompt notice of any defects in the water, lawn sprinkler, sewage, gas pipes, electrical lights and fixtures, heating apparatus, or any other service equipment affecting the Premises.

11. Except as provided or permitted in the Lease, Tenant shall not permit storage outside the Premises, including without limitation, outside storage of trucks and other vehicles, or dumping of waste or refuse or permit any harmful materials to be placed in any drainage system or sanitary system in or about the Premises.

12. All moveable trash receptacles provided by the trash disposal firm for the Premises must be kept in the trash enclosure areas, if any, provided for that purpose.

13. No auction, public or private, will be permitted on the Premises or the Project.

14. No awnings shall be placed over the windows in the Premises except with the prior written consent of Landlord.

15. The Premises shall not be used for lodging, sleeping or cooking (other than using convenience microwaves, drink and food vending machines and similar items for Tenant's employees) or for any immoral or illegal purposes or for any purpose other than that specified in the Lease. No gaming devices shall be operated in the Premises.

16. Tenant shall ascertain from Landlord the maximum amount of electrical current which can safely be used in the Premises, taking into account the capacity of the electrical wiring in the Building and the Premises and the needs of other tenants, and shall not use more than such safe capacity. Landlord's consent to the installation of electric equipment shall not relieve Tenant from the obligation not to use more electricity than such safe capacity.

17. Tenant assumes full responsibility for protecting the Premises from theft, robbery and pilferage.

18. Tenant shall not install or operate on the Premises any machinery or mechanical devices of a nature not directly related to Tenant's ordinary use of the Premises (other than using convenience microwaves, drink and food vending machines and similar items for Tenant's employees) and shall keep all such machinery free of vibration, noise and air waves which may be transmitted beyond the Premises.

EXHIBIT F

TENANT'S PERSONAL PROPERTY

1. Autoclave(s)

2. Glass Washer(s)

3. Glass Dryer(s)

4. Phone Systems (excluding cabling)

5. Computer Network Hardware (excluding cabling)

6. Security System(s) (excluding cabling)

EXHIBIT G

ESTOPPEL CERTIFICATE

THIS TENANT ESTOPPEL CERTIFICATE ("CERTIFICATE"), dated as of_____, 19___, is executed by_____("TENANT") in favor of [BUYER], a_____ , together with its nominees, designees and assigns (collectively, "BUYER"), and in favor of _____, together with its nominees, designees and assigns (collectively, "LENDER").

RECITALS

A. Buyer and _____("LANDLORD"), have entered into that certain Purchase and Sale Agreement and Joint Escrow Instructions, dated as of_____, 19___(the "PURCHASE AGREEMENT"), whereby Buyer has agreed to purchase, among other things, the improved real property located in the City of_____, County of_____, State of_____, more particularly described on Exhibit A attached to the Purchase Agreement (the "PROPERTY").

B. Tenant and Landlord have entered into that certain Lease Agreement, dated as of _____ (together with all amendments, modifications, supplements, guarantees and restatements thereof, the "LEASE"), for a portion of the Property.

C. Pursuant to the Lease, Tenant has agreed that upon the request of Landlord, Tenant would execute and deliver an estoppel certificate certifying the status of the Lease.

D. In connection with the Purchase Agreement, Landlord has requested that Tenant execute this Certificate with an understanding that Lender will rely on the representations and agreements below in granting to Buyer a loan.

NOW, THEREFORE, Tenant certifies, warrants, and represents to Buyer and Lender as follows:

SECTION 1. LEASE.

Attached hereto as Exhibit B is a true, correct and complete copy of the Lease, including the following amendments, modifications, supplements, guarantees and restatements thereof, which together represent all of the amendments, modifications, supplements, guarantees and restatements thereof:

_____
_____.
(If none, please state "None.")

SECTION 2. LEASED PREMISES.

Pursuant to the Lease, Tenant leases those certain premises (the "LEASED PREMISES") consisting of approximately_____rentable square feet within the Property, as more particularly described in the Lease. In addition, pursuant to the terms of the Lease, Tenant has the [non-exclusive] right to use [_____parking spaces/the parking area] located on the Property during the term of the Lease. [Cross-out the preceding sentence or portions thereof if inapplicable.]

SECTION 3. FULL FORCE OF LEASE.

The Lease has been duly authorized, executed and delivered by Tenant, is in full force and effect, has not been terminated, and constitutes a legally valid instrument, binding and enforceable

against Tenant in accordance with its terms, subject only to applicable limitations imposed by laws relating to bankruptcy and creditor's rights.

SECTION 4. COMPLETE AGREEMENT.

The Lease constitutes the complete agreement between Landlord and Tenant for the Leased Premises and the Property, and except as modified by the Lease amendments noted above (if any), has not been modified, altered or amended.

SECTION 5. ACCEPTANCE OF LEASED PREMISES.

Tenant has accepted possession and is currently occupying the Leased Premises.

SECTION 6. LEASE TERM.

The term of the Lease commenced on_____ and ends on _____, subject to the following options to extend:_____

_____.
(If none, please state "None.")

SECTION 7. PURCHASE RIGHTS.

Tenant has no option, right of first refusal, right of first offer, or other right to acquire or purchase all or any portion of the Leased Premises or all or any portion of, or interest in, the Property, except as follows:_____ _____.
(If none, please state "None.")

SECTION 8. RIGHTS OF TENANT.

Except as expressly stated in this Certificate, Tenant:

(a) has no right to renew or extend the term of the Lease;

(b) has no option or other right to purchase all or any part of the Leased Premises or all or any part of the Property;

(c) has no right, title, or interest in the Leased Premises, other than as Tenant under the LEASE.

SECTION 9. RENT.

(a) The obligation to pay rent under the Lease commenced on_____. The rent under the Lease is current, and Tenant is not in default in the performance of any of its obligations under the Lease.

(b) Tenant is currently paying base rent under the Lease in the amount of $_____ per month. Tenant has not received and is not presently entitled to any abatement, refunds, rebates, concessions or forgiveness of rent or other charges, free rent, partial rent, or credits, offsets or reductions in rent, except as follows:_____ _____.
(If none, please state "None.")

(c) Tenant's estimated share of operating expenses, common area charges, insurance, real estate taxes and administrative and overhead expenses is_____% and is currently being paid at the rate of $_____per month, payable to:_____

(d) There are no existing defenses or offsets against rent due or to become due under the terms of the Lease, and there presently is no default or other wrongful act or omission by Landlord under the Lease or otherwise in connection with Tenant's occupancy of the Leased Premises, nor is there a state of facts which with the passage of time or the giving of notice or both could ripen into a default on the part of Tenant, or to the best knowledge of Tenant, could ripen into a default on the part of Landlord under the Lease, except as follows:_____
_____.
(If none, please state "None.")

SECTION 10. SECURITY DEPOSIT.

The amount of Tenant's security deposit held by Landlord under the Lease is $_____.

SECTION 11. PREPAID RENT.

The amount of prepaid rent, separate from the security deposit, is $_____, covering the period from_____to_____.

SECTION 12. INSURANCE.

All insurance, if any, required to be maintained by Tenant under the Lease is presently in effect.

SECTION 13. PENDING ACTIONS.

There is not pending or, to the knowledge of Tenant, threatened against or contemplated by the Tenant, any petition in bankruptcy, whether voluntary or otherwise, any assignment for the benefit of creditors, or any petition seeking reorganization or arrangement under the federal bankruptcy laws or those of any state.

SECTION 14. TENANT IMPROVEMENTS.

As of the date of this Certificate, to the best of Tenant's knowledge, Landlord has performed all obligations required of Landlord pursuant to the Lease; no offsets, counterclaims, or defenses of Tenant under the Lease exist against Landlord; and no events have occurred that, with the passage of time or the giving of notice, would constitute a basis for offsets, counterclaims, or defenses against Landlord, except as follows:_____
_____.
(If none, please state "None.")

SECTION 15. ASSIGNMENTS BY LANDLORD.

Tenant has received no notice of any assignment, hypothecation or pledge of the Lease or rentals under the Lease by Landlord. Tenant hereby consents to an assignment of the Lease and rents to be executed by Landlord to Lender in connection with the Loan and acknowledges that said assignment does not violate the provisions of the Lease. Tenant acknowledges that the interest of the Landlord under the Lease is to be assigned to Lender solely as security for the purposes specified in said assignment and Lender shall have no duty, liability or obligation whatsoever under

the Lease or any extension or renewal thereof, either by virtue of said assignment or by any subsequent receipt or collection of rents thereunder, unless Lender shall specifically undertake such liability in writing or, subject to Section 18(a) hereof, Lender forecloses and takes title to the Properly. Tenant agrees that upon receipt of a written notice from Lender of a default by Landlord under the Loan, Tenant will thereafter pay rent to Lender in accordance with the terms of the Lease.

SECTION 16. ASSIGNMENTS BY TENANT.

Tenant has not sublet or assigned the Leased Premises or the Lease or any portion thereof to any sublessee or assignee. No one except Tenant and its employees will occupy the Leased Premises. The address for notices to be sent to Tenant is as set forth in the Lease.

SECTION 17. ENVIRONMENTAL MATTERS.

The operation and use of the Leased Premises does not involve the generation, treatment, storage, disposal or release into the environment of any hazardous materials, regulated materials and/or solid waste, except those used in the ordinary course for the Permitted Use, as defined in the Lease, or otherwise used in accordance with all applicable laws.

SECTION 18. SUCCESSION OF INTEREST.

Tenant agrees that, in the event Buyer or Lender succeeds to the interest of Landlord under the Lease:

(a) Buyer or Lender shall not be liable for any act or omission of any prior landlord (including Landlord);

(b) Lender shall not be liable for the return of any security deposit;

(c) Buyer or Lender shall not be bound by any rent or additional rent which Tenant might have prepaid under the Lease for more than the current month;

(d) Buyer or Lender shall not be bound by any amendments or modifications of the Lease made without prior consent of Buyer or Lender;

(e) Buyer or Lender shall not be subject to any offsets or defenses which Tenant might have against any prior landlord (including Landlord); or

(f) Buyer or Lender shall not be liable under the Lease to Tenant for the performance of Landlord's obligations under the Lease beyond Buyer or Lender's interest in the Property except to the extent of any Excess Tl Costs held by any such Buyer or Lender and not delivered to any successor Buyer or Lender.

SECTION 20. NOTIFICATION BY TENANT.

From the date of this Certificate and continuing until _____, Tenant agrees to immediately notify Buyer and Lender, in writing by registered or certified mail, return receipt requested, at the following addresses, on the occurrence of any event or the discovery of any fact that would make any representation contained in this Certificate inaccurate:

If To Buyer: _____
_____
_____
_____
_____

With A Copy To: _____
_____
_____
_____
_____

If To Lender: _____
_____
_____
_____
_____

Tenant makes this Certificate with the knowledge that it will be relied upon by Buyer and Lender in agreeing to purchase the Property.

Tenant has executed this Certificate as of the date first written above by the person named below, who is duly authorized to do so.

TENANT: _____,
a_____

By:
_____
Name: _____
Its: _____

EXHIBIT A

LEGAL DESCRIPTION

EXHIBIT B

COPY OF LEASE

EXHIBIT H

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT is made and entered into as of_____, 19___("AGREEMENT"), by and between ARE-10933 NORTH TORREY PINES, LLC, a Delaware limited liability company together with its nominees, designees and assigns (collectively, "LANDLORD"), _____, a_____ ("TENANT"), and_____, a_____("MORTGAGEE").

WHEREAS, Mortgagee is making a loan to Landlord and others evidenced by a certain promissory note ("NOTE"), and secured by, among other things, a deed of trust/mortgage to be recorded prior hereto in the public records of the City of_____, County of_____, State of _____("MORTGAGE") constituting a lien upon the real property described in Exhibit A hereto (the "REAL PROPERTY"): and

WHEREAS,_____and Tenant have entered into a Lease Agreement dated as of_____ ___, 19__ ("LEASE"), for certain leased premises encompassing_____ located in _____, containing approximately_____ net square feet (hereinafter collectively referred to as "PREMISES"); and

WHEREAS, the Lease is subordinate to the Mortgage and to the right, title, and interests of Mortgagee thereto and thereunder; and

WHEREAS, Mortgagee wishes to obtain from Tenant certain assurances that Tenant will attom to Mortgagee in the event of a foreclosure by Mortgagee or the exercise of other rights under the Mortgage; and

WHEREAS, Tenant wishes to obtain from Mortgagee certain assurances that Tenant's possession of the Premises will not, subject to the terms and conditions of this Agreement, be disturbed by reason of a foreclosure of the lien of the Mortgage on the Real Property; and

WHEREAS, Tenant and Mortgagee are both willing to provide such assurances to each other upon and subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the above, the mutual promises hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto mutually agree as follows:

1. AFFIRMATION. Tenant hereby agrees that the Lease now is and shall be subject and subordinate in all respects to the Mortgage and to all renewals, modifications and extensions thereof until such time that the Mortgage is released, satisfied or otherwise discharged, subject to the terms and conditions of this Agreement. Landlord and Tenant hereby affirm that the Lease is in full force and effect and that the Lease has not been modified or amended. Mortgagee hereby confirms that it is the holder of the Note and the beneficiary of the Mortgage and has full power and authority to enter into this Agreement.

2. ATTORNMENT AND NON-DISTURBANCE.

(a) So long as Tenant is not in default under the Lease (beyond Tenant's receipt of notice from Landlord and any grace period granted tenant under the Lease to cure such default)

as would entitle the Landlord to terminate the Lease or would cause without any further action of the Landlord, the termination of the Lease or would entitle the Landlord to dispossess Tenant thereunder then Mortgagee agrees with Tenant that in the event the interest of Landlord shall be acquired by Mortgagee or in the event Mortgagee comes into possession of or acquires title to the Real Property by reason of foreclosure or foreclosure sale or the enforcement of the Mortgage or the Note or other obligation secured thereby or by a conveyance in lieu thereof, or as a result of any other means then:

(i) Subject to the provisions of this Agreement, Tenant's occupancy and possession of the Premises and Tenant's rights and privileges under the Lease or any extensions, modifications or renewals thereof or substitutions therefor (in accordance with the Lease and the Mortgage) shall not be disturbed, diminished or interfered with by Mortgagee during the term of the Lease (or any extensions or renewals thereof provided for in the Lease);

(ii) Mortgagee will not join Tenant as a party defendant in any action or proceeding for the purpose of terminating Tenant's interest and estate under the Lease because of any default under the Mortgage; and

(iii) The Lease shall continue in full force and effect and shall not be terminated except in accordance with the terms of the Lease.

(b) Tenant shall be bound to Mortgagee under all of the terms, covenants and conditions of the Lease for the balance of the term thereof remaining (and any extensions or renewals thereof which may be effected in accordance with any option contained in the Lease) with the same force and effect as if Mortgagee were the landlord under the Lease, and Tenant does hereby agree to attorn to Mortgagee as its landlord, said attornment to be effective and self-operative without the execution of any other instruments on the part of either party hereto immediately upon Mortgagee's succeeding to the interest of Landlord under the Lease. Upon request of Lender or such Purchaser, Tenant shall execute and deliver to Lender or such Purchaser an agreement reaffirming such attornment. Tenant hereby agrees that any right of first refusal or right of first offer to purchase the Property which Tenant may have pursuant to the terms of the Lease shall not be applicable to Mortgagee's or any Purchaser's acquisition of the Property by foreclosure, deed in lieu of foreclosure, other transaction related thereto or in substitution thereof, trustee sale or other similar statutory conveyance. The foregoing shall not be construed as diminishing or eliminating any of Tenant's Right of First Refusal or First Offer to purchase the property that remain valid in the Lease after such Mortgagee's or Purchaser's acquisition.

(c) In the event that the Mortgage is foreclosed and any party ("PURCHASER") other than Mortgagee purchases the Premises and succeeds to the interest of Landlord under the Lease, Tenant shall likewise be bound to Purchaser and Tenant hereby covenants and agrees to attom to Purchaser in accordance with all of the provisions of this Agreement; provided, however, that Purchaser shall have transmitted to Tenant a written document in recordable form, whereby Purchaser agrees to recognize Tenant as its lessee under the Lease and agrees to be directly bound to Tenant for the performance and observance of all the terms and conditions of the Lease required to be performed or observed by Landlord thereunder, subject to and in accordance with the terms of this Agreement.

