

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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CAMBRIDGE NEUROSCIENCE INC

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Mailing Address
*ONE KENDALL SQ
BLDG 700
CAMBRIDGE MA 02139*

Business Address
*ONE KENDALL SQ BUILD 700
CAMBRIDGE MA 02139
6172250600*

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
DECEMBER 23, 1996

CAMBRIDGE NEUROSCIENCE, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	0-19193	13-3319074
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

ONE KENDALL SQUARE, BUILDING 700, CAMBRIDGE, MASSACHUSETTS 02139
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code:
(617) 225-0600

ITEM 5. OTHER.

On December 23 1996, Cambridge NeuroScience, Inc. (the "Company"), The J. David Gladstone Institutes ("Gladstone") and The Regents of the University of California (the "University") entered into a collaboration for the development of treatments for Alzheimer's disease and other neurological diseases, disorders or injuries. In connection with the collaboration, the Company formed a subsidiary, Cambridge NeuroScience Partners, Inc. ("CNPI"). The Company purchased 80% of the outstanding common stock of CNPI and made a \$1.25 million equity investment in CNPI immediately prior to the consummation of the collaboration. The University and Gladstone own 5% and 15%, respectively, of the outstanding shares of CNPI common stock. In connection with the collaboration, the parties executed a Sponsored Research and Collaboration Agreement, an Option Agreement and a Stockholders' Rights Agreement (the "Agreements"). Pursuant to the terms of the collaboration, Gladstone will conduct a research program over a three-year period, for which CNPI will provide at least \$1.25 million in funding per year. The University granted CNPI an exclusive three-year option to negotiate an exclusive worldwide, royalty-bearing license for patentable rights in intellectual property covered by or arising from the research program within the field, subject to certain terms and conditions set forth in the option agreement. CNPI paid the University an initial license option fee and will make additional option fee payments during the term of the research program and, if applicable, upon exercise of the option. The final terms of such license have not been determined but will require ongoing commitments and expenditures, in addition to royalty payments, by CNPI. There can be no assurance that such commitments and other terms will be favorable to CNPI and/or the Company. The University and Gladstone also granted CNPI a right of first negotiation for an exclusive license for inventions arising from the research program outside of the field. The Company has guaranteed CNPI's obligations with respect to the collaboration, including CNPI's financial obligations. The information contained in the Agreements is incorporated herein by reference and filed as Exhibits 99.1, 99.2 and 99.3 hereto.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(c) Exhibits.

EXHIBIT

NO.	DESCRIPTION
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-
- 99.1* Sponsored Research and Collaboration Agreement dated as of December 23, 1996 between The J. David Gladstone Institutes and Cambridge NeuroScience Partners, Inc. Filed herewith.
- 99.2* Option Agreement dated as of December 23, 1996 by and among The Regents of the University of California, Cambridge NeuroScience Partners, Inc. and Cambridge NeuroScience, Inc. Filed herewith.
- 99.3* Stockholders' Rights Agreement dated as of December 23, 1996 by and among Cambridge NeuroScience Partners, Inc., Cambridge NeuroScience, Inc., The J. David Gladstone Institutes and The Regents of the University of California. Filed herewith.
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* Confidential portions have been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: December 30, 1996

CAMBRIDGE NEUROSCIENCE, INC.

By: /s/ Harry W. Wilcox, III

Harry W. Wilcox, III
Senior Vice President, Finance and Business
Development; Chief Financial Officer

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* Confidential portions have been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Confidential material omitted and filed separately with the Securities and Exchange Commission. Asterisks denote such omissions.

SPONSORED RESEARCH AND COLLABORATION AGREEMENT

by and between

THE J. DAVID GLADSTONE INSTITUTES

and

CAMBRIDGE NEUROSCIENCE PARTNERS, INC.

dated as of December 23, 1996

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SPONSORED RESEARCH AND COLLABORATION AGREEMENT

THIS SPONSORED RESEARCH AND COLLABORATION AGREEMENT ("Agreement"), effective as of December 23, 1996 (the "Effective Date"), is made and entered into by and between Cambridge NeuroScience Partners, Inc. ("CNPI"), a Delaware corporation with its principal offices at One Kendall Square, Building 700, Cambridge, MA 02139, and The J. David Gladstone Institutes ("GLADSTONE"), a charitable trust with offices located at Irvine and San Francisco, California.

WHEREAS, CNPI desires to sponsor a program of research at GLADSTONE under the direction of the Principal Investigator described in the Research Plan attached as Exhibit A hereto;

WHEREAS, GLADSTONE desires to promote scientific inquiry and the public benefit by conducting further research in the subject area of the Research Plan;

WHEREAS, CNPI desires to conduct collaborative research and to obtain certain rights and licenses to inventions and technology arising out of or in connection with such a program of research; and

WHEREAS, GLADSTONE is obligated to disclose and assign to the Regents of the University of California ("The Regents"), a California corporation, in accordance with an agreement dated June 8, 1977, as amended on March 27, 1984 and January 21, 1986 (the "Gladstone/Regents Agreement") all patentable rights in intellectual property arising from research conducted by GLADSTONE investigators under this Agreement, and, if The Regents elects to secure patent protection for such rights, pursuant an Option Agreement of even date herewith by and between The Regents and CNPI (the "Option Agreement"), The Regents is obligated to grant CNPI exclusive rights to such patentable rights to the extent provided in this Agreement and permitted under applicable law. If The Regents elects not to secure patent protection for such rights and releases such rights to the GLADSTONE investigator named as the inventor, the GLADSTONE investigator is obligated, if requested by GLADSTONE, to assign such rights to GLADSTONE.

NOW, THEREFORE, in consideration of the promises and undertakings set forth above and hereinafter, the parties hereto agree as follows:

1. DEFINITIONS

1.1. "Field" shall mean the "Field of Use" as that term is defined in the Option Agreement.

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1.2. "Party" shall mean GLADSTONE or CNPI except for purposes of Articles 6 and 8 and Section 10.1 hereof, wherein "Party" shall mean GLADSTONE/Regents (as defined therein) or CNPI.

1.3. "Research Program" shall mean a program of research in the Field mutually agreed to in writing by the Parties in accordance with the quarterly meetings to be held pursuant to Section 5.1 hereof and as further described in the Research Plan and Budget attached as Exhibit A hereto and made a part of this Agreement.