(d) Mortgagee agrees that if Mortgagee shall succeed to the interest of Landlord under the Lease as above provided, Mortgagee shall be bound to Tenant under all of the terms, covenants, and conditions of this Lease, and Tenant shall, from and after Mortgagee's succession to the interest of Landlord under the Lease, have the same remedies against Mortgagee that Tenant might have had under the Lease against Landlord if Mortgagee had not succeeded to the interest of Landlord; provided, however, that Mortgagee (and Purchaser, as the case may be) shall not be:

(i) liable for any act or omission of any prior lessor (including Landlord) occurring prior to the date that Mortgagee or purchaser acquired title to the Premises; or

(ii) subject to any offsets, counterclaims or defenses which Tenant might have against any prior lessor (including Landlord); or

(iii) bound by any previous payment of rent or additional rent for a period greater than 1 month unless such prepayment shall have been consented to in writing by Mortgagee; or

(iv) bound by any amendment or modification of the Lease made prior to the date Mortgagee or Purchaser succeeds to the interest of Landlord without Mortgagee's written consent; or

(v) liable to Tenant for any loss of business or any other indirect or consequential damages from whatever cause; provided, however, no inference shall be drawn from this clause (v) that Tenant would otherwise be entitled (or not entitled) to recover for loss of business or any other indirect or consequential damages; or

(vi) liable for the return of any security deposit unless such deposit has been paid over to the Mortgagee.

The foregoing shall not be construed to modify or limit any right Tenant may have at law or in equity against Landlord or any other prior owner of the Real Property.

3. NOTICES. All notices required or permitted to be given pursuant to this Agreement shall be in writing and shall be sent postage prepaid, by certified mail, return receipt requested or other nationally utilized overnight delivery service. All notices shall be deemed delivered when received or refused. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice has been given shall constitute receipt of the notice, demand or request sent. Any such notice if given to Tenant shall be addressed as follows:

_____
_____
_____
_____
_____

if given to Landlord shall be addressed as follows:

ARE-10933 North Torrey Pines, LLC
135 N. Los Robles Avenue
Suite 250
Pasadena, California 91101
Attention: General Counsel

if given to Mortgagee shall be addressed as follows:

_____
_____
_____
_____

4. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The words "foreclosure" and "foreclosure sale" as used herein shall be deemed to also include the acquisition of Landlord's estate in the Real Property by voluntary deed, assignment or other conveyance or transfer in lieu of foreclosure.

5. MODIFICATIONS TO LEASE. Tenant shall not modify or amend the Lease or terminate the same without Mortgagee's prior written consent. If Mortgagee fails to provide Tenant with a written approval of the proposed modification, amendment or termination within 10 Business Days after notice to Mortgagee of such proposal, then Mortgagee shall be deemed to have rejected such proposal.

6. ADDITIONAL AGREEMENTS. Tenant agrees that:

(a) it shall give Mortgagee copies of all notices of default and requests for approval or consent by Landlord that Tenant gives to Landlord pursuant to the Lease in the same manner as they are given to Landlord and no such notice or other communication shall be deemed to be effective until a copy is given to Mortgagee;

(b) whenever any consent or approval by Landlord is required to be obtained by Tenant or is requested by Tenant such consent or approval shall not be effective until it is also confirmed by or obtained from Mortgagee, provided that Mortgagee shall respond within 30 days after Mortgagee's receipt of Tenant's request and failure of Mortgagee to respond in such time period shall be deemed to be a denial of such consent or approval;

(c) in all provisions of the Lease where Landlord is indemnified, the reference to Landlord as an indemnitee shall be deemed to include Mortgagee and any Purchaser and such agreement of indemnification shall survive the repayment of the loan secured by the Mortgage and, to the extent provided in the Lease, the expiration or termination of the Lease;

(d) Tenant shall name Mortgagee and any Purchaser as additional insureds and loss payees, as applicable and appropriate, on all insurance policies required by the Lease; and

(e) this Agreement satisfies any condition or requirement in the Lease relating to the granting of a non-disturbance agreement by Mortgagee, and in the event that there are inconsistencies between the terms and provisions of this Agreement and the terms and provisions of the Lease dealing with non-disturbance by Mortgagee, the terms and provisions hereof shall be controlling; and

(f) Mortgagee shall have no liability under the Lease until Mortgagee succeeds to the rights of the Landlord under the Lease, and then only during such period as Mortgagee is the Landlord. At all times during which Mortgagee is liable under the Lease, Mortgagee's liability shall be limited to Mortgagee's interest in the Real Property.

7. MORTGAGEE CURE RIGHTS. If Landlord shall have failed to cure any default within the time period provided for in the Lease (including any applicable notice and grace periods), but not prior thereto Tenant exercises any right to terminate the Lease, Mortgagee, shall have an additional 30 days within which to cure such default, or if such default cannot by the exercise of reasonable efforts by Mortgagee be cured within such period, then such additional time as may be reasonable necessary to effect such a cure (including, if necessary, sufficient time to complete foreclosure proceedings) provided that within such 30-day period Mortgagee shall commence and thereafter diligently pursue remedies to cure such default. The Lease shall not be terminated (i) while such remedies are being diligently pursued or (ii) based upon a default which is personal to Landlord and therefore not susceptible to cure by Mortgagee or which requires possession of the Premises to cure. Mortgagee shall in no event be obligated to cure any such default by Landlord unless it

foreclosures. Nothing in this Section 7 shall affect any of Tenant's termination rights under the Lease due to casualty or condemnation or Tenant's "self-help" rights under Section 31 of the Lease.

8. DIRECTION TO PAY. Landlord hereby directs Tenant and Tenant agrees to make all payments of amounts owed by Tenant under the Lease directly to Mortgagee from and after receipt by Tenant of notice from Mortgagee directing Tenant to make such payments to Mortgagee. (As between Landlord and Mortgagee, the foregoing provision shall not be construed to modify any rights of Landlord under or any provisions of the Mortgage or any other instrument securing the Note).

9. CONDITIONAL ASSIGNMENT. With reference to any assignment by Landlord of Landlord's interest in the Lease, or the rents payable thereunder, conditional in nature or otherwise, which assignment is made to Mortgagee, Tenant agrees that the execution thereof by Landlord, and the acceptance thereof by Mortgagee shall never be treated as an assumption by Mortgagee of any of the obligations of Landlord under the Lease unless and until Mortgagee shall have succeeded to the interest of Landlord. The foregoing sentence shall not affect any of Tenant's rights against Landlord under the Lease.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be properly executed by their duly authorized representatives as of the date first above written.

LANDLORD: _____,
a_____

By:
_____
Name: _____
Its: _____

TENANT: _____,
a_____

By:
_____
Name: _____
Its: _____

MORTGAGEE: _____,
a_____

By:
_____
Name: _____
Its: _____

FIRST AMENDMENT TO LEASE

This First Amendment to Lease ("FIRST AMENDMENT") is made as of September 12, 2000, between ARE-10933 NORTH TORREY PINES, LLC, a Delaware limited liability company ("LANDLORD"), and IDEC PHARMACEUTICALS CORPORATION, a Delaware corporation ("TENANT"), with reference to the following Recitals.

RECITALS

A. Landlord and Tenant entered into that certain Lease Agreement dated as of June 24, 1999 (the "LEASE"), pursuant to which Tenant leases certain premises (the "PREMISES") located at 3010 Science Park Road, San Diego, California and more particularly described in the Lease. Initially capitalized terms used herein without definition shall have the meanings defined for such terms in the Lease unless the context clearly indicates otherwise.

B. The rentable square footage of the Premises, the Building and the Project has been measured as required pursuant to Section 5 of the Lease and Landlord and Tenant desire to amend the Lease to reflect the results of such measurement. Landlord and Tenant desire to also amend the Lease as set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that the Lease is amended as follows:

1. MEASUREMENT. Landlord and Tenant hereby acknowledge that they have reviewed the results dated July 17, 2000, of the measurement of the Premises, the Building and the Project by McGraw/Baldwin Architects. Landlord and Tenant hereby acknowledge and agree that the Premises, the Building and the Project have been measured by McGraw/Baldwin Architects pursuant to, and in accordance with, the requirements set forth in Section 5 of the Lease.

2. BASIC LEASE TERMS. Based on the results of such measurement of the Premises, the Building and the Project, Landlord and Tenant hereby agree that, effective as of the Commencement Date, the following basic Lease terms set forth on page 1 of the Lease shall be amended and restated as follows:

PREMISES: That portion of the Building, containing approximately 44,809 rentable square feet, as shown on EXHIBITS A-1 AND A-2, together with an exclusive use hazardous materials storage pad outside the Building, as shown on EXHIBIT B-1.

TENANT'S SHARE: 60.10%

RENTABLE AREA OF PREMISES: 44,809 sq. ft.

RENTABLE AREA OF PROJECT: 182,690 sq. ft.

RENTABLE AREA OF BUILDING: 74,557 sq. ft.

BUILDING'S SHARE OF PROJECT: 40.81%

Landlord and Tenant hereby agree that Exhibit A-1, Exhibit A-2 and Exhibit B-1 to the Lease are hereby replaced with Exhibit A-1, Exhibit A-2 and Exhibit B-1 which are attached hereto and incorporated herein by this reference.

3. TI ALLOWANCE. Landlord and Tenant acknowledge that pursuant to Section 5.2 of the Work Letter, Landlord agreed to provide to Tenant a TI Allowance of $100 per rentable square foot of the Premises. Based on the results of the measurement of the Premises, Landlord and Tenant hereby agree that the TI Allowance is increased from $4,132,800 to $4,480,900 and that, subject to final reconciliation of the TI Costs, Tenant shall be entitled to a refund of the Excess TI Deposit in the amount of $280,900 which Tenant deposited with Landlord.

4. STORAGE AREA. Notwithstanding anything to the contrary contained in the Lease, during the term of the Lease, Landlord hereby waives its right to collect monthly rent from Tenant in connection with Tenant's use of the Storage Area and the mechanical storage area located in the southwest corner of the basement of the Building.

5. MISCELLANEOUS.

(a) This First Amendment is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous oral and written agreements and discussions. This First Amendment may be amended only by an agreement in writing, signed by the parties hereto.

(b) This First Amendment is binding upon and shall inure to the benefit of the parties hereto, their respective successors and assigns.

(c) This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto except having additional signature pages executed by other parties to this First Amendment attached thereto.

(d) Except as amended and/or modified by this First Amendment, the Lease is hereby ratified and confirmed and all other terms of the Lease shall remain in full force and effect, unaltered and unchanged by this First Amendment. In the event of any conflict between the provisions of this First Amendment and the provisions of the Lease, the provisions of this First Amendment shall prevail. Whether or not specifically amended by this First Amendment, all of the terms and provisions of the Lease are hereby amended to the extent necessary to give effect to the purpose and intent of this First Amendment.

[SIGNATURES ARE ON THE NEXT PAGE]

IN WITNESS WHEREOF, this First Amendment to Lease has been duly executed and delivered by Landlord and Tenant as of the date first above written.

TENANT:

IDEC PHARMACEUTICALS CORPORATION,
a Delaware corporation

By: /s/ Phillip Schneider

Its: SVP & CFO

LANDLORD:

ARE -10933 NORTH TORREY PINES, LLC,
a Delaware limited liability company

By: ALEXANDRIA REAL ESTATE EQUITIES, INC.,
a Maryland corporation, Managing
Member

By: /s/ [ILLEGIBLE]

Its: SENIOR VICE PRESIDENT

EXHIBIT A-1

[FIRST FLOOR PLAN]

EXHIBIT A-2

[SECOND FLOOR PLAN]

EXHIBIT B-1

THE PROJECT

[SITE PLAN]

SECOND AMENDMENT TO LEASE

This Second Amendment (the "SECOND AMENDMENT") to Lease is made as of November 1, 2000, by and between ARE-10933 NORTH TORREY PINES, LLC, a Delaware limited liability company, having an address at 135 North Los Robles Avenue, Suite 250, Pasadena, California 91101 ("LANDLORD"), and IDEC Pharmaceuticals Corporation, a Delaware corporation, having an address at 11011 Torreyana Road, San Diego, California 92121 ("TENANT").

RECITALS

A. Landlord and Tenant have entered into that certain Lease Agreement dated as of June 24, 1999, as amended by that certain First Amendment to Lease dated as of September 12, 2000 (as so amended, the "LEASE"), wherein Landlord leased to Tenant certain premises (the "PREMISES") located at 3010 Science Park Road, San Diego, California and legally described on EXHIBIT A attached thereto, and more particularly described in the Lease. Capitalized terms used herein without definition shall have the meanings defined for such terms in the Lease.

B. Tenant desires to lease the balance of the Building (the "REMAINING SPACE") and Landlord is willing to lease such Remaining Space on the terms and conditions set forth herein.

C. Landlord and Tenant desire to amend the Lease to, among other things, add the Remaining Space to the Premises demised under the Lease and to provide for the improvement of such Remaining Space.

AGREEMENT

Now, therefore, the parties hereto agree that the Lease is amended as follows:

1. PREMISES. Effective as of November 1, 2000, the Premises demised under the Lease are hereby expanded to include the Remaining Space, consisting of three suites (each a "SUITE") containing an aggregate, for all purposes of the Lease, of 29,748 rentable square feet ("RSF"), as follows:

Suite A	9,618 RSF located on the 2nd floor of the Building and depicted on EXHIBIT B-2, attached hereto and incorporated herein by this reference
Suite B	10,214 RSF located on the 1st floor of the Building and depicted on EXHIBIT B-1, attached hereto and incorporated herein by this reference
Suite C	9,916 RSF located on the 1st floor of the Building and depicted on EXHIBIT B-1, attached hereto and incorporated herein by this reference

Following the addition of all of the Remaining Space, the Rentable Area of the Project will be 182,690 RSF, the total Premises demised under the Lease will be 74,557 RSF, Tenant's Share of the Building will 100% and the Building's Share of the Project will be 40.81%. The prorata share of each Suite added to the Premises will be 12.90%, 13.70% and 13.30% of the Building for Suite A, Suite B and Suite C, respectively.

2. RENT. Base Rent for the Remaining Space as of the date hereof shall be $2.37 per month per RSF, which amount shall be subject to periodic adjustment when and as provided in the Lease; provided, however, that Tenant's obligation to pay Base Rent and Additional Rent on the Remaining Space shall be abated until the earlier of (x) Tenant's use of any Suite for any purpose in the conduct of Tenant's business ("OCCUPANCY") (provided that the installation and testing of

Tenant's fixtures shall not constitute the conduct of business), or (y) the satisfaction of the conditions described in clauses (ii) through (iv) of Section 3 hereof.

3. RENT COMMENCEMENT. Tenant may Occupy the three Suites comprising the Remaining Space in such order as Tenant shall elect, provided however, that (i) Occupancy of any portion of a Suite shall constitute Occupancy of all of such Suite for purposes of the Lease and this Second Amendment, (ii) if no Suite is Occupied on or before June 1, 2001, rent shall commence on Suite A on June 1, 2001, and shall continue until the earliest of (A) Occupancy of a Suite on or before August 1, 2001, (B) Occupancy of two Suites on or before December 1, 2001, or (C) the expiration or earlier termination of the Lease, (iii) if less than two Suites are Occupied on or before August 1, 2001, rent shall commence on Suite B (or if Suite B is Occupied, Suite C) on August 1, 2001, and shall continue until the earlier of (D) Occupancy of two Suites on or before December 1, 2001, or (E) the expiration or earlier termination of the Lease, and (iv) if less than three Suites are Occupied on or before December 1, 2001, rent shall commence on the remaining Suite on December 1, 2001, and shall continue until the expiration or earlier termination of the Lease. Upon the satisfaction of the conditions described in clauses (A), (B) or (D) of the preceding sentence, rent shall be based on the Suite(s) so Occupied. Notwithstanding the foregoing, any Landlord Delay, as defined below, shall extend the dates set forth in clauses (A), (B) and (D) of the preceding sentence above, as applicable, on a day-for-day basis. "LANDLORD DELAY" shall mean any delay, beyond the periods permitted under the Work Letter, for Landlord to give or withhold its approval of any matter requiring Landlord's review and approval.

4. IMPROVEMENT OF REMAINING SPACE. Landlord shall provide a Tenant Improvement Allowance of $100.00 per RSF of the Remaining Space, less the cost per RSF applied to the central plant (the "CENTRAL PLANT COSTS") (such amount, less the Central Plant Costs, the "TI ALLOWANCE"). The Central Plant Costs shall be determined upon the final reconciliation of the tenant improvement costs for the portion of the Building initially demised under the Lease. Such TI Allowance shall be used to improve the Remaining Space as described in the Work Letter attached hereto as EXHIBIT C.

5. PERMITTED USE. Tenant may, as a Permitted Use, elect to use a portion of the Building of Tenant's selection, not to exceed 21,000 square feet, for clinical manufacturing.

6. USE. Section 7 of the Lease is hereby modified with respect to any Suite used for clinical manufacturing as follows: In the sentence in such section which states "Tenant shall not place any equipment weighing 500 pounds or more in or upon the Premises or transport or move such items through the Common Areas or in the Building elevators without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed" the figure 500 shall be replaced by the figure 1,000.