2. INVESTIGATORS

2.1. PRINCIPAL INVESTIGATOR. For the purpose of this Agreement and pursuant to GLADSTONE policy, Dr. Robert W. Mahley is designated the Principal Investigator (the "Principal Investigator") who shall be responsible for the administration, direction and content of the Research Program, including budgeting and revisions to the budget reasonably necessary to accomplish the Research Program, subject to the approval of CNPI, which approval shall not be unreasonably withheld or delayed. Should the Principal Investigator leave GLADSTONE or otherwise become unavailable during the term of this Agreement,

GLADSTONE may nominate a replacement, subject to the approval of CNPI. If CNPI does not accept the replacement, the Research Program and budget may be modified to reflect a reduced scope of work or terminated on thirty (30) days' prior written notice at the option of CNPI in its sole discretion. CNPI hereby agrees that Dr. Karl H. Weisgraber is an acceptable replacement.

2.2. CO-INVESTIGATOR. CNPI agrees to assign Dr. Robert N. McBurney (the "Co-Principal Investigator") to direct CNPI's participation in the Research Program. CNPI reserves the right to substitute a new Co-Principal Investigator at any time without the prior approval of GLADSTONE.

3. RESEARCH PROGRAM

3.1. GENERAL. Principal Investigator will use his best efforts to conduct the Research Program. The Research Program shall be under the direction of Principal Investigator and shall be conducted at GLADSTONE. Modifications to the Research Program may be made from time to time, as mutually agreed upon in writing by GLADSTONE and CNPI.

3.2. RECORDS. The Principal Investigator and other personnel at GLADSTONE assisting the Principal Investigator in the Research Program will keep accurate scientific records relating to the Research Program and will make such records available to CNPI during normal business hours upon reasonable notice. It is understood that such records shall include detailed, witnessed laboratory notebooks sufficient to document any patentable inventions made in the course of the Research Program. Upon request by CNPI, and at its expense, the Principal Investigator agrees promptly to provide copies of all such materials to CNPI. It is understood by the Parties that CNPI owns its own records and laboratory notebooks as well as those of the Co-Principal Investigator and GLADSTONE owns the Principal Investigator's records and laboratory notebooks and the data contained therein.

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3.3. CONSULTATION AND ACCESS. The Co-Principal Investigator and/or his designees may consult informally with the Principal Investigator, both in person and by telephone, regarding performance of the Research Program. The Co-Principal Investigator and/or his designees shall have reasonable access to the GLADSTONE facilities where the Research Program is being conducted at times convenient to GLADSTONE and after reasonable notice.

4. FUNDING AND RECORDS

4.1. FUNDING. As consideration for conducting the Research Program, CNPI agrees to fund Principal Investigator's activities under the Research Program. The level of funding as set forth in the budget attached hereto as Exhibit A (the "Budget") shall be: One Million Two Hundred and Fifty Thousand Dollars (\$1,250,000.00) in the first year; a minimum of One Million Two Hundred and Fifty Thousand Dollars (\$1,250,000.00) in the second year; and a minimum of One Million Two Hundred and Fifty Thousand Dollars (\$1,250,000.00) in the third year. All funds shall be paid on a semi-annual basis, in advance.

4.2. FUNDING COMMITMENT. Unless this Agreement is earlier terminated pursuant to Article 8 hereof, CNPI agrees to provide the total minimum amount of funding for the three years of the Research Program as set forth in Section 4.1 above.

4.3. EQUIPMENT. Title to supplies or equipment purchased under the Research Program shall vest in GLADSTONE.

4.4. USE OF FUNDS. GLADSTONE shall monitor expenditures in accordance with its policies to ensure that the funds provided by CNPI are properly spent in the performance of the Research Program.

5. MEETINGS AND REPORTS

5.1. MEETINGS. Joint scientific meetings between GLADSTONE and CNPI shall occur quarterly during the term of this Agreement to discuss the results generated under the Research Program and to consider modifications to the Research Program based upon such results. Such meetings shall occur at CNPI or GLADSTONE at such times as shall be determined by mutual agreement of GLADSTONE and CNPI, at CNPI's expense, and shall be attended by Principal Investigator and designated members of the GLADSTONE research group, and representatives of CNPI.

5.2. REPORTS. GLADSTONE shall promptly disclose data and information obtained under the Research Program in written quarterly reports to CNPI.

6. INTELLECTUAL PROPERTY RIGHTS

6.1. Definitions.

(a) "Materials" shall mean any tangible biological, chemical or physical materials.

(b) "New Invention" shall mean any potentially patentable invention arising from the Research Program which is (i) conceived during the term of this Agreement by employees or agents of GLADSTONE or by employees or agents of both GLADSTONE and CNPI jointly and (ii) constructively or actually reduced to practice during the term of this Agreement.

(c) "New Opportunity" shall mean any potentially patentable invention arising from the Research Program other than New Inventions which is conceived during the term of this Agreement by employees or agents of GLADSTONE but which is not reduced to practice, either actually or constructively, during the term of this Agreement.

(d) "Option/License Agreement" shall mean the Option Agreement and any License Agreement (as it may be amended from time to time) resulting from the exercise of the Option (as defined in the Option Agreement).

(e) "Program Materials" shall mean Materials that are discovered or developed in the performance of the Research Program.

(f) "Research Results" shall mean all data, test results, laboratory notes, techniques, know-how, and any other research results that are obtained in the performance of the Research Program. The term "Research Results" shall not include any Program Materials, patentable inventions, claims of copyright or other intellectual property based on Research Results.

6.2. OWNERSHIP OF NEW INVENTIONS. All rights to New Inventions made solely by GLADSTONE's employees and agents and arising from research conducted under this Agreement shall belong to GLADSTONE, subject to the rights of The Regents pursuant to the GLADSTONE/Regents Agreement (GLADSTONE and The Regents are hereinafter referred to as "GLADSTONE/Regents"). CNPI shall cause its employees and agents to assign all rights to New Inventions to CNPI. All rights to New Inventions made jointly by GLADSTONE's employees or agents with one or more employees or agents of CNPI and arising from research conducted under this Agreement shall belong jointly to GLADSTONE/Regents and CNPI. CNPI shall be granted rights under the Option/License Agreement to GLADSTONE's and The Regents' interest in New Inventions in the Field in accordance with the terms thereof and CNPI shall be granted rights under The Regents' interest in New Inventions outside the Field in accordance with Section 6.4 below. The Regents agrees to assert rights to the Invention (as defined in the Option/License Agreement) and New Inventions both in and outside of the Field.

6.3. DISCLOSURE OF NEW INVENTIONS IN THE FIELD. Each Party shall promptly

disclose to the other Party any New Inventions in the Field arising under this Agreement. The Party to whom such New Invention is disclosed agrees to hold such disclosure on a confidential basis. The rights of CNPI to license New Inventions in the Field are governed by the Option/License Agreement.

6.4. New Inventions Outside the Field.

(a) GLADSTONE/Regents shall promptly disclose to CNPI any New Inventions outside the Field arising under this Agreement. The Party to whom such New Invention is disclosed agrees to hold such disclosure on a confidential basis.