7. MISCELLANEOUS.

(a) This Second Amendment is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous oral and written agreements and discussions. This Second Amendment may be amended only by an agreement in writing, signed by the parties hereto.

(b) This Second Amendment is binding upon and shall inure to the benefit of the parties hereto, their respective agents, employees, representatives, officers, directors, divisions, subsidiaries, affiliates, assigns, heirs, successors in interest and shareholders.

(c) This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. The signature page of any counterpart may be detached therefrom

without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto except having additional signature pages executed by other parties to this Second Amendment attached thereto.

(d) Landlord and Tenant each represent and warrant that it has not dealt with any broker, agent or other person (collectively "BROKER") in connection with this transaction other than John Burnham & Company, and that no Broker other than John Burnham & Company, who shall be paid by Landlord pursuant to a separate Agreement, brought about this transaction. Landlord and Tenant each hereby agree to indemnify and hold the other harmless from and against any claims by any Broker other than John Burnham & Company claiming a commission or other form of compensation by virtue of having dealt with Tenant or Landlord, as applicable, with regard to this leasing transaction.

(e) Except as amended and/or modified by this Second Amendment, the Lease is hereby ratified and confirmed and all other terms of the Lease shall remain in full force and effect, unaltered and unchanged by this Second Amendment. In the event of any conflict between the provisions of this Second Amendment and the provisions of the Lease, the provisions of this Second Amendment shall prevail. Whether or not specifically amended by this Second Amendment, all of the terms and provisions of the Lease are hereby amended to the extent necessary to give effect to the purpose and intent of this Second Amendment.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the day and year First above written.

TENANT:

IDEC PHARMACEUTICALS CORPORATION,
a Delaware corporation

By: /s/ Phillip Schneider

Its: SVP

LANDLORD:

ARE-10933 NORTH TORREY PINES, LLC, a
Delaware limited liability company

By: ALEXANDRIA REAL ESTATE EQUITIES, INC.,
a Maryland corporation, managing
member

By: /s/ Vincont R. Ciruzzi

Its: Senior Vice President

EXHIBIT A

LEGAL DESCRIPTION OF PROJECT

Lot 1 of Torrey Pines Science Park Unit No. 1 in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 6229, filed in the Office of the County Recorder of San Diego County on November 21, 1968.

EXHIBIT B-1

THE PREMISES

[FLOOR PLAN]

EXHIBIT B-2

THE PREMISES

[FLOOR PLAN]

EXHIBIT C

WORK LETTER

THIS WORK LETTER dated as of November 1,2000 (this "WORK LETTER") is made and entered into by and between ARE-10933 NORTH TORREY PINES, LLC, a Delaware limited liability company ("LANDLORD"), and IDEC PHARMACEUTICALS CORPORATION, a Delaware corporation ("TENANT"), and is attached to and made a part of the Second Amendment to Lease dated November 1,2000 (the "SECOND AMENDMENT"), by and between Landlord and Tenant. Any initially capitalized terms used but not defined herein shall have the meanings given them in the Second Amendment.

1. GENERAL REQUIREMENTS

(a) TENANT'S AUTHORIZED REPRESENTATIVE. Tenant designates Paul Draper and Robert F. Dilworth collectively, "TENANT'S REPRESENTATIVE") as the only persons authorized to act for Tenant pursuant to this Work Letter. Landlord may rely and act on, without further inquiry of any kind, any written request, approval, inquiry or other communication ('COMMUNICATION') from or on behalf of Tenant in connection with this Work Letter given by either Tenant's Representative. Tenant's Representative may be contacted at the voice, facsimile and pager telephone numbers and e-mail addresses set forth on Schedule C-1, attached hereto and incorporated herein by this reference. When Landlord has attempted to contact Tenant's Representative by each of such means, Landlord shall have no further obligation of any kind to attempt to locate either Tenant's Representative or Tenant with respect to any Communication under this Work Letter. Tenant may change Tenant's Representatives or any telephone number or e-mail address set forth on Schedule C-1 at any time upon not less than 5 business days advance written notice to Landlord. No period set forth herein for any approval of any matter by Tenant's Representative shall be extended by reason of any change in Tenant's Representative. Neither Tenant nor Tenant's Representative shall be authorized to direct Landlord's contractors in the performance of Landlord's Work (as hereinafter defined).

(b) LANDLORD'S AUTHORIZED REPRESENTATIVE. Landlord designates Vincent Ciruzzi and Gregory Margritz collectively, ("LANDLORD'S REPRESENTATIVE") as the only person authorized to act for Landlord pursuant to this Work Letter. Tenant shall not be obligated to respond to or act upon any request, approval, inquiry or other Communication from or on behalf of Landlord in connection with this Work Letter unless such Communication is in writing from Landlord's Representative. Landlord's Representative may be contacted at the voice, facsimile and pager telephone numbers and e-mail addresses set forth on Schedule C-2, attached hereto and incorporated herein by this reference. When Tenant has attempted to contact Landlord's Representative by each of such means, Tenant shall have no further obligation of any kind to attempt to locate Landlord's Representative or Landlord with respect to any Communication under this Work Letter. Landlord may change Landlord's Representatives or any telephone number or e-mail address set forth on Schedule C-2 at any time upon not less than 5 business days advance written notice to Tenant. No period set forth herein for any approval of any matter by Landlord's Representative shall be extended by reason of any change in Landlord's Representative.

(c) ARCHITECTS, CONSULTANTS AND CONTRACTORS. Landlord and Tenant hereby acknowledge and agree that the general contractor for the Tenant Improvements shall be DPR Construction. Tenant, shall select the architect (the "TI ARCHITECT") and the subconsultants for the Tenant Improvements, subject to Landlord's approval, which approval shall not be unreasonably withheld, conditioned or delayed.

2. TENANT IMPROVEMENTS.

(a) TENANT IMPROVEMENTS DEFINED. As used herein, "TENANT IMPROVEMENTS" shall mean all improvements to each of the three Suites (as defined in the Second Amendment) desired by Tenant of a fixed and permanent nature. Other than funding the TI Allowance (as defined below) as provided herein, Landlord shall not have any obligation whatsoever with respect to the finishing of the Suites for Tenant's use and occupancy.

(b) TENANT'S SPACE PLANS. Tenant shall deliver to Landlord schematic drawings and outline specifications (the "TI DESIGN DRAWINGS") detailing Tenant's requirements for the Tenant Improvements for any Suite not less than within 60 business days before the date Tenant proposes to commence construction of such Tenant Improvements. Not more than 5 business days thereafter, Landlord shall deliver to Tenant Landlord's reasonable written objections, questions or comments of Landlord with regard to such TI Design Drawings. Tenant shall cause the TI Design Drawings to be revised to address such written comments and shall resubmit said drawings to Landlord for approval within 10 business days thereafter. Such process shall continue until Landlord has approved the TI Design Drawings. In no event shall Landlord have the right to direct upgrades in the quality (above the generic Laboratory standard of Tenant's improvements in its facility at 11011 Torreyana Road, San Diego, California) or quantity (other than to comply with any Legal Requirement) of any of the materials or equipment to be installed in connection with the Tenant Improvements, nor shall any such changes adversely affect the safety or quality of the Tenant Improvements.

(c) WORKING DRAWINGS. Not less than 30 business days prior to Tenant's commencement of construction of the Tenant Improvements for such Suite, Tenant shall cause the TI Architect to prepare and deliver to Landlord for review and comment construction plans, specifications and drawings for the Tenant Improvements for such Suite ("TI CONSTRUCTION DRAWINGS"), which TI Construction Drawings shall be prepared substantially in accordance with the TI Design Drawings for such Suite. Tenant shall be solely responsible for ensuring that the TI Construction Drawings reflect Tenant's requirements for the Tenant Improvements for such Suite. Landlord shall deliver its written comments on such TI Construction Drawings to Tenant not later than 7 business days after Landlord's receipt of the same; provided, however, that Landlord may not disapprove any matter that is consistent with the TI Design Drawings for such Suite. Tenant and the TI Architect shall consider all such comments in good faith and shall, within 10 business days after receipt, notify Landlord how Tenant proposes to respond to such comments. Any disputes in connection with such comments shall be resolved in accordance with Section 3(d) hereof. Provided that the design reflected in such TI Construction Drawings is consistent with the TI Design Drawings for such Suite, Landlord shall approve the TI Construction Drawings submitted by Tenant. Once approved by Landlord, subject to the provisions of Section 3(d) below, Tenant shall not materially modify the TI Construction Drawings except as may be reasonably required in connection with the issuance of the TI Permit (as defined in Section 4(b) below).

(d) DISPUTE RESOLUTION. Upon any dispute regarding the design of the Tenant Improvements for any Suite which is not settled within 10 business days after notice of such dispute is delivered by one party to the other, Tenant shall make the final decision regarding the design of such Tenant Improvements, provided Tenant acts reasonably and such final decision is either consistent with or a compromise between Landlord's and Tenant's positions with respect to such dispute, provided further that all costs and expenses resulting from any such decision by Tenant shall be payable as a TI Cost. Any changes to the TI Construction Drawings for any Suite following Landlord's and Tenant's approval of same requested by Tenant shall be processed as provided in Section 5 hereof.

3. PERFORMANCE OF TENANT'S WORK

(a) DEFINITION OF TENANT'S WORK. As used herein, "TENANT'S WORK" shall mean the work of constructing the Tenant Improvements for each Suite.

(b) COMMENCEMENT AND PERMITTING OF TENANT'S WORK. Tenant shall not commence construction of the Tenant Improvements for each Suite until it has obtained a building permit (the "TI PERMIT") authorizing the construction of such Tenant Improvements consistent with the TI Construction Drawings approved by Landlord for such Suite. The cost of obtaining the TI Permit shall be payable as a TI Cost of such Suite. Landlord shall, upon Tenant's request, assist Tenant in obtaining the TI Permit.

(c) SELECTION OF MATERIALS, ETC. Where more than one type of material or structure is indicated on the TI Construction Drawings approved by Tenant and Landlord, the option will be within Tenant's reasonable discretion.

4. CHANGES. Any changes requested by Tenant to the Tenant Improvements for a Suite after the delivery and approval by Landlord of the TI Design Drawings for such Suite, shall be requested and instituted in accordance with the provisions of this Section and shall be subject to the written approval of Landlord, such approval not to be unreasonably withheld, conditioned or delayed.

(a) TENANT'S RIGHT TO REQUEST CHANGES. If Tenant shall request changes ("CHANGES") to the Tenant Improvements for any Suite, Tenant shall request such Changes by notifying Landlord in writing in substantially the same form as the AIA standard change order form (a "CHANGE REQUEST"), which Change Request shall detail the nature and extent of any such Change. Tenant's Representative must sign such Change Request. Landlord shall review and approve or disapprove such Change Request within 5 business days thereafter, provided that Landlord's approval shall not be unreasonably withheld, conditioned or delayed.

(b) IMPLEMENTATION OF CHANGES. If Landlord approves such Change and Tenant deposits with Landlord any Excess TI Costs (as defined below) required in connection with such Change, Tenant may cause the approved Change to be instituted.

5. COSTS

(a) BUDGET FOR TENANT IMPROVEMENTS. Before the commencement of construction of the Tenant Improvements for any Suite, Tenant shall obtain a detailed breakdown, by trade, of the costs incurred or which will be incurred, in connection with the design and construction of such Tenant Improvements (the "BUDGET"). The Budget shall be based upon the TI Construction Drawings approved by Landlord for such Suite and shall include a payment to Landlord of administrative rent ("ADMINISTRATIVE RENT") equal to 1.5% of the TI Costs (as hereinafter defined), for monitoring and inspecting the construction of such Tenant Improvements, which sum shall be payable as a TI Cost for such Suite; provided that such Administrative Rent shall not exceed $15,000 in the aggregate for any Suite used for clinical manufacturing, as permitted pursuant to Section 5 of the Second Amendment. Such Administrative Rent shall include, without limitation, all out-of-pocket costs, expenses and fees incurred by or on behalf of Landlord, including the cost of any overhead, arising from, out of, or in connection with, such monitoring of the construction of the Tenant Improvements, regardless whether Landlord's actual costs and expenses exceed such Administrative Rent. If the Budget is greater than the TI Allowance for such Suite, Tenant shall make the deposit

described in Section 5(d) hereof, for disbursement by Landlord as described in such Section 5(d).

(b) TI ALLOWANCE. Landlord shall provide to Tenant a tenant improvement allowance for each Suite ("TI ALLOWANCE") as provided in the Second Amendment. Such TI Allowances shall be disbursed in accordance with this Work Letter.

(c) COSTS PAYABLE WITH TI ALLOWANCE. The TI Allowance shall be used solely for the payment of design and construction costs in connection with the construction of the Tenant Improvements, including, without limitation, the cost of preparing the TI Design Drawings and the TI Construction Drawings, all costs set forth in the Budget (including Landlord's Administrative Rent) and the cost of Changes (collectively, "TI COSTS"). Notwithstanding anything to the contrary contained herein, the TI Allowance shall not be used to purchase any furniture, personal property or other non-building system materials or equipment not incorporated into the Improvements, including, without limitation, biological safety cabinets and other scientific equipment not incorporated into the Improvements.

(d) EXCESS TI COSTS. It is understood and agreed that Landlord is under no obligation to bear any portion of the cost of any of the Tenant Improvements for any Suite, except to the extent of the TI Allowance for such Suite. Tenant shall pay all TI Costs, subject to Landlord's reimbursement for Landlord's Share of such TI Costs pursuant to Section 5(d). "LANDLORD'S SHARE" of any payment by Tenant of TI Costs for any Suite shall be equal to the amount of such payment, multiplied by a fraction, the numerator of which is the TI Allowance for such Suite and the denominator of which is the TI Costs for such Suite.

(e) PAYMENT FOR TI COSTS. Landlord shall reimburse Tenant for Landlord's Share of any TI Costs paid by Tenant once a month on a Suite by Suite basis against a draw request in Landlord's standard form, containing such certifications, lien waivers, inspection reports and other matters as Landlord reasonably requires, to the extent of Landlord's approval thereof for payment, no later than 30 days following receipt of such draw request. Upon completion of the Tenant Improvements for any Suite, Tenant shall deliver to Landlord: (i) sworn statements setting forth the names of all contractors and subcontractors who did the work and final lien waivers from all such contractors and subcontractors; and (ii) "as built" plans for the Tenant Improvements for such Suite.

6. MISCELLANEOUS

(a) CONSENTS. Whenever consent or approval of either party is required under this Work Letter, that party shall not unreasonably withhold, condition or delay such consent or approval, except as may be expressly set forth herein to the contrary.

(b) MODIFICATION. No modification, waiver or amendment of this Work Letter or of any of its conditions or provisions shall be binding upon Landlord or Tenant unless in writing signed by Landlord and Tenant.

(c) COUNTERPARTS. This Work Letter may be executed in any number of counterparts but all counterparts taken together shall constitute a single document.

(d) GOVERNING LAW. This Work Letter shall be governed by, construed and enforced in accordance with the internal laws of the state in which the Premises are located, without regard to choice of law principles of such State.

(e) TIME OF THE ESSENCE. Time is of the essence of this Work Letter and of each and all provisions thereof.

(f) DEFAULT. Notwithstanding anything set forth herein or in the Lease to the contrary, Landlord shall not have any obligation to perform any work hereunder or to fund any portion of the TI Allowance during any period Tenant is in Default under the Lease.

(g) SEVERABILITY. If any term or provision of this Work Letter is declared invalid or unenforceable, the remainder of this Work Letter shall not be affected by such determination and shall continue to be valid and enforceable.

(h) MERGER. All understandings and agreements, oral or written, heretofore made between the parties hereto and relating to Tenant's Work are merged in this Work Letter, which alone (but inclusive of provisions of the Lease incorporated herein and the final approved constructions drawings and specifications prepared pursuant hereto) fully and completely expresses the agreement between Landlord and Tenant with regard to the matters set forth in this Work Letter.

(i) ENTIRE AGREEMENT. This Work Letter is made as a part of and pursuant to the Second Amendment and the Lease and, together with the Second Amendment and the Lease, constitutes the entire agreement of the parties with respect to the subject matter hereof. This Work Letter is subject to all of the terms and limitation set forth in the Lease, and neither party shall have any rights or remedies under this Work Letter separate and apart from their respective remedies pursuant to the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Work Letter to be effective on the date first above written.