(b) To the extent that GLADSTONE and The Regents have the legal right to do so, CNPI shall be entitled to an exclusive license to GLADSTONE's and Regents' interest in each New Invention outside the Field on terms to be negotiated in good faith between the Parties as set forth herein. CNPI agrees to notify GLADSTONE/Regents in writing within ninety (90) days of disclosure of the applicable New Invention outside the Field as to whether or not it wishes to negotiate a license to such New Invention. Upon CNPI's affirmative election to negotiate a license, GLADSTONE/Regents agree to negotiate in good faith with CNPI for a period of one hundred and eighty (180) days to conclude, at CNPI's option, either a license or option agreement for such New Invention. Such license or option agreement shall include reasonable terms typically found in licensing agreements and provide for diligent development of the New Invention and CNPI's obligation to reimburse GLADSTONE/Regents for patent expenses incurred by GLADSTONE/Regents with respect to such New Invention up to and including the effective date of such license or option agreement. If, at the end of such one hundred and eighty (180) day period, CNPI and GLADSTONE/Regents are unable to agree on terms for the license or option agreement, then, unless the Parties agree to extend the negotiation period, CNPI shall promptly deliver to GLADSTONE/Regents a final proposal detailing the terms on which it would enter into such an agreement (the "Final Proposal"). GLADSTONE/Regents shall have thirty (30) days from receipt of the Final Proposal to notify CNPI of its willingness to enter into an agreement on such terms. If GLADSTONE/Regents does not so notify CNPI, then GLADSTONE/Regents shall be free to dispose of the relevant New Invention in accordance with GLADSTONE/Regents' policy; provided, however, that, for a period of two (2) years from the expiration of such thirty (30) day period, if GLADSTONE/Regents proposes to enter into any such arrangement with a third party on the terms set forth in the Final Proposal or on terms more favorable to the third party than the terms contained in the Final Proposal, then (i) GLADSTONE/Regents shall deliver to CNPI a notice specifying such terms (an "Offer Notice"), (ii) CNPI shall have fifteen (15) days from receipt of the Offer Notice to either waive its first refusal right or notify GLADSTONE/Regents of its desire to negotiate in good faith a definitive agreement reflecting such terms (the "Acceptance Notice") and (iii) if, at the end of thirty (30) days from the Acceptance Notice, CNPI and GLADSTONE/Regents fail to enter into a definitive agreement reflecting such terms, then the parties shall submit any disputed issues regarding such agreement to binding arbitration pursuant to Section 10.1 hereof. If CNPI waives its first refusal right with respect to the terms set forth in the Offer Notice or fails to

deliver to GLADSTONE/Regents an Acceptance Notice within the requisite fifteen (15) day period, then GLADSTONE/Regents shall be free to enter into an arrangement for the relevant New Invention with a third party, the terms of such arrangement

to be no more favorable to the third party than those set forth in the Offer Notice if entered into during the aforementioned two (2) year period.

(c) If CNPI elects not to secure a license, then rights to such New Invention may be disposed of by GLADSTONE/Regents with no further obligation to CNPI.

6.5. Responsibility for Patent Filing and Prosecution.

(a) GLADSTONE/Regents shall control the preparation, filing and prosecution of patent applications that are owned solely by GLADSTONE/Regents and filed by GLADSTONE/Regents in connection with New Inventions in the Field as provided in the Option/License Agreement.

(b) In the case of patent applications owned solely by GLADSTONE/Regents and filed by GLADSTONE/Regents in connection with New Inventions outside the Field, GLADSTONE/Regents shall provide CNPI in a timely manner with copies of all patent applications filed by GLADSTONE/Regents in connection therewith that may be or have been licensed to CNPI pursuant to this Article 6 and/or the Option/License Agreement, as well as those documents involved in the prosecution thereof, so that CNPI shall have an opportunity to provide comment on any such applications and documents. Unless CNPI either (a) notifies GLADSTONE/Regents pursuant to Section 6.4(b) that it does not wish to negotiate a license to a New Invention or (b) fails, within the ninety (90)-day period set forth in the said sentence, to notify GLADSTONE/Regents that it wishes to negotiate such a license, CNPI shall bear the expenses associated with the filing and prosecution of patent applications covering New Inventions outside the Field. GLADSTONE/Regents will not abandon any such application without the consent of CNPI for so long as CNPI agrees to pay for the expenses thereof. In the event that GLADSTONE/Regents elects to abandon any patent application with CAMBRIDGE NuCo's consent, CNPI may, in its sole discretion, elect to take title to such patent application and continue prosecution of such application, in which event GLADSTONE/Regents agrees to assign all of its rights thereto to CNPI.

(c) CNPI shall control the preparation, filing, prosecution and maintenance of patent applications that are jointly owned by CNPI and

GLADSTONE/Regents. Such applications shall be prepared, filed and prosecuted by patent counsel reasonably acceptable to GLADSTONE/Regents. The Principal Investigator and GLADSTONE/Regents shall cooperate fully with and provide assistance to CNPI (or if the parties agree to have GLADSTONE/Regents exercise control, CNPI shall cooperate fully with and provide assistance to GLADSTONE/Regents) in connection with the preparation, filing, prosecution and maintenance of such jointly-owned patent applications, including, without limitation, execution of all documents and performance of all acts reasonably necessary to file and prosecute such patent applications and maintain, enforce and defend such patents. Each of CNPI and GLADSTONE/Regents shall provide the other in a timely manner with copies of all jointly-owned patent applications filed by each pursuant to Article 6, as well as those documents involved in the prosecution thereof, so that the other shall have an opportunity to provide comment on any such applications and documents. CNPI shall bear the expenses associated with the filing and prosecution of such jointly-owned patent applications. Neither Party shall abandon any such application without thirty (30) days notice to the other.

6.6. Research Results and Program Materials; Reserved Rights.

(a) CNPI shall have the unrestricted royalty-free right to use Research Results for any purpose; provided, however, that CNPI shall not use Research Results for commercial purposes unless it first obtains a commercial license thereto if such use would infringe any claim of a patent application or an issued patent as to which CNPI has not theretofore obtained a license for any reason pursuant to the Option/License Agreement or Section 6.4(b) hereof. CNPI shall have the right to use Program Materials for internal research programs. In the event that (i) CNPI desires to obtain a commercial license to any Program Materials that are not patentable or (ii) GLADSTONE/Regents determines that it desires to grant a commercial license for any such Program Materials, CNPI shall, in either case, have a right of first negotiation with respect to such a license and the Parties shall negotiate such a license in good faith in accordance with the procedures set forth in Section 6.4(b) hereof. GLADSTONE/Regents shall have the unrestricted right to use the Research Results for any purpose, subject to Section 7.2 hereof.

(b) GLADSTONE/Regents reserves the right to use any Program Materials free of charge for its own research and educational purposes only. GLADSTONE further retains the right to distribute any Program Material to others engaged in non-commercial research, free of charge, under a written Gladstone Material Transfer Agreement which provides that use shall be restricted to

non-commercial research. Prior to any transfer of Program Materials pursuant to the preceding sentence, GLADSTONE/Regents shall cause any investigator and/or institution to whom Program Materials are provided to enter into an agreement setting forth publications procedures substantially similar to those set forth in Sections 7.1 and 7.2 hereof providing CNPI with the right to review and comment on publications to be made by such investigator and/or institution and to remove any Confidential Information of CNPI. The Principal Investigator shall provide CNPI with a list for its records of the investigators and institutions to whom Program Materials have been provided as described under this Section 6.6(b) and shall keep the list current.

6.7. RIGHT TO FUND RESEARCH REGARDING NEW OPPORTUNITIES. At least sixty (60) days prior to expiration or termination (except by GLADSTONE/Regents under Section 8.2) of this Agreement, the Principal Investigator will disclose each New Opportunity to CNPI in confidence and propose a program of research to actually reduce such New Opportunity to practice. CNPI shall have the first right to fund such additional research, such right to be exercised by written notice to GLADSTONE/Regents within forty-five (45) days of disclosure of such New Opportunity and program. Thereafter, the parties will promptly enter into a Sponsored Research Agreement covering such research. Promptly following the expiration or termination (except by GLADSTONE/Regents under Section 8.2) of this Agreement, GLADSTONE/Regents will disclose any New Opportunities which arose during the period since the original disclosure of New Opportunities, and CNPI will have a first right to fund research to actually reduce such New Opportunity to practice as set forth above. CNPI's rights under this Section 6.7 shall apply even if GLADSTONE/Regents constructively reduces a New Opportunity to practice by filing a patent application prior to the expiration of the (45) day period described above.

6.8. INVENTION KNOW-HOW. GLADSTONE/Regents agrees to provide CAMBRIDGE NuCo with reasonable access to any technical information, experimental data and/or tangible

Confidential material omitted and filed separately with the Securities and Exchange Commission. Asterisks denote such omissions.

research materials relating to the Invention (as defined in the Option Agreement) for the purpose of evaluating its interest in exercising its Option under the Option Agreement.

6.9. WARRANTIES REGARDING THE INVENTION. GLADSTONE warrants that Dr. Robert W. Mahley has not published or publicly presented any of the data or research results contained in U.S. Patent Applications Serial ***** and covering the Invention as defined in the Option Agreement.

6.10. NO OTHER RIGHTS. Nothing contained in this Agreement shall be deemed to grant either directly or by implication, estoppel, or otherwise any license under any patents, patent applications, or other proprietary interests to any other invention, discovery, or improvement of any Party.

7. PUBLICATION AND CONFIDENTIALITY

7.1. Publication Rights.

(a) Subject to the rights granted to CNPI pursuant to this Agreement, including without limitation Section 7.2, the Principal Investigator shall have the right to publish or otherwise disclose all technical reports, information and/or data developed by the Principal Investigator under this Agreement. In connection with any publication or disclosure by the Principal Investigator during the term of this Agreement or after of such reports, information and/or data, CNPI may request that Principal Investigator include an appropriate acknowledgement of CNPI's sponsorship of the Research Program in such publication or disclosure.

7.2. Limitations on Publication.

(a) To avoid loss of patent rights as a result of premature public disclosure of patentable information, the Principal Investigator and GLADSTONE each agree to submit to CNPI, at least thirty (30) days prior to submission for publication or disclosure, any and all materials intended for publication or disclosure relating to technical reports, data, or information developed by the Principal Investigator and/or other personnel at GLADSTONE assisting the Principal Investigator under this Agreement. In the event CNPI believes patentable subject matter is disclosed in such materials it shall, within fifteen (15) days of its receipt thereof, notify GLADSTONE and publication or disclosure will thereupon be withheld for a period of up to ninety (90) days from the date of receipt by CNPI of the proposed publication or other disclosure so that a patent application covering such invention may be prepared and filed as provided in Section 6.3. Further, if CNPI believes that such materials contain Confidential Information (as defined below) of CNPI, the Principal Investigator and GLADSTONE agree to remove such Confidential Information from the proposed publication or disclosure. Further, in the case of a publication based on the results of x-ray crystallography, GLADSTONE agrees that the three-dimensional coordinates of any target molecules will not be published until such publication is required under the policy of the academic journal in which the results were first published.

(b) CNPI agrees that, during the term of this Agreement and after, CNPI will appropriately acknowledge the contributions of the Principal Investigator and GLADSTONE in any publication or disclosure by CNPI of Research Results and data based upon the Research Program. In addition, CNPI agrees to provide the Principal Investigator a copy of any such publication or disclosure in confidence for information purposes at least thirty (30) days before public release of such publication or disclosure. The Principal Investigator shall have the right to reasonably edit any such publications or disclosures which are jointly authored by Principal Investigator. The foregoing shall not apply to press releases of Cambridge NeuroScience, Inc. ("CNSI") and/or CNPI issued in the ordinary course of business or to reports filed by CNSI and/or CNPI with the National Association of Securities Dealers, the Securities and Exchange Commission or any other governmental agency in accordance with applicable laws or regulations.

7.3. CONFIDENTIALITY. Either Party, from time to time, in connection with the Research Program, may disclose Confidential Information to the other Party. For purposes of this Agreement, "Confidential Information" shall mean confidential and proprietary information and materials that are designated as confidential in writing by the providing Party, whether by letter or by use of an appropriate stamp or legend, prior to or at the same time any such information or materials are disclosed. Notwithstanding the foregoing to the contrary, materials and other information which are orally, visually or electronically disclosed, or are disclosed in writing without an appropriate letter, stamp, or legend, shall constitute Confidential Information if the providing Party, within thirty (30) days after such disclosure, delivers to the other Party a written document or documents describing the materials and identifying the Confidential Information. The Parties agree, to the extent permitted by law, that Confidential Information shall remain the property of the providing Party. Each of the Parties further agree to use its best efforts to insure that Confidential Information shall not be disclosed, divulged or otherwise communicated to third parties or used for any purposes other than to conduct the Research Program, provided that the obligations under this Section 7.3 shall not apply to information that:

(a) is in possession of the recipient at the time of disclosure thereof as demonstrated by written records;

(b) is or later becomes part of the public domain through no fault of the recipient;

(c) is received by the recipient from a third party having no obligation of confidentiality to the providing Party;

(d) is developed independently by the recipient without use of Confidential Information; or

(e) is required by law or regulation to be disclosed; provided,

however, that recipient has provided written notice to providing Party promptly to enable the providing Party to seek a protective order or otherwise prevent disclosure of such information.