TENANT:

IDEC PHARMACEUTICALS CORPORATION,
a Delaware corporation

By: Phillip Schneider

Its: SVP

LANDLORD:

ARE-10933 NORTH TORREY PINES, LLC, a
Delaware limited liability company

By: ALEXANDRIA REAL ESTATE EQUITIES, INC.,
a Maryland corporation, managing
member

By: /s/ Vincent R. Ciruzzi

Its: Senior Vice President

SCHEDULE C-1 TO WORK LETTER

TENANT'S AUTHORIZED REPRESENTATIVES

Paul Draper
IDEC Pharmaceuticals Corporation
3030 Callan Road
San Diego, CA 92121
Phone: (858) 431-8764
Fax: (858) 431-8892
E-Mail: pdraper@idecpharm.com

Robert F. Dilworth
Coronado Assets, Inc.
34 Blue Anchor Cays Road
Coronado, CA 92118
Phone: (619)575-4570
Fax: (619)575-7352
E-Mail: bobdilworth@earthlink.net

SCHEDULE C-2 TO WORK LETTER

LANDLORD'S AUTHORIZED REPRESENTATIVES

Vincent R. Ciruzzi
c/o Alexandria Real Estate Equities, Inc.
9820 Willow Creek Road, Suite 440
San Diego, CA 92131
Phone: (858) 530-8190
Fax: (858) 530-8191
E-Mail: vciruzzi@labspace.com

Gregory Margritz
c/o Alexandria Real Estate Equities, Inc.
9820 Willow Creek Road, Suite 440
San Diego, CA 92131
Phone: (858) 530-8190
Fax: (858) 530-8191
E-Mail: gmarqritz@labspace.com

SINGLE-TENANT FULLY-NET LEASE AGREEMENT
(10996 TORREYANA ROAD)

This Single-Tenant Fully-Net Lease Agreement (this "Lease") is entered into as of January 17, 2002, between 10996 TORREYANA ROAD, L.P., a California limited partnership ("Landlord"), and IDEC Pharmaceuticals Corporation, a Delaware corporation ("Tenant"), who agree as follows:

1. Agreement to Let. Effective one day following the date ("Commencement Date") the Conditions Precedent (as defined below) are satisfied, Landlord shall lease to Tenant and Tenant shall lease from Landlord, the land and improvements (including all parking areas, driveways and access areas) located on the real property described on the attached Exhibit "A" (the "Premises"). The effectiveness of this Lease is conditioned on the satisfaction (or waiver) of all of the following Conditions on or before February 15,2002 ("Outside Date"):

(i) Acquisition by Landlord of the Premises in accordance with the purchase and sale agreement dated as of September 24, 2001, by and between Trade Service Corporation, as Seller, and J.T. Williams, Inc., as Purchaser, as amended from time to time (the "Purchase Condition");

(ii) Funding of the Loan described in Section 2.8 below (the "Loan Condition");

(iii) Approval by Landlord of Tenant's conceptual plans and specifications for Tenant's Work, as defined below, to the extent submitted to Landlord on or before January 31, 2002 ("Plan Approval Condition"); and

(iv) The delivery by Landlord to Tenant of the Premises in vacant, broom-clean condition and, in any event, in substantially the same condition as existed on the date of this Lease; provided, however, that Landlord and Tenant acknowledge and agree that the property and items described on Exhibit "B" attached hereto shall remain in the building located on the Premises on the Commencement Date (collectively, the "Delivery Condition"). Landlord agrees to use diligent efforts to cause any existing occupants of the Premises to vacate the Premises prior to the Outside Date, including instituting court action, if necessary.

The Purchase Condition, Loan Condition, Plan Approval Condition and Delivery Condition are collectively referred to in this Lease as the "Conditions Precedent". After the Outside Date, and until all of the Condition Precedents are satisfied or waived, each of Landlord and Tenant, in its sole and absolute discretion, shall have the on-going right, without any liability whatsoever, to terminate this Lease upon written notice to the other, but such termination shall only be effective if the Condition Precedent remains unsatisfied 15 days after the giving of such written notice. Upon such termination, the parties shall be relieved of all further obligations under this Lease except for those obligations which, by their terms, survive the expiration or sooner termination of this Lease.

2. Principal Lease Provisions and Definitions. The following are the principal lease provisions of this Lease. Other portions of this Lease explain and define these principal lease provisions in more detail and should be read in conjunction with this Article.

2.1. "Basic Monthly Rent" means One Hundred Forty-Five Thousand Fifty-Seven and 50/100 Dollars ($145,057.50), as increased by four percent (4.0%) on each anniversary of the Rent Commencement Date (as defined in Section 2.9).

2.2. "Expiration Date": The fourth (4th) anniversary of the Commencement Date; provided, however, that Tenant shall have the right to terminate this Lease effective at any time during the Term after the second (2nd) anniversary of the Commencement Date by giving Landlord not less than nine (9) months advance written notice prior to the termination effective date. As used herein, the term "Expiration Date" shall also include the effective date of any such earlier termination of this Lease by Tenant in accordance with this Lease.

2.3. Notice Address for Tenant: IDEC Pharmaceuticals Corporation, Attn: Phillip Schneider and Corporate Secretary, 3030 Callan Road, San Diego, CA 92121; telecopy: (858) 431-8755, with a concurrent copy of all notices to: Allen Matkins Leck Gamble & Mallory LLP, 501 W. Broadway, 9th Floor, San Diego, CA 92101; Attn: V. Casey Gauntt.

2.4. Notice and Payment Address for Landlord: 10996 Torreyana Road, L.P., P.O. Box 2015, Del Mar, California, 92014, with a concurrent copy of all notices to: Vanguard Law Group, LLP, Attn: Jeffrey Schneider, 8910 University Center Lane, Suite 500, San Diego,

CA 92122.

2.5. "Permitted Use" means Tenant's use of the Premises for general office, administration, and research and development, all in accordance with applicable laws and regulations and covenants, conditions and restrictions governing the Premises; provided, however, Tenant may not perform research and development with actual chemical compounds except to the extent it first obtains Landlord's approval (which may not unreasonably be withheld, conditioned, or delayed) of an Operations Plan detailing a list of all chemicals (including all codes and classifications) and equipment (including specific make, model, and specifications) to be used, and identifying the manner and location on the Premises of such use. Landlord's approval of an Operations Plan may be subject to Landlord's reasonable requirement that certain prophylactic measures be taken by Tenant to protect the Premises.

2.6. Intentionally Omitted.

2.7. Landlord's Work: As soon as reasonably practicable, after receiving notice to do so from any applicable governmental agency (or notice from Tenant to do so to meet the imminent needs of a disabled employee of Tenant), Landlord shall take all steps to cause the exterior Premises to comply with the Americans With Disabilities Act of 1990 (42 U.S.C. 12181 et seq.) and California's Title 24 requirements (the "ADA") ("Landlord's Work"). Landlord's Work additionally includes the work necessary to comply with an applicable ADA notice from a governmental agency with respect to the interior of the Premises, but only if such notice is not the result (directly or indirectly) of any acts of Tenant, Tenant's Invitees or employees (e.g., the direct result of a visit to the Premises by an inspector reviewing work performed by or on behalf of Tenant or the direct result of a complaint by an employee, customer or visitor of Tenant; or the indirect result of a visit to the Premises by an inspector reviewing work performed by or on behalf of Tenant on one side of the building, and who visits the bathrooms on the other side of the building and determines they are ADA deficient and issues a notice of non-compliance with respect thereto. However, if through no actions by Tenant or Tenant's Invitees or employees, there is a random inspection by a governmental agency of the interior of the Premises resulting in a deficiency notice, then the work necessary to comply with that notice would be Landlord's Work). Tenant shall reimburse Landlord twenty-five percent (25%) of all actual, documented and reasonable costs incurred by Landlord in performing Landlord's Work, but only up to a maximum reimbursement of Twenty-Five Thousand Dollars ($25,000.00) payable by Tenant within thirty (30) days after Landlord's presentation to Tenant of a reasonably particularized invoice evidencing such costs actually paid by Landlord and evidencing that the work was adequately completed.

2.8. "Loan" means the loan to be made by Tenant, or an affiliate of Tenant, to Landlord concurrent with Landlord's acquisition of the Premises, subject, however, to satisfaction of the "Closing Conditions" described in the Loan.

2.9. "Rent Abatement" means Tenant's right to abate payment of its Basic Monthly Rent for the period beginning on the Commencement Date and expiring on the earliest of the following (the "Rent Commencement Date"): (a) 60 days after the Commencement Date; (b) the day on which Tenant begins business operations from the Premises; and (c) the day on which Tenant's Work is substantially completed such that Tenant is able to commence normal business operations from the Premises. The Rental Commencement Date shall mean that date which is one (1) day following the date the Rent Abatement period expires.

2.10. "Tenant's Work" means that certain work that may be performed by Tenant on the Premises in substantial accordance with any conceptual plans and specifications approved by Landlord and Tenant prior to the Commencement Date (the "Pre-Approved Plans"). At its sole cost, Tenant shall have the right (but not the obligation) to perform Tenant's Work and to otherwise improve the Premises with the tenant improvements reasonably necessary for Tenant to conduct its business on the Premises. Tenant's Work must be made in compliance with Article 12 below and Tenant is solely responsible for the construction of Tenant's Work, including cost, timing and quality. Landlord will have no liability for any delays or defects in Tenant's Work.

3. Term. The term of this Lease (the "Term") commences on the Commencement Date and expires on the Expiration Date, subject to earlier termination in accordance with this Lease.

4. Possession. Tenant is entitled to possession of the Premises on the Commencement Date. Tenant has thoroughly inspected and measured the Premises and accepts the Premises in its as-is condition with no right to require Landlord to perform any work on the Premises (subject to any specific obligations of Landlord explicitly set forth elsewhere in this Lease).

5. Use of Premises.

5.1. Permitted Use of Premises. Tenant may use the Premises for the Permitted Use and for no other use. Any change in the Permitted Use requires Landlord's prior written consent, which consent may not be unreasonably withheld, conditioned or delayed. Tenant shall comply with all laws concerning Tenant's specific use of the Premises, including, subject to the terms hereof, the obligation at Tenant's sole cost to alter, maintain, and restore the Premises in compliance with all applicable laws applicable to Tenant's specific use of the Premises, even if the laws are enacted after the date of this Lease, even if compliance entails costs to Tenant of a substantial nature, and even if compliance requires structural alterations. Such obligation to comply with laws includes compliance with the ADA if required to do so by an applicable governmental agency (subject to the terms hereof, including, but not limited to, Landlord's obligations to perform

Landlord's Work). If Tenant's particular use of the Premises results in the need for modifications or alterations, then Tenant shall promptly cause the completion of such modifications and alterations, at Tenant's sole cost, in accordance with Article 12 below. Tenant may not do, bring, or keep anything in or about the Premises that will cause a cancellation of any insurance covering the Premises. Furthermore, Tenant covenants and agrees that no noxious or offensive activity may be carried on, in, on, or around the Premises, nor may anything be done or kept in, on, or around the Premises which may be or become a public nuisance or which may cause disturbance to others on adjacent or nearby property. Neither Tenant nor Tenant's agents, owners, employees, contractors, licensees, guests, service-providers, customers, or invitees (collectively, "Tenant's Invitees") may do anything that will cause damage or waste. No machinery, apparatus, or other appliance may be used or operated in or on the Premises that will in any manner injure, vibrate, or shake all or any part of the Premises. Landlord and Tenant acknowledge and agree that Tenant's obligation to alter, maintain and restore the Premises as provided above is subject to the other terms and provisions of this Lease including, but not limited to, Articles 7 and 9.

5.2. Signs. Tenant may install and modify signage on the Premises, including any existing monument, subject to Landlord's prior written consent, which consent may not be unreasonably withheld, conditioned or delayed. Tenant shall, at Tenant's sole cost, make any changes to any Tenant installed sign on the Premises as required by any new or revised applicable laws, ordinances, rules, regulations or covenants governing the Premises. Tenant shall maintain, repair, and replace all of Tenant's signs in first class condition and shall, on or before the Expiration Date or earlier termination of this Lease, remove all of its signage from the Premises and restore the Premises to their pre-signage condition.

6. Monthly Rent. Subject to the Rent Abatement, Tenant shall pay to Landlord as minimum monthly rent, without, except as otherwise expressly provided in this Lease, deduction, setoff, prior notice, or demand, the Basic Monthly Rent in advance, on or before the first day of each calendar month throughout the Term commencing on the Commencement Date. All monetary obligations of Tenant under this Lease constitute "rent" under this Lease. Notwithstanding references in this Lease to the size(s) of all or portions of the Premises, no rent under this Lease is affected by the actual measurement of the Premises.

7. Operating Expenses.

7.1. Definition of Operating Expenses. Tenant is responsible for payment of all Operating Expenses of the Premises, beginning on the Commencement Date; provided however, that Landlord and Tenant acknowledge and agree that the aggregate amount of all Operating Expenses paid by Tenant during the Rent Abatement period described in Section 2.9 above, other than Insurance Expenses, water, sewage disposal, refuse collection and disposal, gas and electricity, shall be credited towards the first (1st) installment of Basic Monthly Rent payable by Tenant under this Lease. As used in this Lease, the term "Operating Expenses" means all costs and expenses paid or incurred by Landlord or Tenant relative to the operation, repair, restoration, replacement, maintenance, and management of the Premises, including: (i) water, sewage disposal, drainage, refuse collection and disposal, gas, electricity, and other utility services, and the maintenance of all components, systems, and apparatus by which such utilities and services are provided, (ii) general maintenance, repair and replacement of the landscaping, structural and nonstructural components of the improvements located on the Premises, janitorial, and security services (if any), (iii) expenses payable by Landlord pursuant to the provisions of any recorded Covenants, Conditions, and Restrictions, Reciprocal Easement Agreements, and any other recorded documents affecting the Premises, (iv) all real property or real estate taxes, assessments, association dues, and other impositions, whether general, special, ordinary, or extraordinary, and of every kind and nature, which may be levied, assessed, imposed on the Premises ("Real Estate Taxes"), (v) any personal property taxes, assessments, or other impositions levied, assessed, or imposed upon any personal property of Tenant or Landlord used in connection with the Premises, (vi) Insurance Expenses (as defined below), (vii) a property management fee to Landlord or its designee in the amount of two percent (2%) of Basic Monthly Rent payable under this Lease, (viii) capital improvements or structural modifications required by applicable laws or regulations governing the Premises or other capital improvements or structural modifications deemed reasonably necessary by Landlord and approved by Tenant (in Tenant's sole and absolute discretion); provided, however, the costs of any capital improvements or structural modifications which are permitted hereunder and are not the direct result of Tenant's or Tenant's Invitees' specific use of the Premises or Tenant's failure to maintain the Premises in accordance with its obligations under this Lease will, in any event, be amortized (including interest at the Interest Rate) over the anticipated useful life of such capital improvements or structural modifications. Notwithstanding anything to the contrary herein, any Operating Expenses attributable to a period which falls only partially within the Term of this Lease shall be prorated between Landlord and Tenant so that Tenant shall pay only that portion thereof which the part of such period within the Term bears to the entire period. Operating Expenses shall be determined in accordance with generally accepted accounting principles consistently applied.

Notwithstanding the foregoing, Operating Expenses do not include (i) interest and principal payments and all other debt service (including but not limited to brokerage fees and points) on all loans or indebtedness, whether or not secured by the Premises; (ii) costs for which Landlord is reimbursed by insurance proceeds or third parties; (iii) leasing commissions; (iv) depreciation; (v) costs, fines, penalties or interest incurred due to Landlord's (as opposed to the Premises') violation of any law or Landlord's failure to make timely payments of any obligations under this Lease; (vi) salaries and benefits for employees of Landlord; (vii) repairs made under guaranties or warranties (i.e., at no cost to Landlord); (viii) any ground rents; (ix) sale and

refinancing costs, including attorneys' fees, brokerage commissions and other marketing costs relating thereto; (x) any costs in connection with the investigation, removal, remediation or abatement of Hazardous Materials (as defined in Article 21 hereof) existing on the Premises before the Commencement Date and costs due to violations of applicable environmental laws with respect thereto; (xi) any amounts received by Landlord and/or paid by Tenant pursuant to another provision of this Lease; and (xii) reserves of any kinds.

7.2. Payment of Operating Expenses. The parties intend that Tenant pay all Operating Expenses directly to the respective obligee to the extent feasible, except that Landlord will directly pay the Real Estate Taxes and Insurance Expenses (other than those Tenant pays directly) and the costs of maintenance of the landscaping, parking lot, HVAC and other mechanical and plumbing systems, fire and sprinkler systems, loading dock system, electrical systems up to local distribution panels, elevator, and roof. Landlord's maintenance contractor is subject to Tenant's approval, which may not unreasonably be withheld, conditioned or delayed. Landlord intends to deliver to Tenant (i) a monthly statement setting forth any actual Operating Expenses (excluding Real Estate Taxes and Insurance Expenses) paid by Landlord for the prior month ("Expense Statement"), and (ii) an annual statement setting forth the estimated Real Estate Taxes, Insurance Expenses (other than those for which Tenant pays directly) and property management fees for the applicable year ("Tax and Insurance Statement"). Tenant shall pay Landlord the

amount set forth in each Expense Statement within thirty (30) days of receipt of the statement. Tenant shall pay one-twelfth of the amount set forth in the Tax and Insurance Statement with each payment of Basic Monthly Rent. Tenant's payment obligations under this Section 7.2 constitute additional rent under this Lease. If the sum of Tenant's payments on account of Operating Expenses during any calendar year exceeds the actual Operating Expenses for the calendar year, then the excess will be paid directly to Tenant. If the sum of Tenant's Operating Expense payments for any calendar year is less than the actual Operating Expenses for the calendar year, then Tenant shall pay Landlord the amount of the deficiency within thirty (30) days after delivery of Landlord's statement reconciling the year's Operating Expenses. Landlord's delay in delivering any Expense Statement or Tax and Insurance Statement or reconciliation statement (if applicable) will not release Tenant of its obligation to pay any portion of the Operating Expenses. Tenant shall have the right to contest the legal validity or amount of any personal property taxes or Real Estate Taxes for which Tenant is responsible under this Lease and may institute such proceedings as Tenant considers necessary. If Tenant contests any such tax, assessment or charge, Tenant shall indemnify and hold harmless and protect Landlord and the Premises from any liens, claims, liability and damages incurred by Landlord in connection therewith.

7.3. Audit. If Tenant disputes the amount set forth in any Expense Statement, then Tenant's employees or an independent certified public accountant designated by Tenant, may, after reasonable notice to Landlord and at reasonable times, inspect Landlord's records at Landlord's offices pertaining to Landlord's calculation of Operating Expenses. If, after such inspection, Tenant notifies Landlord in writing that Tenant still disputes such amounts, a certification as to the proper amount shall be made, at Tenant's expense, by an independent certified public accountant selected by Tenant and reasonably approved by Landlord and who is a member of a nationally or regionally recognized accounting firm. If such certification by the accountant proves that the Operating Expenses set forth in the Expense Statement were overstated by more than three percent (3%), then Tenant's audit costs, including the cost of such certification, shall be promptly paid for by Landlord. Promptly following the parties receipt of such certification, the parties shall make such appropriate payments or reimbursements, as the case may be, to each other, as are determined to be owing pursuant to such certification. Notwithstanding the foregoing, Tenant may not dispute or audit any Expense Statement more than 180 days after its receipt of the applicable Expense Statement.

8. Utilities and Services. Tenant shall arrange for and pay the cost of all utilities and services (including any connection charges and taxes thereon) furnished to the Premises or used by Tenant, including electricity, water, oil, sewer, gas, telephone, communication services, trash collection, janitorial, cleaning, and window washing. If Landlord furnishes to the Premises any of the utilities and services set forth in the preceding sentence, Tenant shall reimburse Landlord for Landlord's actual and documented cost of furnishing such utilities and services. Except as otherwise provided below, Landlord may not be held liable for failure to furnish any utilities or services to the Premises when such failure results from causes beyond Landlord's reasonable control. If Landlord constructs new or additional utility facilities, including wiring, plumbing, conduits, or mains, resulting from Tenant's changed or increased utility requirements, Tenant shall promptly pay to Landlord the total actual and documented cost of such items. The discontinuance of any utilities or services, including Landlord's discontinuance or failure to provide any of the utilities or services furnished by Landlord to the Premises, shall neither be deemed an actual or constructive eviction, nor release Tenant from its obligations under this Lease including Tenant's obligation to pay rent. Notwithstanding anything above to the contrary, in the event that Tenant is prevented from using, and does not use, the Premises or any portion thereof, for three (3) consecutive business days (the "Eligibility Period") as a result of (i) Landlord's failure to provide to the Premises any of the essential utilities and services that may be provided by Landlord above, where such failure is due to the negligence or intentional misconduct of Landlord, (ii) any construction, repair, maintenance or alteration negligently performed by Landlord after the Commencement Date (including, but not limited to, Landlord's Work (if any)), but excluding work performed because of Tenant's failure to fulfill any of its obligations under this Lease (iii) the presence of Hazardous Materials in, on or about the Premises which were caused by Landlord or existed on the Premises before the Commencement Date and which Hazardous Materials pose a material and significant health risk to occupants of the Premises as determined by applicable governmental authorities pursuant to applicable environmental laws by written notice delivered to Landlord and/or Tenant, which notice specifically prohibits occupancy of the Premises (or portions thereof) as a result of such Hazardous Materials, and/or (iv) any entry onto the Premises by Landlord pursuant to Article 20 below, then, in any such case, Tenant's obligation to pay Basic Monthly Rent and Operating Expenses shall be equitably abated or reduced, as the case may be, from and after the first (1st) day following the Eligibility Period and continuing for such time that Tenant continues to be so prevented from

using, and does not use, the Premises or a portion thereof, in the proportion that the area of the portion of the Premises that Tenant is prevented from using, and does not use, bears to the total area of the Premises. To the extent Tenant shall be entitled to abatement of rent because of a damage or destruction pursuant to Article 17 or a taking pursuant to Article 18, then the Eligibility Period shall not be applicable.

9. Maintenance. Tenant shall at its sole cost (i) maintain and repair, all in good condition, all aspects and portions of the Premises, other than the landscaping, parking lot, HVAC and other mechanical systems, elevator, and roof (for which items Landlord is responsible as provided below and the costs of which constitute, subject to the terms hereof, Operating Expenses), (ii) arrange for the removal of trash from the Premises, and (iii) maintain a pest and termite control service agreement with respect to the Premises, reasonably acceptable to Landlord. Each party shall provide the other with current copies of all of their respective maintenance, service and cleaning contracts throughout the Term. Tenant is additionally liable for any damage to the Premises resulting from the acts or omissions of Tenant or Tenant's Invitees or any other person not controlled by Landlord. If Tenant fails to maintain or repair, any portion of the Premises as provided above and, if such failure continues for more than thirty (30) days after written notice thereof from Landlord (unless Landlord reasonably determines such repairs are in the nature of an emergency or require completion within a shorter period of time to protect the Premises or comply with any law or regulation), then Landlord may maintain or repair, any such portion of the Premises and Tenant shall promptly

reimburse Landlord for Landlord's actual, documented and reasonable cost thereof, which sums constitute additional rent under this Lease. Tenant waives the provisions of California Civil Code Section 1942 (or any successor statute), and any similar principals of law with respect to Landlord's obligations for tenantability of the Premises and Tenant's right to make repairs and deduct the expense of such repairs from rent. Promptly following written notice from Tenant, Landlord shall (subject to reimbursement from Tenant in accordance with, and subject to, Article 7) repair and maintain the structural parts of the Building, including the exterior walls, foundations and the roof (including the roof membrane) the elevators, mechanical systems, HVAC systems, landscaping and parking lot(s). Landlord acknowledges and agrees that Tenant shall have the right to cause Landlord to terminate any such maintenance contracts in the event that Tenant, in Tenant's reasonable, good faith opinion, determines that the maintenance is not being reasonably performed. In such event, Tenant shall have the right to select substitute maintenance contractors (and shall have the right to pre-approve the maintenance contracts). If Tenant provides written notice to Landlord of an event or circumstance which requires the action of Landlord with respect to the Landlord's repair obligations as described above, and Landlord fails to provide or commence to provide such action as required by the terms of this Lease within ten (10) days after receipt of such written notice (or such longer period of time as is reasonable under the circumstances or such shorter period of time as may be applicable in the event of an emergency), Tenant may proceed to take the required action upon delivery of an additional three (3) business days notice to Landlord (or within the applicable and appropriate time period based on an emergency) specifying that Tenant is taking such required action, and only if such action was required under the terms of this Lease to be taken by Landlord at Landlord's expense without reimbursement from Tenant, then Tenant shall be entitled to prompt reimbursement by Landlord of Tenant's costs and expenses in taking such action plus interest at the Interest Rate (as defined in Article 16 below) during the period from the date Tenant incurs such costs and expenses until such time as payment is made by Landlord (which costs and expenses shall be set forth in a reasonably particularized invoice) less, however, any amounts that Tenant would have been responsible for as part of Operating Expenses if the repair work would have been performed by Landlord and would have been payable by Tenant. Tenant may utilize the services of any qualified contractor which normally and regularly performs similar work in other comparable projects in the general vicinity of the building, of similar age and quality of construction. Further, if Landlord, within ten (10) days after receipt of such invoice from Tenant (setting forth documented evidence of the costs incurred and a reasonably particularized breakdown of its costs and expenses in connection with taking such action on behalf of Landlord), fails to pay the amount set forth in Tenant's invoice (less any amounts that Tenant would have been responsible for as part of Operating Expenses if the repair work would have been performed by Landlord and would have been payable by Tenant) then Tenant shall be entitled to deduct from the Basic Monthly Rent payable by Tenant under this Lease, such amount together with interest at the Interest Rate; provided, however, that in no event shall Tenant be entitled to offset more than fifty percent (50%) of the Basic Monthly Rent in any one (1) month during the Term of this Lease under this Article 9.

Notwithstanding anything above or elsewhere in this Lease to the contrary, Landlord and Tenant acknowledge and agree that in the event that Landlord is required to make any repairs, improvements or modifications of a structural and/or capital nature, the cost of any such structural and/or capital item shall be amortized (including interest at the Interest Rate) over the anticipated useful life of such structural or capital item and Tenant shall only be liable for the amortized portion applicable during the Term of this Lease.

10. Insurance.

10.1. Public Liability and Property Damage Insurance. Tenant shall maintain public liability and property damage insurance (i) with a single combined liability limit and property damage limit of not less than Three Million Dollars ($3,000,000.00), (ii) insuring (a) against all liability of Tenant and Tenant's Invitees arising out of or in connection with Tenant's use or occupancy of the Premises, including products liability coverage, and (b) performance by Tenant of the indemnity provisions set forth in this Lease, and (iii) naming Landlord, its agents, and any lender holding a security interest in the Premises ("Lender") as additional named insureds, and (c) with umbrella coverage of Five Million Dollars ($5,000,000.00).

10.2. Fire and Extended Coverage Insurance. Tenant shall maintain on Tenant's Alterations and Tenant's Personal Property (as defined below) a policy of standard fire and extended coverage insurance, with vandalism and malicious mischief endorsements, and sprinkler leakage coverage, in each case to the extent of at least one hundred percent (100%) of full replacement value (less commercially reasonable deductibles), issued in the names of Landlord, Tenant, and any Lenders, as their interests may appear. Such "full replacement value" shall be determined by the company issuing such policy at the time the policy is initially obtained.

10.3. Tenant's Insurance Generally. Insurance required to be maintained by Tenant under this Lease: (i) shall be issued as a primary policy (not contributed with, and in excess of coverage Landlord may carry) by insurance companies authorized to do business in California with a Best's Rating of at least "A" and a Best's Financial Size Category rating of at least "XIV," as set forth in the most current edition of "Best's Insurance Reports" (unless otherwise approved by Landlord); (ii) shall name Landlord and any Lender as additional named insureds, but the policy must provide that notwithstanding the fact that Landlord is an additional insured, it is entitled to recover under the policy for any loss suffered by Landlord by reason of Tenant's negligence; (iii) shall consist of "occurrence" based coverage, without provision for subsequent conversion to "claims" based coverage; (iv) may not be cancelable or subject to reduction of coverage or other modification except after thirty (30) days' prior written notice to Landlord and any Lender; and (v) may not provide for a deductible or co-insurance provision in excess of Five Thousand Dollars ($5,000.00). Tenant shall, at least sixty (60) days before the expiration of each such policy, furnish Landlord with a renewal of or "binder" extending the policy. Tenant shall promptly upon request deliver to Landlord copies of such policy or policies or certificates evidencing the existence and amounts of such insurance together with evidence of payment of premiums. The insurance required to be maintained by

Tenant may be carried under blanket insurance policies. Notwithstanding anything above to the contrary, the original Tenant executing this Lease may elect to self-insure all or any part of such required insurance so long as any such self-insurance substantially conforms to the practice of large corporations maintaining systems of self-insurance.

10.4. Landlord's Insurance. Landlord shall maintain the following insurance, in such commercially reasonable amounts and with such commercially reasonable limits as Landlord determines in its reasonable discretion (including any insurance required by its Lender and/or including such commercially reasonable amounts and limits required by its Lender): (i) public liability and property damage insurance (excluding earthquake coverage) and products liability insurance; (ii) fire and extended coverage insurance, with vandalism and malicious mischief endorsements, coverage with respect to increased costs due to building ordinances, demolition coverage, and sprinkler leakage coverage; (iii) boiler and machinery insurance; (iv) plate glass insurance; and (v) rental interruption insurance. The insurance required to be maintained by Landlord hereunder shall be issued by insurance companies authorized to do business in California with a Best's Rating of at least "A" and a Best's Financial Size Category rating of at least "XIV," as set forth in the most current edition of "Best's Insurance Reports". The premiums, costs, expenses, and deductibles (or similar costs or charges) of or with respect to any such insurance (all of the preceding, collectively, "Insurance Expenses") are included in Operating Expenses; provided, however, Tenant, upon notice to Landlord, shall have the right to separately contract for all or any portion of the insurance required to be maintained by Landlord hereunder and, in such event, Tenant shall directly pay the costs of any Insurance Expense to the insurance company. In the event Tenant elects to maintain any such insurance, then such insurance shall name Landlord as the primary insured, and Landlord's agents and any Lender as additional named insureds.

10.5. Waiver of Subrogation. Landlord and Tenant release each other, Tenant's Invitees, and Landlord's guests, invitees, customers and licensees (collectively, "Landlord's Invitees") from all claims for damage, loss, or injury to the Premises, to Tenant's Personal Property, and to the fixtures and Alterations of either Landlord or Tenant in or on the Premises to the extent the damage, loss or injury is covered by any insurance policies carried by Landlord and Tenant and in force at the time of such damage. Landlord and Tenant shall each use its best efforts to cause all insurance policies obtained by it pursuant to this Lease to provide that the insurance company waives all right of recovery by way of subrogation against Landlord and Tenant in connection with any damage, loss, or injury covered by such policy.

11. Taxes. Tenant shall pay before delinquency all taxes, assessments, license fees, and other charges that are levied or assessed against, or based on the value of, Tenant's personal property installed or located in or on the Premises including trade fixtures, furnishings, equipment, and inventory (collectively, "Tenant's Personal Property") and any real property or real estate taxes, assessments, and other impositions, whether general, special, ordinary, or extraordinary, and of every kind and nature, which may be separately levied, assessed, imposed upon or with respect to the Premises. (Section 7.2 provides that Tenant will pay directly to Landlord, in addition to Base Monthly Rent, l/12th of all annual Real Estate Taxes due under this Lease from which Landlord will make the real property tax payment). On written demand by Landlord, Tenant shall furnish Landlord with satisfactory evidence of such payments. If any such taxes, assessments, license fees, or other charges are levied against Landlord or Landlord's property, or if the assessed value of the Premises is increased by the inclusion of a value placed on Tenant's Personal Property, then Tenant, within thirty (30) days after Landlord's written demand, shall immediately reimburse Landlord for the sum of such taxes, assessments, license fees, and other charges so levied against Landlord, or the proportion of taxes resulting from such increase in Landlord's assessment, which amounts constitute additional rent under this Lease. Landlord may pay such taxes, assessments, license fees, or other charges or such proportion, and receive such reimbursement, regardless of the validity of the levy.