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Confidential material omitted and filed separately with the Securities and Exchange Commission. Asterisks denote such omissions.

8. TERM AND TERMINATION

8.1. TERM. The term of this Agreement ("Term") shall commence on the Effective Date and continue in full force for three (3) years from and after the Effective Date, unless earlier terminated in accordance with Section 2.1 or this Article 8. This Agreement may be renewed or extended by mutual written consent of the Parties within thirty (30) days prior to expiration.

8.2. TERMINATION FOR BREACH. If either Party materially breaches any material warranty, term or condition of this Agreement (including but not limited to CNPI's failure to make any payments due and the failure of GLADSTONE and/or the Principal Investigator to diligently perform its or his respective obligations with respect to the Research Program in substantial accordance with Exhibit A hereto) and fails to remedy such material breach within sixty (60) days after receipt of notice in writing of such material breach from the other Party, the non-breaching Party, at such Party's option and in addition to any other remedies that such Party may have in law or in equity, may terminate this Agreement by sending written notice of termination with immediate effect to the other Party.

8.3. EFFECT OF TERMINATION. Termination of this Agreement shall not affect the rights and obligations of the parties which accrued hereunder except as provided under this Section 8.3.

(a) In the event that this Agreement is terminated for any reason, GLADSTONE will proceed in an orderly fashion to terminate any outstanding commitments and to stop the Research Program as soon as it is practicable to do so. All documented costs reasonably incurred by GLADSTONE in connection with such termination will be considered reimbursable costs, including costs incurred prior to the notice of termination but which have not yet been reimbursed, and commitments existing at the time the notice of termination is received which by their terms cannot be canceled. This shall include all non-cancelable contracts entered into and fellowships or postdoctoral associate appointments offered and accepted prior to the effective date of termination. After termination, any obligation of CNPI to GLADSTONE with respect to fellowships or postdoctoral

associate appointments shall end as soon as possible consistent with GLADSTONE personnel policies and in no event later than ***** from the date of notice of termination. In no case will such reimbursement exceed the total estimated projected cost of the Research Program, unless otherwise mutually agreed to by the Parties. Termination of this Agreement shall not relieve CNPI from the obligation to make any payments due and payable to GLADSTONE as of the date of termination. GLADSTONE shall have the right to retain, in full, payments received pursuant to Section 4.1 prior to the date of termination.

(b) In the event this Agreement is terminated by CNPI pursuant to Sections 2.1 or 8.2 above,

- (i) CNPI's exclusive option for an exclusive license under the Option Agreement or additional exclusive licenses under the License Agreement, as the case may be, shall continue in full force and effect with respect to the Invention (as defined therein) and any

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New Inventions arising on or prior to the date on which the Research Program is terminated pursuant to clause (a) above, and the Option Agreement shall not be terminated by The Regents except as provided in clause (ii) below.

- (ii) CNPI shall notify The Regents within six (6) months of the date of termination of the Research Program pursuant to clause (a) above whether CNPI is exercising its option under the Option Agreement, such notice to be in the form required by the Option Agreement. If CNPI elects not to exercise its option under the Option Agreement or fails to properly do so within the aforementioned six (6) month period, then The Regents may terminate the Option Agreement in accordance with its terms. If CNPI properly exercises its option under the Option agreement, then CNPI and The Regents shall negotiate the License Agreement or amendment(s) thereto (as the case may be) as provided in the Option/License Agreement.
- (iii) CNPI's right of first refusal under Section 6.4 hereof shall continue in full force and effect (A) with respect to any and all New Inventions arising prior to or on the

date on which the Research Program is terminated pursuant to clause (a) of this Section 8.3 as to which CNPI has elected (or has been deemed to have elected) not to secure a license pursuant to Section 6.4 hereof and (B) until the expiration of the applicable two (2) year period with respect to each New Invention for which a Final Proposal has been delivered.

(c) In the event this Agreement is terminated by GLADSTONE/Regents pursuant to Section 8.2 above, CNPI's exclusive option for an exclusive license under the Option Agreement, or for additional exclusive licenses under the License Agreement, as the case may be, shall terminate, and the Option Agreement shall terminate.

8.4. SURVIVAL. The following Sections and Articles of this Agreement shall survive the expiration or termination for any reason of this Agreement: Sections 3.2, 6.2, 6.4 (as provided in Section 8.3(b) above), 6.5, 6.6, 8.3 and 8.4 and Articles 7, 9 and 10.

9. INDEMNIFICATION

9.1. INDEMNIFICATION BY CNPI. CNPI agrees to defend, indemnify and hold harmless GLADSTONE, its partners, its employees and or agents from and against all complaints, causes of action, claims, losses, costs, damages, liabilities, or expenses by reason of any liability sought to be imposed upon GLADSTONE resulting from injuries to persons or damages to property, provided such injuries to persons or damage to property are due or claimed to be due as a result of acts or omissions of acts of CNPI, its officers, employees or agents.

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9.2. INDEMNIFICATION BY GLADSTONE. GLADSTONE agrees to defend, indemnify and hold harmless CNPI, its affiliates, officers, directors, employees and agents from and against all complaints, causes of actions, claims, losses, costs, damages, liabilities, or expenses by reason of any liability sought to be imposed upon CNPI resulting from injuries to persons or damages to property, provided such injuries to persons or damages to property are due or claimed to be due as a result of acts or omission of acts of GLADSTONE, its partners, employees or agents.

9.3. PROCEDURE. A Party or any of its Affiliates or their respective employees or agents (the "Indemnitee") that intends to claim indemnification

under this Article 9 shall promptly notify the other Party (the "Indemnitor") of any loss, claim, damage, liability, expenses, or action in respect of which the Indemnitee intends to claim such indemnification, and the Indemnitor shall assume the defense thereof with counsel mutually satisfactory to the Parties; provided, however, that an Indemnitee shall have the right to retain its own counsel, with the fees and expenses to be paid by the Indemnitor, if representation of such Indemnitee by the counsel retained by the Indemnitor would be inappropriate due to actual or potential differing interests between such Indemnitee and any other party represented by such counsel in such proceedings. The indemnity agreement in this Article 9 shall not apply to amounts paid in settlement of any loss, claim, damage, liability or action if such settlement is effected without the consent of the Indemnitor, which consent shall not be withheld unreasonably. The failure to deliver notice to the Indemnitor within a reasonable time after the commencement of any such action, if materially prejudicial to its ability to defend such action, shall relieve such Indemnitor of any liability to the Indemnitee under this Article 9, but the omission so to deliver notice to the Indemnitor will not relieve it of any liability that it may have to any Indemnitee otherwise than under this Article 9. The Indemnitee under this Article 9, its employees and agents, shall cooperate fully with the Indemnitor and its legal representatives in the investigation of any action, claim or liability covered by this indemnification. In the event that each Party claims indemnity from the other and one Party is finally held liable to indemnify the other, the Indemnitor shall additionally be liable to pay the reasonable legal costs and attorneys' fees incurred by the Indemnitee in establishing its claim for indemnity.