12. Alterations. Tenant may make alterations, improvements, additions, installations, or changes to the Premises (any of the preceding, including Tenant's Work, are "Alterations") only if: (i) Tenant first obtains Landlord's written consent, which consent may not unreasonably be withheld, conditioned or delayed, and (ii) Tenant complies with all commercially reasonable conditions which may be reasonably imposed by Landlord, and (iii) Tenant pays to Landlord the actual, documented and reasonable costs and expenses of Landlord for architectural, engineering, or other consultants which reasonably may be incurred by Landlord in determining whether to approve any such Alterations; provided, however, that Landlord's consent shall not be required for Tenant's Work to the extent that Tenant's Work is performed in

substantial accordance with the Pre-Approved Plans to the extent they include sufficiently detailed specifications. In addition, and notwithstanding the foregoing, Landlord's prior approval shall not be required for any Alteration which satisfies all of the following conditions (hereinafter a "Pre-Approved Alteration"): (i) the costs of such Alteration does not exceed Fifty Thousand Dollars ($50,000.00) individually; (ii) Tenant delivers to Landlord final plans, specifications and working drawings for such Alteration at least ten (10) days prior to commencement of the work thereof (if working drawings are prepared in connection with the Alteration); and (iii) the Alteration does not adversely affect the structural elements of the building located on the Premises, the base mechanical systems of the building or the exterior elements of the Premises. At least thirty (30) days before making any Alterations, Tenant shall submit to Landlord, in written form, proposed detailed plans of such Alterations. Tenant shall, before commencing any Alterations (including Tenant's Work), at Tenant's sole cost, (i) acquire (and deliver to Landlord a copy of) a permit from the appropriate governmental agencies (but only to the extent any such permit is required to perform such Alterations (and any conditions of which permit (if any) Tenant shall comply with, at Tenant's sole cost, in a prompt and expeditious manner)), (ii) obtain and deliver to Landlord (unless this condition is waived in writing by Landlord) a lien and completion bond or other security acceptable to Landlord, to insure Landlord against any liability for mechanics' liens and to ensure completion of the work (provided, however, that in no event shall the original Tenant executing this Lease be obligated to provide such lien and/or completion bond), (iii) provide Landlord with ten (10) days' prior written notice of the date the installation of the Alterations is to commence with an explicit reminder to Landlord to

post and record an appropriate notice of non-responsibility, and (iv) obtain (and deliver to Landlord proof of) reasonably adequate workers compensation insurance with respect to any of Tenant's employees installing or involved with such Alterations (which insurance Tenant shall maintain in force until completion of the Alterations). Landlord may condition its consent to any Alteration upon the requirement that such Alteration be removed upon the expiration or earlier termination of this Lease. All Alterations other than Tenant's trade fixtures (which, the parties agree, may be removed from the Premises by Tenant at any time before termination of the Lease) and other than those which Tenant is required to remove pursuant to the preceding sentence, shall upon installation become the property of Landlord and shall remain on and be surrendered with the Premises on termination of this Lease. Tenant shall pay all costs for Alterations and other construction done or caused to be done by Tenant and Tenant shall keep the Premises free and clear of all mechanics' and materialmen's lien's resulting from or relating to any Alterations or other construction.

13. Surrender of Premises and Holding Over. On the Expiration Date or earlier termination of this Lease, Tenant shall (i) surrender to Landlord the Premises in good and clean condition, along with all keys to the Premises (including any keys to any exterior or interior doors), and (ii) remove all of Tenant's Personal Property and perform all repairs and restoration required by the removal of any Alterations (to the extent Tenant is required to remove such Alterations pursuant to the preceding paragraph or to the extent that Tenant elects, in its sole discretion, to remove Alterations) or Tenant's Personal Property. Landlord may elect to retain or dispose of in any manner any Alterations or Tenant's Personal Property that Tenant does not remove from the Premises on the Expiration Date or earlier termination of this Lease as required by this Lease by giving written notice to Tenant. Any such Alterations or Tenant's Personal Property that Landlord elects to retain or dispose of will vest in Landlord immediately on notice to Tenant. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of any such Alterations or Tenant's Personal Property. Tenant is liable to Landlord for Landlord's costs for storing, removing or disposing of any such Alterations or Tenant's Personal Property. If Tenant fails to surrender the Premises to Landlord on the Expiration Date or earlier termination of this Lease, Tenant shall indemnify Landlord against all liabilities, damages, losses, costs, expenses, attorneys' fees and claims resulting from such failure, including any claim for damages made by a succeeding tenant. If Tenant, with Landlord's consent, remains in possession of the Premises after the Expiration Date or earlier termination of this Lease, such possession by Tenant shall be deemed to be a month to month tenancy terminable on thirty (30) days' written notice given at any time by Landlord or Tenant. During any such month to month tenancy, Tenant shall pay, as Basic Monthly Rent, 110 percent of the Basic Monthly Rent in effect immediately before the Expiration Date or earlier termination of this Lease, as the case may be, unless Landlord and Tenant mutually agree otherwise in writing. All provisions of this Lease other than those pertaining to Term apply to such month to month tenancy. Notwithstanding anything in Article 12 or this Article 13 to the contrary, Tenant shall have the right to remove any Alterations from the Premises so long as Tenant repairs any damage to the Premises caused by such removal.

14. Default. The occurrence of any of the following constitutes a material default and breach of this Lease by Tenant:

14.1. Tenant's failure to make any payment of Basic Monthly Rent within ten (10) days after written notice of such failure from Landlord. No grace period before the imposition of a late charge extends the date when such rent is due and payable, and Tenant is in default under this Lease if such payment is not timely made.

14.2. Tenant's failure to make any payment of other rent (other than Basic Monthly Rent) within ten (10) days after written notice of such failure from Landlord.

14.3. Tenant's failure to observe or perform any other provision of this Lease for a period of thirty (30) days after written notice of such failure from Landlord to Tenant; provided, however, such notice is in lieu of, and not in addition to, any notice required under applicable unlawful detainer statute; and provided further, however, that if the nature of Tenant's default is such that more than thirty (30) days are required for its cure, then Tenant is not deemed to be in default if Tenant commences such cure within the thirty (30) day period and thereafter diligently prosecutes such cure to completion.

15. Landlord's Remedies. Landlord is entitled to the following remedies if Tenant commits a default or breach under this Lease; these remedies are not exclusive, but are cumulative and in addition to any remedies provided elsewhere in this Lease, or now or later allowed by law.

15.1. Continuation of Lease. No act by Landlord (including the acts set forth in the next sentence) terminates Tenant's right to possession unless Landlord notifies Tenant in writing that Landlord

elects to terminate Tenant's right to possession. As long as Landlord does not terminate Tenant's right to possession, Landlord may (i) continue this Lease in effect, (ii) continue to collect rent when due and enforce all the other provisions of this Lease, (iii) enter the Premises and relet them, or any part of them, to third parties for Tenant's account, for a period shorter or longer than the remaining term of this Lease, and (iv) have a receiver appointed to collect rent and conduct Tenant's business. Tenant shall immediately pay to Landlord all actual, documented, and reasonable costs Landlord incurs to such reletting, including brokers' commissions, attorneys' fees and advertising costs. If Landlord elects to relet all or any porti on of the Premises as permitted above, rent that Landlord receives from such reletting will be applied to the payment of, in the following order and priority, (i) any indebtedness from Tenant to Landlord other than Basic Monthly Rent due from Tenant, (ii) all costs incurred by Landlord in the reletting, and (iii) Basic Monthly Rent then due and unpaid under this Lease. After applying the payments as referred to above, any sum remaining from the rent Landlord receives from the reletting will be held by Landlord and applied in payment of future rent as it becomes due under this Lease. Tenant will not be entitled to any excess rent

received by Landlord unless and until all obligations of Tenant under this Lease, including all future obligations, are satisfied in full.

15.2. Termination of Tenant's Right to Possession. In the event of such breach or default by Tenant, Landlord may terminate Tenant's right to possession of the Premises at any time, by notifying Tenant in writing that Landlord elects to terminate Tenant's right to possession. On termination of this Lease, Landlord has the right to recover from Tenant (i) the worth at the time of the award of the unpaid rent which had been earned at the time of such termination, (ii) the worth at the time of the award of the amount by which the unpaid rent which would have been earned after such termination until the time of award exceeds the amount of such loss of rent that Tenant proves could have been reasonably avoided, (iii) the worth at the time of the award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such loss of rent that Tenant proves could be reasonably avoided, and (iv) any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or in the ordinary course of things would be likely to result therefrom. The "worth at the time of the award" of the amounts referred to in Clauses (i) and (ii) above is to be computed by allowing interest at the Interest Rate, as set forth below. The "worth at the time of the award" of the amount referred to in Clause (iii) above is to be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award.

15.3. Landlord's Right to Cure Default. Landlord, at any time after Tenant commits a default or breach under this Lease (and such default continues beyond 30 days after notice, or such fewer days if urgent), may cure such default or breach at Tenant's sole cost. If Landlord at any time, by reason of Tenant's uncured default or breach, pays any sum or does any act that requires the payment of any sum, such sum shall be due immediately from Tenant to Landlord at the time such sum is paid, and constitutes additional rent under this Lease.

15.4. Enforcement Costs. On demand, Tenant shall pay Landlord all costs and expenses incurred by Landlord in connection with collecting any amounts and damages owing by Tenant under this Lease, or to enforce any provision of this Lease, including reasonable attorneys' fees, whether or not any action is commenced by Landlord.

16. Interest and Late Charges. Late payment by Tenant to Landlord of amounts due under this Lease will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which would be impracticable or extremely difficult to fix. Costs include processing, collection and accounting charges, and late charges that may be imposed on Landlord by the terms of any deeds of trust covering the Premises. Therefore, if any rent or other payment is not received by Landlord within ten (10) days after written notice from Landlord to Tenant, then, without any requirement for notice to Tenant, Tenant shall pay to Landlord an additional sum of five percent (5%) of such overdue amount as a late charge. Such late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of any late payment by Tenant, and therefore this Article 16 is reasonable under the circumstances existing at the time this Lease is made. Acceptance of such late charge by Landlord does not constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord under this Lease. In addition to the late charge payable by Tenant, if any amount due by Tenant under this Lease is not paid within thirty (30) days of the date such payment is due, then Tenant shall pay to Landlord interest on the overdue rent at the rate equal to ten percent (10%) per annum (the "Interest Rate"). All late charges and interest under this Article 16 constitute additional rent under this Lease.

17. Destruction. If the Premises is totally or partially destroyed during the Term, rendering the Premises totally or partially inaccessible or unusable, then (i) Landlord shall, within ten (10) days after such damage, notify Tenant in writing ("Landlord's Damage Notice") of the estimated time (which estimate shall be based on a certification from a reputable, duly licensed contractor) required to substantially complete the repair of such damage (ii) Landlord shall, unless Tenant has elected to terminate this Lease as provided below, restore the Premises to substantially the same condition as it was in immediately before such destruction, (iii) Landlord will not be required to restore Tenant's Alterations (including the Tenant's Work) or Tenant's Personal Property, such excluded items being the sole responsibility of Tenant to restore, (iv) the destruction will not (except as otherwise provided below) terminate this Lease, and (v) all obligations of Tenant under this Lease will (except as otherwise provided below) remain in effect, except that the Basic Monthly Rent will be abated or reduced, between the date of the destruction and the date of completion of Landlord's and Tenant's restoration, by the ratio of (a) the area of the Premises rendered unusable or inaccessible by the destruction to (b) the area of the Premises before the destruction. Notwithstanding anything above to the contrary, in the event that Landlord's

Damage Notice indicates that the repair of such damage cannot be completed within one hundred eighty (180) days from the date of such damage, then Tenant may elect to terminate this Lease by delivering written notice to Landlord within ten (10) days after Tenant's receipt of Landlord's Damage Notice. Notwithstanding anything to the contrary in this Lease, Landlord may terminate this Lease by so notifying Tenant in writing on or before the earlier of thirty (30) days after the destruction or thirty (30) days after Landlord's receipt of the proceeds from insurance maintained by Landlord (or maintained by Tenant if Tenant elects to maintain such insurance as provided above), if (A) then existing laws do not permit such restoration, (B) Tenant does not commit to continue the Term for at least two years after the expected completion of reconstruction where the destruction exceeds twenty-five percent (25%) of the then replacement value of the shell improvements on the Premises, (C) the destruction exceeds twenty-five percent (25%) of the then replacement value of the shell improvements on the Premises, or (D) Landlord determines that the cost of the restoration exceeds, by more than Two Hundred Fifty Thousand Dollars ($250,000.00), the amount of insurance proceeds relating to the destruction actually received by Landlord from insurance maintained by Landlord (or would have received if Landlord were carrying the insurance required to be maintained by Landlord hereunder) and Tenant has elected (in

its sole discretion) not to contribute funds toward uninsured costs to repair the destruction in excess of such amount. If either Landlord or Tenant terminate this Lease as provided above, then (1) Landlord has no obligation to restore the Premises, (2) each party shall retain their respective insurance proceeds relating to such destruction, and (3) this Lease terminates as of thirty (30) days after the notice of termination from the terminating party to the other party. If Landlord restores the Premises as provided above, then Tenant waives the provisions of California Civil Code Sections 1932(2) and 1933(4) or any successor statute with respect to any destruction of the Premises.

18. Condemnation. If during the Term there is any taking of all or any part of the Premises or any interest in this Lease by the exercise of any governmental power, whether by legal proceedings or otherwise, by any entity or individual having the power of condemnation (any of the preceding a "Condemnor"), or a voluntary sale or transfer by Landlord to any Condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending (any of the preceding, a "Condemnation"), then this paragraph applies. A temporary Condemnation of all or any part of the Premises for less than one hundred eighty (180) days does not constitute a Condemnation under this paragraph, but the Basic Monthly Rent is abated as to the portion of the Premises affected during the temporary Condemnation. If the Condemnation is of the entire Premises, then this Lease terminates on the date the Condemnor takes possession of the Premises (the "Date of Condemnation"). If the Condemnation is of some, but not all, of the Premises, then this Lease remains in effect, except that, if the remaining portion of the Premises is rendered unsuitable for Tenant's continued use of the Premises, as reasonably determined by Tenant, then Tenant may elect to terminate this Lease by so notifying Landlord in writing (the "Termination Notice") within thirty (30) days after the date that the nature and extent of the Condemnation have been determined. Such termination becomes effective on the earlier of (i) the date that is thirty (30) days after the Termination Notice, and (ii) the Date of Condemnation. If Tenant does not give Landlord the Termination Notice within the thirty (30) day period, then all obligations of Tenant under this Lease remain in effect, except that Basic Monthly Rent will prospectively be reduced by the ratio of (a) the area of the Premises taken to (b) the area of the Premises immediately before the Date of Condemnation. Unless Tenant gives Landlord the Termination Notice within the relevant thirty (30) day period, Tenant at its sole cost shall accomplish any restoration required by Tenant to use the Premises. All compensation, sums, or anything of value awarded, paid, or received on a total or partial Condemnation, including any "bonus value" of the Lease (the "Award") belongs to and must be paid to Landlord (except as provided below). Tenant has no right to any part of the Award, and Tenant hereby assigns to Landlord all of Tenant's right, title, and interest in and to any part of the Award, except that, notwithstanding anything above to the contrary, Tenant may receive from the Award any sum paid expressly to Tenant or Landlord from the Condemnor for Tenant's loss of or damage to Tenant's Personal Property, for restoration of the Premises, for relocation costs and any portion of the Award attributable to Tenant's good will. Landlord and Tenant waive the provisions of any statute (including California Code of Civil Procedure Section 1265.130 or any successor statute) that allows Landlord or Tenant to petition the superior court (or any other local court) to terminate this Lease in the event of a partial taking of the Premises.

19. Assignment and Other Transfers. Without Landlord's prior written consent, which may not unreasonably be withheld, conditioned or delayed, none of the following may occur (or be permitted by Tenant to occur), voluntarily, involuntarily, by operation of law, or otherwise (any of the following, a "Transfer"): any assignment, sublease, disposition, sale, concession, license, mortgage, encumbrance, hypothecation, pledge, collateral assignment, or other transfer, by Tenant of this Lease, any interest in this Lease, or all or any portion of the Premises. No Transfer releases or discharges Tenant from any liability, whether past, present, or future, under this Lease and Tenant continues to remain primarily liable under this Lease (and Tenant must execute a guaranty or other instrument prescribed by Landlord to ensure such continued liability). Tenant shall promptly reimburse Landlord for Landlord's actual, documented and reasonable costs of reviewing, consenting to, rejecting or consummating any proposed Transfer, including reasonable attorneys' fees (which costs and attorney's fees shall not exceed, in the aggregate, One Thousand Five Hundred Dollars ($1,500.00) in any one instance). Landlord shall notify Tenant of Landlord's consent or reasonable disapproval of any such Transfer within twenty (20) days after Landlord's receipt of the Transfer notice. Landlord's failure to respond to any such Transfer notice within such twenty (20) day period shall be deemed Landlord's approval of the Transfer. Notwithstanding the provisions of this Article 19 to the contrary, Tenant may assign this Lease or sublet the Premises or any portion thereof (herein, a "Permitted Transfer"), without Landlord's consent, to any holding company, corporation, association or entity which is or becomes a parent, subsidiary or affiliate of Tenant or any entity that controls, is controlled by or is under common control with Tenant, or to any entity resulting from a merger, consolidation or reorganization of Tenant, or to any person or entity that acquires all (or substantially all) of the stock or assets of Tenant's business as a going concern (a "Permitted Transferee"), provided that: (a) in the case of an assignment, the assignee assumes, in full, the obligations of Tenant, under

this Lease pursuant to a commercially reasonable assumption agreement, a fully executed copy of which is delivered to Landlord within thirty (30) days following the effective date of such assignment or subletting; (b) such transferee has the financial capability to fulfill the obligation imposed by the assignment or sublease; (c) Tenant remains fully liable under this Lease (if the entity comprising Tenant exists after the Transfer) and executes a guaranty of this Lease in form and substance satisfactory to Landlord; (d) the use of the Premises is permitted under this Lease; and (e) such transaction is not entered into as a subterfuge to avoid the restrictions and provisions of this Article 19. Landlord specifically acknowledges and agrees that as of the date of this Lease, Tenant is a publicly held company whose stock is traded on a nationally recognized exchange and that under no circumstances shall any transfer of such stock over such exchange be deemed a Transfer for purposes of this Lease. Tenant shall promptly pay to Landlord one-half of all rents and other consideration, of whatever nature, payable by the Proposed Transferee (or receivable by Tenant) pursuant to any Transfer, which exceeds (1) if a sublease of a portion of the Premises, the portion of the Basic Monthly Rent that is allocable to the portion of the Premises subleased (such allocation based on the area of the portion subleased), or (2) if any other Transfer, the Basic Monthly Rent.

20. Access by Landlord. Landlord and any of Landlord's agents or employees may enter the Premises at all reasonable times, during normal business hours if feasible under the circumstances, and after reasonable prior written notice, and only when accompanied by a representative of Tenant, if feasible under the circumstances, (i) to

determine whether the Premises are in good condition and whether Tenant is complying with its obligations under this Lease, (ii) to do any necessary maintenance or make any restoration to the Premises that Landlord has the right or obligation to perform, (iii) to serve, post, or keep posted any notices required or allowed under this Lease, (v) during the last nine (9) months of the Term, to post "for sale" or "for rent" or "for lease" signs, (vi) during the last nine (9) months of the Term, to show the Premises to brokers, agents, prospective buyers, prospective tenants, or other persons interested in a listing of, financing, purchasing, or occupying the Premises, and (vii) to shore the foundations, footings, and walls of the Premises, and to erect scaffolding and protective barricades around and about the Premises, but not so as to prevent entry to the Premises, and to do any other act or thing necessary for the safety or preservation of the Premises if any excavation or other construction is undertaken or is about to be undertaken on any adjacent property or nearby street. In the event of an emergency Landlord may enter the Premises at any time, without prior notice to Tenant, but Landlord shall use its best efforts to notify Tenant of its entry or anticipated entry as soon as possible. Landlord's rights under this paragraph extend, with Landlord's consent, to the owner of adjacent property on which excavation or construction is to take place and the adjacent property owner's agents, employees, officers, and contractors. Subject to rent abatement as expressly provided in Article 8 above and Landlord's indemnification of Tenant pursuant to Article 21 below, Landlord will not be liable for any inconvenience, disturbance, loss of business, nuisance, or other damage arising out of any entry on the Premises as provided in this Article 20 except damage resulting directly from the negligent acts of Landlord or Landlord's Invitees; provided, however, that Landlord shall use commercially reasonable efforts to minimize any interference with Tenant's Permitted Use of the Premises during any actions/activities undertaken by Landlord pursuant to this Article 20. Except as otherwise expressly provided in Article 8 above, Tenant will not be entitled to any abatement or reduction of rent because of the exercise by Landlord of any rights under this Article 20.

21. Indemnity and Exemption of Landlord from Liability. Tenant shall defend, indemnify, and hold harmless Landlord against all Claims (as defined below) and all costs, expenses, and attorneys' fees incurred in the defense or handling of any such Claims or any action or proceeding brought on any of such Claims. For purposes of this Lease, "Claims" means all liabilities, damages, losses, costs, expenses, attorneys' fees, and claims (except to the extent they result from Landlord's negligent acts or willful misconduct or Landlord's breach of this Lease) arising from or which seek to impose liability under or because of (i) Tenant's or Tenant's Invitees' use of the Premises, (ii) the conduct of Tenant's business, (iii) any activity, work, or things done or permitted by Tenant or any of Tenant's Invitees in or about the Premises or elsewhere, (iv) any breach or default in the performance of any obligation to be performed by Tenant under this Lease, (v) any negligence of Tenant or any of Tenant's Invitees, or (vi) any event, act or omission arising on, out of or around the Premises during the Term, except if resulting from Landlord's gross negligence or willful misconduct. Except to the extent caused by Landlord's grossly negligent acts or willful misconduct or Landlord's default under this Lease, Tenant assumes all risk of, Tenant waives all claims against Landlord in respect of, and Landlord is not liable for, any of the matters set forth above in this Article 21 or any of the following: injury to Tenant's business, loss of income from such business, or damage or injury to the goods, wares, merchandise, or other property or the person of Tenant, Tenant's Invitees, or any other persons in, on, or about the Premises, whether such damage, loss, or injury is caused by or results from criminal acts, fire, steam, electricity, gas, water, rain, the breakage, leakage, obstruction or other defects of pipes, sewer lines, sprinklers, wires, appliances, plumbing, air-conditioning or lighting fixtures, or any other cause, conditions arising about the Premises, or other sources or places, and regardless of whether the cause of such damage, loss, or injury or the means of repairing such damage, loss, or injury is inaccessible to Tenant. "Claims" also includes those arising from or relating to the following occurring after the Commencement Date: (i) any discharges, releases, or threatened releases of noise, pollutants, contaminants, herbicides, pesticides, insecticides, regulated substances, or hazardous or toxic wastes, substances, or materials (any of the preceding a "Hazardous Material") into ambient air, water, or land by Tenant or Tenant's Invitees, or otherwise from, on, under, or above the Premises, (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, or hazardous, regulated, or toxic wastes, substances, or materials by Tenant or Tenant's Invitees, or otherwise from, on, or under, the Premises, or (iii) a violation of any environmental or regulation law pertaining to the Premises, excluding violations pertaining to Hazardous Materials existing in, on or about the Premises as of the Commencement Date (which shall be Landlord's responsibility at Landlord's sole cost and expense as provided below). Notwithstanding anything above to the contrary, Landlord shall indemnify, defend, protect, and hold harmless Tenant, Tenant's Invitees and Tenant's officers, directors and partners from any Claims incurred in connection with or arising from (a) any cause in or about the Premises during the Term to the extent compensated by Landlord's insurance policies carried pursuant to the terms of this Lease, (b) any grossly negligent acts or omissions or willful misconduct of any of Landlord in, on, or about the Premises either prior to, during, or after the expiration of the Term, or (c) any Claims pertaining to the

Hazardous Materials existing in, on or about the Premises as of the Commencement Date, (d) Landlord's negligent acts to the extent established by the applicable court or arbitration panel, or (e) a breach or default in the performance of any obligation to be performed by Landlord under this Lease. Landlord's and Tenant's obligations under this Article 21 shall survive the expiration or sooner termination of this Lease.

22. Hazardous Materials. Tenant will not, in any manner whatsoever, be responsible for the investigation, removal, remediation or abatement of any Hazardous Materials or violation of any applicable laws related thereto to the extent that such Hazardous Materials existed in, on or about the Premises before the Commencement Date and Landlord acknowledges and agrees that Landlord shall be solely responsible, at Landlord's sole cost and expense, for any such investigation, removal, remediation or abatement. Neither Tenant nor any of Tenant's Invitees may use, manufacture, store, or dispose of any Hazardous Materials anywhere within the Premises which are or could (a) be detrimental to the Premises, human health, or the environment, except in accordance with all applicable laws and Landlord's reasonable prophylactic restrictions, or (b) adversely affect the value of the Premises. If the Premises are contaminated by any Hazardous Material during the Term, then (1) Tenant shall promptly notify Landlord in writing of such contamination, and (2) Landlord may elect to either (A) demand that Tenant perform all remediation required by Landlord (to Landlord's reasonable satisfaction and at Tenant's sole cost, necessary to return the Premises to at least as good a condition as the Premises are in as of the date of this Lease, which Tenant shall immediately do upon receipt of notice from Landlord, or (B) proceed to cause

such investigation, clean-up, and remediation work which Landlord deems reasonably necessary or desirable to be undertaken, whereupon the entire cost thereof (plus a supervisory fee equal to five percent (5%) of such cost) will be payable by Tenant to Landlord within thirty (30) days after Landlord's written demand as additional rent. If Tenant does not promptly commence and diligently pursue such remediation, then Landlord may perform or cause to be performed such remediation and Tenant shall, within thirty (30) days after Landlord's written demand, pay the actual, documented and reasonable cost thereof. Tenant's and Landlord's obligations and liability under this Article 22 shall survive the termination of Tenant's tenancy and the Term of this Lease, except that nothing contained in this Article 22 shall be deemed to impose liability on Tenant for any problem arising during or after the Term of this Lease provided neither Tenant nor Tenant's Invitees caused such problem during the Term of this Lease

23. Subordination and Attornment. This Lease and Tenant's rights under this Lease are subject and subordinate to any mortgage, deed of trust, ground lease, or underlying lease (and to all renewals, modifications, consolidations, replacements, or extensions thereof), now or hereafter affecting the Premises. The provisions of this paragraph are self operative, and no further instrument of subordination is required. In confirmation of such subordination, however, Tenant shall promptly execute and deliver any instruments that Landlord, any Lender, or the lessor under any ground or underlying lease, may request to evidence such subordination. Notwithstanding the preceding provisions of this paragraph, if any ground lessor or Lender elects to have this Lease prior to the lien of its ground lease, deed of trust, or mortgage, and gives written notice thereof to Tenant, then this Lease is deemed to be prior to the lien of such ground lease or mortgage and such ground lease, deed of trust, or mortgage shall be deemed to be subordinate to this Lease, and thereafter if such Lender or lessor succeeds to the rights of Landlord under this Lease, whether by foreclosure, deed in lieu of foreclosure or otherwise, then (i) such successor landlord will not be subject to any offsets or defenses which Tenant might have against Landlord, (ii) such successor landlord will not be bound by any prepayment by Tenant of more than one month's installment of rent, (iii) such successor landlord will not be subject to any liability or obligation of Landlord except those arising after such succession, (iv) Tenant shall attorn to and recognize such successor landlord as Tenant's landlord under this Lease, (v) Tenant shall promptly execute and deliver any instruments that may be necessary to evidence such attornment, and (vi) on such attornment, this Lease shall continue in effect as a direct lease between such successor landlord and Tenant. At the request of Landlord or any Lender, Tenant shall, within 14 days of request, execute any commercially reasonable Subordination, Non-Disturbance, and Attornment Agreements ("SNDA") in the applicable Lender's customary form. Notwithstanding any contrary provision of this Article 23, a condition precedent to the subordination of this Lease to any future mortgage, deed of trust, ground or underlying lease is that Landlord shall obtain for the benefit of Tenant a commercially reasonable SNDA from the mortgagee, beneficiary or lessor under such future instrument, pursuant to which the mortgagee, beneficiary or lessor will agree (i) not to disturb the possession of Tenant under the Lease upon any foreclosure or exercise of power of sale under such mortgage or deed of trust or termination of such ground or underlying lease, if Tenant is not in default hereunder (beyond the expiration of any applicable notice and cure periods), and (ii) will accept the attornment of Tenant thereafter as provided hereinbelow as long as Tenant is not in default under this Lease (beyond the expiration of any applicable notice and cure period).

24. Estoppel Certificates. Within 14 days after notice from Landlord, Tenant shall execute and deliver to Landlord, in recordable form, a certificate stating (i) that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating all modifications, (ii) the then current Basic Monthly Rent, (iii) the dates to which Basic Monthly Rent has been paid in advance, (iv) the amount of any security deposit, prepaid rent or other payment constituting rent which has been paid (including Operating Expenses), (v) whether or not Tenant or Landlord is in default under this Lease and whether there currently exist any defenses or rights of offset under the Lease, and (vi) such other matters as Landlord shall reasonably request. Tenant's failure to deliver the certificate within the 14 day period shall be conclusive upon Tenant for the benefit of Landlord, and any successor in interest to Landlord, any Lender or proposed Lender, and any purchaser of the Premises that, except as may be represented by Landlord, this Lease is unmodified and in full force and effect, no rent has been paid more than 30 days in advance, and neither Tenant nor Landlord is in default under this Lease.

25. Waiver. No delay or omission in the exercise of any right or remedy of Landlord or Tenant in the event of any default by the other shall impair such right or remedy or be construed as a waiver. The receipt and acceptance by Landlord of delinquent rent does not constitute a waiver of any default other than the particular rent payment accepted. Landlord's receipt and acceptance from Tenant, on any date (the "Receipt Date"), of an amount less than the amount due on such Receipt Date, or to become due at a later date but applicable to a period before the Receipt Date, does not release Tenant of its obligation (i) to pay the full amount due on such Receipt Date or (ii) to pay when due the full amount to become due at a later date but applicable to a

period before such Receipt Date. No act or conduct of Landlord, including the acceptance of the keys to the Premises, constitutes an acceptance by Landlord of the surrender of the Premises by Tenant before the Expiration Date. Only a written notice from Landlord to Tenant stating Landlord's election to terminate Tenant's right to possession of the Premises constitutes acceptance of the surrender of the Premises and accomplishes a termination of this Lease (except as otherwise expressly provided in this Lease). Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval may not be deemed to waive or render unnecessary Landlord's consent to or approval of any other or subsequent act by Tenant. Any waiver by Landlord or Tenant of any default must be in writing and does not constitute a waiver of any other default concerning the same or any other provision of this Lease. Tenant waives any rights granted to Tenant under California Code of Civil Procedure Section 1179, California Civil Code Section 3275, and any successor statute(s). Tenant represents and warrants that if Tenant breaches this Lease and, as a result, this Lease is terminated, Tenant will not suffer any undue hardship as a result of the termination and, during the Term, will make such alternative or other contingency plans to provide for its vacation of the Premises and relocation in the event of such termination. Tenant acknowledges that Tenant's waivers set forth in this paragraph are a material part of the consideration for Landlord's entering into this Lease and that Landlord would not have entered into this Lease in the absence of such waivers.

26. Brokers. Tenant and Landlord represents that no real estate broker, agent, finder, or other person is responsible for bringing about or negotiating this Lease except for Burnham Real Estate and Tenant and Landlord have not dealt with any real estate broker, agent, finder, or other person, relative to this Lease in any manner, other than Burnham Real Estate. Landlord is solely responsible for compensating Burnham Real Estate on account of this Lease in accordance with Landlord's separate written agreement with Burnham Real Estate, if any. Tenant and Landlord shall defend, indemnify, and hold harmless the other against all liabilities, damages, losses, costs, expenses, attorneys' fees and claims arising from any claims that may be made against Landlord by any real estate broker, agent, finder, or other person (other than Burnham Real Estate), alleging to have acted on behalf of or to have dealt with Landlord or Tenant, as the case may be.

27. Easements. Landlord may from time to time grant such easements, rights and dedications, and cause the recordation of parcel maps, easement and operating agreements, and restrictions affecting the Premises so long as such actions do not increase Tenant's obligations hereunder or unreasonably interfere with Tenant's use of and quiet enjoyment of, and beneficial occupancy of, the Premises. Tenant shall, at Landlord's sole cost and expense, promptly sign any commercially reasonable documents or instruments to accomplish the foregoing upon request by Landlord.

28. Limitations on Landlord's Liability. Tenant agrees that the liability of Landlord under this Lease (including any liability as a result of any actual or alleged failure, breach or default hereunder by Landlord), shall be limited solely to Landlord's interest in the Premises, including the rents, issues and profits of Landlord therefrom as well as any insurance and condemnation proceeds and no other assets of Landlord. Neither Landlord nor Landlord's affiliates, members, managers, shareholders, officers, directors, agents, or employees shall be personally liable for any liability with respect to this Lease.

29. Sale or Transfer of Premises. If Landlord sells or transfers any portion of the Premises, Landlord, on consummation of the sale or transfer and the assumption, in writing, by the transferee of Landlord's obligations hereunder, shall be released from any liability under this Lease. If any security deposit or prepaid rent has been paid by Tenant, Landlord shall transfer the security deposit or prepaid rent to Landlord's successor in interest and on such transfer Landlord shall be discharged from any further liability arising from the security deposit or prepaid rent.

30. Default by Landlord. Landlord shall be in default in the performance of any obligation required to be performed by Landlord under this Lease if (i) Landlord is obligated to make a payment of money to Tenant and Landlord fails to make such payment within ten (10) days after written notice from Tenant that the same was not paid when due, or (ii) such obligation is other than the payment of money and Landlord has failed to perform such obligation within thirty (30) days after the receipt of written notice from Tenant specifying in detail Landlord's failure to perform; provided however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be deemed in default if it commences such performance within such thirty (30) day period and thereafter diligently pursues the same to completion. If after such applicable cure periods the default remains uncured, Tenant may exercise any of its rights provided in law or at equity, including, but not limited to, termination of this Lease.