10. GENERAL PROVISIONS

10.1. ARBITRATION. If the Principal Investigator and the Co-Principal Investigator can not resolve a dispute, any controversy or claim arising out of or relating to any provision of this Agreement or any breach thereof, shall be settled by arbitration conducted in California in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The arbitration panel will be conducted before a single arbitrator with experience in the biotechnology industry provided that both Parties are able to agree on the identity of such single arbitrator. If the Parties cannot agree on a single arbitrator, there will be three arbitrators, with each Party selecting one and the two arbitrators so selected choosing a third. Judgment upon the award rendered by the arbitrator(s) shall be binding on the Parties and may be entered by either Party in any court or forum, state or federal, having jurisdiction.

10.2. GOVERNING LAW. This Agreement shall be governed by, construed, and

interpreted in accordance with the laws of the State of California, without reference to principles of conflicts of laws.

10.3. INDEPENDENT CONTRACTORS. The relationship of CNPI and GLADSTONE established by this Agreement is that of independent contractors, and nothing contained in this Agreement shall be construed to (i) give any of the Parties hereto the power to direct or control the day-to-day activities of another Party hereto, (ii) constitute the Parties as partners, joint venturers, co-owners or otherwise as participants in a joint or common undertaking or (iii) allow any of the Parties hereto to create or assume any obligations on behalf of another Party hereto for any purposes whatsoever.

10.4. PARTIES BOUND. This Agreement, including the indemnification provisions, shall be binding upon and inure to the benefit of the Parties hereto, their respective successors, assigns, legal representatives and heirs. CNPI may assign or transfer CNPI's rights and obligations under this Agreement to an affiliate of CNPI or a successor to all or substantially all of its assets or business relating to this Agreement, whether by sale, merger, operation of law or otherwise. This Agreement shall not otherwise be assignable by either Party without the prior written consent of the other Party.

10.5. ENTIRE AGREEMENT. This Agreement and the Option/License Agreement constitute the entire and only agreements between the parties relating to the subject matter hereof, and all prior negotiations, representations, agreements and understandings are superseded by this Agreement and the Option/License Agreement.

10.6. FURTHER ASSURANCES. At any time or from time to time on and after the Effective Date, the Principal Investigator and GLADSTONE shall at the request of CNPI (i) deliver to CNPI such records, data or other documents consistent with the provisions of this Agreement, (ii) execute, and deliver or cause to be delivered, all such assignments, consents documents or further instruments of transfer or licenses and (iii) take or cause to be taken all such other actions, as CNPI may reasonably deem necessary or desirable in order for CNPI to obtain the full benefits of this Agreement and the transactions contemplated hereby.

10.7. RIGHT TO DEVELOP INDEPENDENTLY. Nothing in this Agreement will impair CNPI's right to independently acquire, license, develop or have developed, utilize or otherwise exploit similar information and technology performing the same or similar functions as the information and technology provided by the Principal Investigator and/or GLADSTONE. In addition, nothing in this Agreement is intended to prohibit Principal Investigator from independently collaborating with academic, non-commercial parties on the Research Program with the prior written consent of CNPI. CNPI hereby acknowledges that the Principal Investigator intends to enter into an agreement with Lawrence Livermore National Laboratory to perform the crystallography work of the Research Program and consents to such arrangement.

10.8. NOTICES. Except for the remittance of payments which are governed by Section 4.1, any notice or other communication required or permitted under this

Agreement shall be in writing and will be deemed received, if delivered by courier on a business day, on the day delivered, or five (5) days after mailing if mailed by first-class, certified or registered mail,

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postage prepaid, to the respective addresses given below or to such other addresses as are designated by written notice:

If to GLADSTONE or the
Principal Investigator: The J. David Gladstone Institutes
 P.O. Box 419100
 San Francisco, CA 94141-9100
 Attention: Dr. Robert W. Mahley
 Executive Director

with a copy to: Richard Hille
 J. David Gladstone Institutes
 43 Corporate Park
 Suite 102
 Irvine, CA 92714

If to CNPI: CNPI
 c/o Cambridge NeuroScience, Inc.
 One Kendall Square
 Building 700
 Cambridge, MA 02139
 Attention: Harry W. Wilcox

with a copy to: Palmer & Dodge LLP
 One Beacon Street
 Boston, MA 02108
 Attention: F. Andrew Anderson, Esq.

10.9. USE OF NAMES. Neither Party will use the name of the other Party or its employees in any advertisement, press release, or other publicity without the prior written approval of the other Party, such approval not to be unreasonably withheld or delayed, except as may be required by applicable federal or state securities laws or regulations. CNPI understands that the California Education Code section 92000 provides that the name "University of California" is the property of the State of California and that no person shall use that name in a manner prohibited by the said Section 92000 without the permission of The Regents. Such permission may be granted by the Chancellor or

his designee. GLADSTONE shall have the right to acknowledge CNPI's support of the research performed under this Agreement in scientific publications and other scientific communications.

10.10. NO ORAL MODIFICATION. No change, modification, extension, termination of this Agreement or of any provisions hereof shall be effective unless assented to in writing by each of the Parties.

10.11. WAIVER. No waiver of any rights, shall be effective unless assented to in writing by the Party to be charged and the waiver of any breach of default shall not constitute a waiver of any other right hereunder or any subsequent breach or default.

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10.12. HEADINGS. The headings of the Sections and Articles of this Agreement are intended for convenience of reference only and are not intended to affect in any way the meaning or interpretation of this Agreement.

10.13. SEVERABILITY. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; provided, that no such severability shall be effective if the result of such action materially changes the economic benefit of this Agreement to CNPI, or to the Principal Investigator or GLADSTONE.

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

10.15. FORCE MAJEURE. The parties to this Agreement shall be excused from any performance required hereunder if such performance is rendered impossible or unfeasible due to any catastrophes or other major events beyond their reasonable control, including, without limitation, war, riot, and insurrection; laws, proclamations, edicts, ordinances or regulations; strikes, lock-outs or other serious labor disputes; and floods, fires, explosions, or other natural disasters. When such events have abated, the Parties' respective obligations hereunder shall resume.

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IN WITNESS WHEREOF, each of the undersigned have caused this Agreement to be executed by their duly authorized representatives.

CAMBRIDGE NEUROSCIENCE PARTNERS, INC.