31. No Merger. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation of this Lease, or a termination by Landlord, shall not work a merger, and shall, at the option of Landlord, terminate any existing subleases or may, at the option of Landlord, operate as an assignment to Landlord of any such subleases.

32. Miscellaneous.

32.1. Governing Law. Venue and Jurisdiction. This Lease is governed by and construed in accordance with the laws of the State of California, irrespective of California's choice-of-law principles. All actions and proceedings arising in connection with this Lease must be tried and litigated exclusively in the State and Federal courts located in the County of San Diego, State of California, which courts have personal jurisdiction and venue over each of the parties to this Lease for the purpose of adjudicating all matters arising out of or related to this Lease. Each party authorizes and accepts service of process sufficient for personal jurisdiction in any action against it as contemplated by this paragraph by registered or certified mail, return receipt requested, postage prepaid, to its address for the giving of notices set forth in this Lease.

32.2. Further Assurances. Each party to this Lease shall execute and deliver all instruments and documents and take all actions as may be reasonably required or appropriate to carry out the purposes

of this Lease.

32.3. Time of Essence. Time and strict and punctual performance are of the essence with respect to each provision of this Lease.

32.4. Attorney's Fees. The prevailing party(ies) in any litigation, arbitration, bankruptcy, insolvency or other proceeding ("Proceeding") relating to the enforcement or interpretation of this Lease may recover from the unsuccessful party(ies) all costs, expenses, and actual attorney's fees (including expert witness and other consultants' fees and costs) relating to or arising out of (a) the Proceeding (whether or not the Proceeding proceeds to judgment), and (b) any post-judgment or post-award proceeding including, without limitation, one to enforce or collect any judgment or award resulting from the Proceeding. All such judgments and awards shall contain a specific provision for the recovery of all such subsequently incurred costs, expenses, and actual attorney's fees.

32.5. Modification. This Lease may be modified only by a contract in writing executed by the party to this Lease against whom enforcement of the modification is sought.

32.6. Prior Understandings. This Lease contains the entire and final agreement of the parties to this Lease with respect to the subject matter of this Lease, and supersede all negotiations, stipulations, understandings, agreements, representations and warranties, if any, with respect to such subject matter, which precede or accompany the execution of this Lease.

32.7. Interpretation. Whenever the context so requires in this Lease, all words used in the singular may include the plural (and vice versa) and the word "person" includes a natural person, a corporation, a firm, a partnership, a joint venture, a trust, an estate or any other entity. The terms "includes" and "including" do not imply any limitation. No remedy or election under this Lease is exclusive, but rather, to the extent permitted by applicable law, each such remedy and election is cumulative with all other remedies at law or in equity. The paragraph headings in this Lease: (a) are included only for convenience, (b) do not in any manner modify or limit any of the provisions of this Lease, and (c) may not be used in the interpretation of this Lease. All provisions, whether covenants or conditions, to be performed or observed by Tenant shall be deemed to be both covenants and conditions. The obligations of Tenant are the joint and several obligations of each of them.

32.8. Partial Invalidity. Each provision of this Lease is valid and enforceable to the fullest extent permitted by law. If any provision of this Lease (or the application of such provision to any person or circumstance) is or becomes invalid or unenforceable, the remainder of this Lease, and the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, are not affected by such invalidity or unenforceability.

32.9. Notices. Each notice and other communication required or permitted to be given under this Lease ("Notice") must be in writing. Notice is duly given to another party upon: (a) hand delivery to the other party, (b) receipt by the other party when sent by facsimile to the address and number for such party set forth in Article 2 (provided, however, that the Notice is not effective unless a duplicate copy of the facsimile Notice is promptly given by one of the other methods permitted under this paragraph), (c) three business days after the Notice has been deposited with the United States postal service as first class certified mail, return receipt requested, postage prepaid, and addressed to the party as set forth in Article 2, or (d) the next business day after the Notice has been deposited with a reputable overnight delivery service, postage prepaid, addressed to the party as set forth in Article 2 with next-business-day delivery guaranteed, provided that the sending party receives a confirmation of delivery from the delivery-service-provider. Each party shall make a reasonable, good faith effort to ensure that it will accept or receive Notices to it that are given in accordance with this Section 32.9. A party may change its address for purposes of this paragraph by giving the other party(ies) written notice of a new address in the manner set forth above.

32.10. Drafting Ambiguities. Each party to this Lease and its legal counsel have reviewed and revised this Lease. The rule of construction that ambiguities are to be resolved against the drafting party or in favor of the party receiving a particular benefit under an agreement may not be employed in the interpretation of this Lease or any amendment to this Lease.

32.11. Third Party Beneficiaries. Nothing in this Lease is intended to confer any rights or remedies on any person or entity other than the parties to this Lease and their respective successors-in-interest and permitted assignees.

32.12. Consents and Approvals. Except as otherwise provided in this Lease, any time the consent or approval of Landlord or Tenant is required under this Lease (including any approval rights of Landlord while acting as "Declarant" under any covenants, conditions or restrictions recorded against the Premises to the extent such approval pertains to rights granted to Tenant under this Lease), such consent or approval shall not be unreasonably withheld, conditioned or delayed, and whenever this Lease grants Landlord or Tenant the right to take action, exercise discretion, establish rules and regulations or make an allocation or other determination, Landlord and Tenant shall act reasonably and in good faith.

32.13. Relationship of Parties. Nothing contained in this

Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, lender and borrower, partnership, joint venturer or any association between Landlord and Tenant, it being expressly understood and agreed that neither the method of computation of rent nor any act of the parties hereto shall be deemed to create any relationship between Landlord and Tenant other than the relationship of landlord and tenant.

32.14. Quiet Possession. Tenant shall have quiet possession of the Premises for the entire Term hereof, subject to all of the provisions of this Lease.

LANDLORD: 10996 TORREYANA ROAD, L.P.,
a California limited partnership

By: Torreyana Biotech Properties Corp.,
a California corporation, General
Partner

By: /s/ Robert Emri

Robert Emri, President

TENANT: IDEC PHARMACEUTICALS CORPORATION,
a Delaware corporation

By: /s/ Phillip Schneider

SVP & CFO

By:

, its Secretary

EXHIBIT A

PREMISES

The land and improvements (including an approximately 82,890 gross-square-foot building) and any appurtenant easements, parking areas, driveways, access areas and other areas necessary for the beneficial occupancy of the Premises by Tenant and located on the land in San Diego, California, described as follows:

Lot 12 of Torrey Pines, Science Park Unit No. 2, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 8434, filed in the Office of the County Recorder of San Diego County, on December 10, 1976.

APN: 340-010-34

EXHIBITS B

ITEMS INCLUDED WITH PREMISES

INCLUDED ITEMS.

Built-in receptionist work station.

All office furniture, including desks, credenzas, work station chairs, file cabinets, conference room chairs and tables, book shelves, and all other miscellaneous office furniture (other than the excluded items listed below).

Outdoor tables and chairs.

Phone system including all phones.

Computer cabling and hub system.

Security system.

EXCLUDED ITEMS.

All office equipment, including computers, fax machines, copiers, printers, computer room equipment (other than that which by its installation has become a fixture therein), and all other miscellaneous office equipment.

Podium and easels.

Pictures, plants, and signage.

Hammers, drills and other tools used by maintenance staff.

Exhibit 10.45

March 8, 2004

name
address

Dear name:

This letter confirms your benefits as an executive of Biogen Idec.(1)

STOCK OPTIONS: You have been designated as a "designated employee" for purposes of Biogen Idec's 2003 Omnibus Equity Plan. If at any time within two years following a corporate transaction (as defined in this plan) your employment with Biogen Idec is terminated by Biogen Idec other than for cause (as defined in this plan), then each outstanding option or other security granted under this plan that is held by you will automatically accelerate so that the option or security immediately becomes fully exercisable and may be exercised for a period of one year following the termination of your employment or, if earlier, until the expiration of the option or security. Please read this plan for more details about the rights of a designated employee in the event of a corporate transaction and any applicable limitations. The same arrangement applies to all outstanding stock options granted to you under the Biogen, Inc. 1985 Non-Qualified Stock Option Plan and the IDEC Pharmaceuticals Corporation 1988 Stock Option Plan.

We encourage you to enter into a 10b5-1 trading plan. These types of plans, when executed according to applicable provisions, enable you to sell Biogen Idec securities on pre-specified conditions (e.g., when the price of a share of Biogen Idec common stock reaches a certain amount) and, therefore, allow you to sell outside quarterly "trading windows", whether or not you then possess material nonpublic information. Biogen Idec will reimburse you for brokerage fees paid by you on sales of Biogen Idec securities pursuant to a 10b5-1 trading plan above those fees (i.e., fees above $0.06/share) that ordinarily would be paid on sales of Biogen Idec securities. (Please note that Smith Barney's fees for sales of Biogen Idec securities pursuant to a 10b5-1 trading plan are the same as for ordinary sales, $0.06/share.)

VACATION: You are entitled to one additional week of vacation over and above the vacation offered to other employees with the same number of years of service.

SUPPLEMENTAL SAVINGS PLAN: You are entitled to participate in Biogen Idec's Voluntary Executive Supplemental Savings Plan. This plan allows you to defer receipt, on a pretax basis, of your base salary and bonuses. Additional information on this plan can be found on the corporate intranet site.

LIFE INSURANCE: Biogen Idec will provide you with life insurance coverage equal to three times your base salary, subject to your successfully meeting the medical standards stated in the executive group term life insurance policy for US employees. Biogen Idec will pay the premiums for this insurance.

SEVERANCE: You will receive a severance benefit of at least [six][nine] months pay and coverage under Biogen Idec's group medical and dental insurance plans in the event your employment is terminated by Biogen Idec other than cause (as defined in the executive severance document attached to this letter). Your severance benefits are explained in greater detail in the executive severance document.

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(1) This letter focuses on benefits different from those provided to other employees; it is not an exhaustive listing of your benefits.

IRC 280G EXCISE TAXES: In the event of a change in control (as defined in Section 280g of the Internal Revenue Code), compensation paid to an executive as a result of the change in control may trigger a punitive excise tax in addition to ordinary income taxes on the compensation, depending on the amount of the compensation. Biogen Idec will reimburse you for excise tax penalties incurred by you pursuant to IRC Section 280g on compensation paid by Biogen Idec as a result of a change in control, including gains from the exercise of stock options and vesting of restricted shares and the reimbursement for such penalties.

TAX PREPARATION AND/OR FINANCIAL PLANNING: Biogen Idec will provide you with an allowance of up to $[ ]* for use in the preparation of your Federal and/or state income taxes, for tax or financial planning, for estate planning (including preparation of personal wills), and for the purchase of tax preparation software. Please refer to Rick Fisher's memorandum dated February 13, 2004 for details of this benefit and the reimbursement process.

This letter (and the executive severance document) supersedes any prior correspondence and plans relating to the executive benefits described in this letter. Please contact your human resources business partner with any questions.

Sincerely,

/S/ Craig E. Schneier

Craig E. Schneier
Executive Vice President - Human Resources

/bk
Attachment

* See Schedule A

TAX AND FINANCIAL PLANNING REIMBURSEMENT FORM
BIOGEN IDEC

Name
Home address
Home city, state, zip
Telephone number

Please reimburse me for the following products or services in incurred:

Description	Amount*
- ----------	---------
- ----------	---------

Signature

Submit items for reimbursement to:

TRIAD
Xxx
Xxx
Xxx

* - Note items must include an invoice in order to be reimbursed.

SCHEDULE A

Tax preparation/Financial Allowance fees

William C. Rohn - $10,000

Executive Vice President - $7,500

EXHIBIT 12.1

BIOGEN IDEC INC AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES (1)
(IN THOUSANDS, EXCEPT RATIOS)

	Years Ended December 31,		
	2003	2002	2001
Income (loss) before income tax provision (benefit)	(880,624)	231,522	161,604
Fixed charges:			
Interest expense and amortization of original issue discount on all indebtedness	15,105	16,073	7,304
Interest included in rent expense	1,943	1,541	1,120
Total fixed charges	17,048	17,614	8,424
Income (loss) before income tax provision (benefit) and fixed charges	(863,576)	249,136	170,028
Ratio of earnings to fixed charges	--	14.14	20.18

(1) The ratio of earnings to fixed charges was computed by dividing earnings (loss) before income taxes and fixed charges by fixed charges for the periods indicated. Fixed charges include (i) interest expense and amortization of original issue discount on all indebtedness and (ii) a reasonable approximation of the interest factor deemed to be included in rental expense.

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Exhibit 21.1

LIST OF SUBSIDIARIES

ENTITY INCORPORATED - ---------- Biogen Idec MA Inc. Massachusetts Biogen Idec U.S. Corporation Massachusetts Biogen Idec U.S. Limited Partnership Massachusetts Biogen Idec Holding I Inc. Delaware Biogen Idec Holding II Inc. Delaware The Biogen Idec Foundation Inc. Massachusetts Biogen Idec (RTP) Realty LLC Delaware Biogen Idec Realty Corporation Massachusetts Biogen Idec Realty Limited Partnership Massachusetts Biogen Idec U.S. West Corporation Delaware Biogen Idec U.S. Pacific Corporation Delaware Biogen Idec Nobel Research Center, LLC Delaware Biogen Idec Trade Services Building, LLC Delaware Biogen Idec Manufacturing Operations, LLC Delaware Biogen Idec Canada Inc. Canada Biogen Idec Austria GmbH Austria Biogen Idec Belgium SA/NV Belgium Biogen Idec BV The Netherlands Biogen Idec International BV The Netherlands Biogen Idec (Denmark) A/S Denmark Biogen Idec (Denmark) Manufacturing ApS Denmark Biogen Idec Finland Oy Finland Biogen Idec France Biogen Idec GmbH Germany Biogen Idec Iberia SL Spain Biogen Idec Limited UK Biogen Idec Norway AS Norway Biogen Idec Portugal - Sociedade Farmaceutica, Portugal Unipessoal, Lda BiogenIdec Sweden AB Sweden Biogen Idec (Switzerland) GmbH Switzerland Biogen Dompe Srl Italy Biogen Dompe AG Switzerland Biogen Idec Australia Pty Ltd Australia Biogen Idec Japan Ltd. Japan Idec Seiyaku KK Japan Biogen Idec (Bermuda) Investments Limited Bermuda Biogen Idec (Bermuda) Investments II Limited Bermuda Biotech Manufacturing C.V Netherlands - ----------

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Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-89792 and 333-85339), Registration Statement on Form S-4 (No. 333-107098) and Registration Statements on Form S-8 (Nos. 333-97211, 333-106794, 333-65494, 333-47904, 333-81625, 333-110432 and 333-110433) of Biogen Idec Inc. of our report dated March 8, 2004 relating to the financial statements and financial statement schedule as of December 31, 2003 and for the year then ended, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
March 8, 2004

EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Biogen Idec Inc.:

We consent to incorporation by reference in the registration statements (Nos. 333-106794, 333-110432, 333-110433, 333-97211, 333-65494, 333-47904 and 333-81625) on Form S-8, in the registration statement (No. 333-107098) on Form S-4, and in the registration statements (Nos. 333-89792 and 333-85339) on Form S-3 of IDEC Pharmaceuticals Corporation of our report dated January 29, 2003, relating to the consolidated balance sheets of IDEC Pharmaceuticals Corporation and subsidiaries as of December 31, 2002, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the two-year period ended December 31, 2002, and the related consolidated financial statement schedule, which report appears in the 2002 Annual Report on Form 10-K of IDEC Pharmaceuticals Corporation.

/s/ KPMG LLP
KPMG LLP

San Diego, California
March 9, 2004

Exhibit 31.1

SECTION 302 CEO CERTIFICATION

I, James C. Mullen, certify that:

1. I have reviewed this annual report of Biogen Idec Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2004

/s/ James C. Mullen

James C. Mullen

Chief Executive Officer and President

Exhibit 31.2

SECTION 302 CFO CERTIFICATION

I, Peter N. Kellogg, certify that:

1. I have reviewed this annual report of Biogen Idec Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2004

/s/ Peter N. Kellogg

Peter N. Kellogg
Executive Vice President, Finance
and Chief Financial Officer

Exhibit 32.1

SECTION 906 CEO/CFO CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) each of the undersigned officers of Biogen Idec Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2003 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 9, 2004

/s/ James C. Mullen

James C. Mullen
Chief Executive Officer and President

Dated: March 9, 2004

/s/ Peter N. Kellogg

Peter N. Kellogg
Executive Vice President, Finance and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.