By: /s/ R.N. McBurney

Date _____

Name: R.N. McBurney

(please print)

Title: President

THE J. DAVID GLADSTONE INSTITUTE

By: /s/ Richard S. Brawerman

Date _____

Richard S. Brawerman, Trustee

By: /s/ Albert A. Dorman

Date _____

Albert A. Dorman, Trustee

By: /s/ Richard D. Jones

Date _____

Richard D. Jones, Trustee

I have read and agree to the terms and conditions of this Agreement:

By: /s/ Dr. Robert W. Mahley

Date

Dr. Robert W. Mahley
Principal Investigator

CAMBRIDGE NEUROSCIENCE, INC. agrees to guarantee performance of CNPI's financial obligations under Section 8.3(a) and Articles 4, 6 and 9 of this Agreement.

By:/s/ Elkan Gamzu

Date

Name: Elkan Gamzu

(please print)

Title: President and CEO

Confidential material omitted and filed separately with the Securities and Exchange Commission. Asterisks denote such omissions.

EXHIBIT A

Confidential material omitted and filed separately with the Securities and Exchange Commission. Asterisks denote such omissions.

OPTION AGREEMENT

by and among

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,

CAMBRIDGE NEUROSCIENCE PARTNERS, INC.

and

CAMBRIDGE NEUROSCIENCE, INC.

for

METHOD FOR REDUCING APOLIPOPROTEIN E-4 INDUCED

INHIBITION OF NEURON REMODELING

UC CASE NO. *****

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OPTION AGREEMENT FOR

Method for Reducing Apolipoprotein E4-Induced
Inhibition of Neuron Remodeling

UC Case No. *****

This option agreement ("Option Agreement") is effective as of this 23rd day of December, 1996 (the "Effective Date"), by and among THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, ("The Regents"), a California corporation, having its statewide administrative offices at 300 Lakeside Drive, 22nd Floor, Oakland, California 94612-3550, and Cambridge NeuroScience Partners, Inc. ("Optionee"), a Delaware corporation, having its place of business at One Kendall Square, Building 700, Cambridge, MA 02139, and Cambridge NeuroScience, Inc. ("CNSI"), a Delaware corporation, having a principal place of business at One Kendall Square, Building 700, Cambridge, MA 02139.

BACKGROUND

Certain inventions, generally characterized as and disclosed in UC Case No. ***** (the "Invention"), are covered by Regents' Patent Rights (defined below) and were made in the course of research at The J. David Gladstone Institutes ("Gladstone"), a charitable trust with of fines located at Irvine and San Francisco, California, by Drs. Robert W. Mahley, Robert E. Pitas and Karl H. Weisgraber (collectively, the Inventors").

Gladstone and The Regents entered into an agreement dated June 8, 1977, that agreement being amended on March 27, 1984, and further amended on January 21, 1986 (as amended, the "Gladstone/Regents Agreement"), establishing among other items, that the Invention and Regents' Patent Rights shall be managed in accordance with The Regents' policies and procedures and, as a result, the patent applications included in Regents' Patent

Confidential material omitted and filed separately with the Securities and Exchange Commission. Asterisks denote such omissions.

Rights covering the Invention are or will be assigned to The Regents, as will any resulting issued patents, whether domestic or foreign.

Gladstone is not a party to this Option Agreement but Gladstone is granted certain rights with regard to sponsored research under a separate Research Agreement and with regard to equity in Optionee under a separate Stockholders' Rights Agreement (defined below), both executed concurrently with this Option Agreement.

Development of the Invention was sponsored in part by The National Institutes of Health (Grant No. NHLBI-HL41633) and as a consequence this Option Agreement, any License Agreement (defined below), and the Invention are subject to overriding obligations to the Federal Government (including a non-exclusive, irrevocable license to use the Invention by or on behalf of the Government throughout the world), under 35 U.S.C. 200-212 and applicable regulations.

The Regents elected on August 22, 1996, to retain title and granted the aforementioned licenses to the U.S. Government.

CNSI and Gladstone entered into a Secrecy Agreement relating to the Invention dated December 4, 1995.

CNSI and The Regents entered into a Secrecy Agreement relating to the Invention with an effective date of March 1, 1996, and further identified as UC Control No. *****.

Optionee is a "small business firm" as defined in Section 2 of Public Law 85-536 (15 U.S.C. 632) and a Subsidiary (defined below) of CNSI formed for the purpose of commercializing the Invention and New Inventions (defined below), among other things.

Optionee wishes to evaluate the Invention and New Inventions under this Option Agreement to determine its interest in obtaining an exclusive worldwide license in the Field of Use (defined below) under Regents' Patent Rights covering the Invention, and in connection therewith, to obtain an exclusive option for such a license.

Optionee and Gladstone will enter concurrently into the Research Agreement (defined below), and CNSI will guarantee the financial obligations of Optionee under this Option Agreement and the Research Agreement as provided herein.

Optionee, CNSI, Gladstone and The Regents will also enter concurrently into the Stockholders' Rights Agreement (defined below), and CNSI will guarantee the performance of Optionee under same.

Pursuant to the Gladstone/Regents Agreement, Gladstone is obligated to disclose to The Regents any and all New Inventions and to assign its rights to any patent applications covering any New Inventions to The Regents.

Pursuant to the Research Agreement, The Regents has agreed to file patent applications covering any and all New Inventions within the Field of Use for which Optionee has agreed to pay the patent costs and wishes to obtain an exclusive option for an exclusive worldwide license in the Field of Use under Regents' Patent Rights covering any such New Inventions in the Field of Use.

The Regents wishes to grant to Optionee these options so that the Invention and any New Inventions in the Field of Use may be developed to the fullest extent and the benefits therefrom enjoyed by the general public.

In consideration of the promises and undertakings set forth above and hereinafter, the parties agree as follows:

1. DEFINITIONS

1.1 "Affiliate" means any corporation or other business entity in which the Optionee owns or controls, directly or indirectly, fifty percent (50%) or more of the outstanding stock or other voting rights entitled to elect directors of such corporation or entity, or in which the Optionee is owned or controlled, directly or indirectly, fifty percent (50%) or more of the outstanding stock or other voting rights entitled to elect directors of Optionee; but in any country where the local law does not permit foreign equity participation of fifty percent (50%) or more, then an "Affiliate" includes any company in which the Optionee owns or

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controls or is owned or controlled by, directly or indirectly, the maximum percentage of outstanding stock or voting rights permitted by local law.

1.2 "Business Plan" means a reasonably detailed plan of development and commercialization for Licensed Product. The Business Plan must include, but is not limited to, an up-to-date research report identifying: proposed Licensed Product, projected market sizes, sales, costs, profits and anticipated market

introduction dates for the Licensed Product.

1.3 "Confidential Information" means confidential and proprietary information and materials that are designated as confidential in writing by the providing party, whether by letter or by use of an appropriate stamp or legend, prior to or at the same time any such information or materials are disclosed. Notwithstanding the foregoing, materials and other information which are orally, visually or electronically disclosed, or are disclosed in writing without an appropriate letter, stamp or legend, shall constitute Confidential Information if the providing party, within thirty (30) days after such disclosure, delivers to the other party a written document or documents describing the materials and identifying the Confidential Information.

1.4 "Field of Use" means the prophylaxis, treatment and diagnosis of any disease or disorder of, or injury to, the nervous system relating to Apolipoprotein E.

1.5 "License Agreement" means the exclusive worldwide license agreement between Optionee and The Regents that may result if Optionee exercises its option under this Option Agreement pursuant to Article 4 (EXERCISE OF THE OPTION).

1.6 "Licensed Method" means any method that is covered by Regents' Patent Rights, the use of which would constitute, but for the license granted to the Licensee pursuant to this Option Agreement, an infringement of any claim within Regents' Patent Rights.

Confidential material omitted and filed separately with the Securities and Exchange Commission. Asterisks denote such omissions.

1.7 "Licensed Product" means any material either that is covered by Regents' Patent Rights, that is produced by the Licensed Method, or that the use of which would constitute, but for the license granted to the Licensee pursuant to this Option Agreement, an infringement of any pending or issued claim within Regents' Patent Rights.

1.8 "New Invention" means any potentially patentable invention arising from the Research Program (as defined in the Research Agreement) which is (i) conceived during the term of the Research Agreement by employees or agents of Gladstone or by employees or agents of both Gladstone and Optionee/CNSI jointly and (ii) constructively or actually reduced to practice during the term of the Research Agreement.

1.9 ***** means *****

(a) ***** or (b) *****
*****, except for *****
*****.

1.10 "Regents' Patent Rights" means any subject matter claimed in or covered by any of the following: (a) *****; (b) ***** (c) The Regents' interest in patent applications covering New Inventions and properly elected under Section 7.8 hereof; and (d) divisions, continuations, substitutions, continuation-in-part applications and any patents or reissues issuing on these applications, and any corresponding foreign applications or patents

of any of the foregoing.

1.11 "Research Agreement" means the sponsored research and collaboration agreement by and between Gladstone and Optionee executed on the Effective Date and attached to this Option Agreement as Appendix A, to fund further research by the Inventors at Gladstone.

1.12 "Stockholders' Rights Agreement" means the agreement entitled "Stockholders' Rights Agreement" between Optionee, CNSI, The Regents and Gladstone defining certain rights with respect to the securities of Optionee executed concurrently with this Option Agreement.

1.13 "Subsidiary" means a corporation in which: (a) another corporation owns at least the majority of the outstanding shares of capital stock or (b) another corporation has the power to direct or cause the direction of the management and policies or the power to elect or appoint fifty percent (50%) or more of the members of the governing body.

2. GRANT

2.1 The Regents grants to Optionee under Regents' Patent Rights, subject to Section 2.6, the exclusive right to make and use Licensed Product and to practice the Licensed Method within the Field of Use for the sole purpose of evaluating Optionee's interest in exercising its option to an exclusive worldwide license under Regents' Patent Rights within the Field of Use, as described below.

2.2 The Regents grants to Optionee the exclusive option to negotiate, in good faith, the terms of the License Agreement subject to the provisions of Article 4 (EXERCISE OF THE OPTION).

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2.3 This Option Agreement and the Research Agreement constitute Optionee's entire interest under Regents' Patent Rights and does not constitute a license to sell Licensed Product or enter into any sublicense, partnering, distribution or related agreements for the manufacture, use or sale of any Licensed Product or practice of any Licensed Method.

2.4 Optionee and CNSI agree that during the period of confidentiality set forth in Article 11 (CONFIDENTIALITY), it will give The Regents at least fourteen (14) days' written notice prior to filing any patent application covering the Licensed Product or Licensed Method, their use or their production. The foregoing notwithstanding, Optionee or CNSI shall have the right to file such an application on shorter notice or without notice, if in its reasonable judgment, due to an impending publication or other circumstances, the ability of Optionee or CNSI to obtain patent protection would otherwise be jeopardized. However, under such aforementioned shorter notice or without notice circumstances, Optionee or CNSI will give such written notice to The Regents as soon as possible, but in no instance, later than fourteen (14) days following the filing of such patent application(s).

2.5 The licenses granted in this Option Agreement are subject to the overriding obligations to the U.S. Government including those in 35 U.S.C. 200-212 and applicable governmental implementing regulations.

2.6 The Regents expressly reserves for itself and on behalf of Gladstone, the right to publish any and all technical data resulting from any research performed by Gladstone relating to the Invention and to make and use the Invention, Licensed Product, Licensed Method and associated technology for educational and research purposes only.

3. OPTION FEE AND TERM

3.1 This option shall extend for three (3) years, beginning on the Effective Date and

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expiring on the third anniversary of that date unless earlier exercised by Optionee under Article 4 (EXERCISE OF THE OPTION), in which case, the option thereupon terminates.

3.2 As partial consideration for this Option Agreement, Optionee shall pay to The Regents option fees as follows:

(a) Twenty Five Thousand Dollars (\$25,000) for the first year of the Option Agreement, which first-year option fee shall be due and payable to The Regents upon execution of this Option Agreement by Optionee and CNSI;

(b) Fifty Thousand Dollars (\$50,000) for the second year of the Option Agreement, which second-year option fee shall be due and payable to The Regents upon the first anniversary of the Effective Date;

(c) One Hundred Thousand Dollars (\$100,000) for the third year of the Option Agreement, which third-year option fee shall be due and payable to The Regents upon the second anniversary of the Effective Date, unless the option is exercised prior to the second anniversary of the Effective Date.

3.3 As further consideration for this Option Agreement, Optionee will comply with Section 2 of the Stockholders' Rights Agreement.

3.4 The above option fees are non-refundable, non-creditable, not an advance against subsequent license issue fees or other license fees or royalties and not creditable in any way towards Optionee's financial obligations under the Research Agreement.

4. EXERCISE OF THE OPTION

4.1 If Optionee elects to exercise the option, it shall do so by delivering to The Regents: (i) a written notification stating such, (ii) the Business Plan and (iii) the option exercise fee described in Section 5.1.2 before this Option Agreement expires. Failure of

Optionee to properly notify The Regents will be deemed by The Regents as an

election by Optionee not to secure a license and The Regents will then be free to market and license Regents' Patent Rights to others without further obligation to Optionee.

4.2 Optionee shall have the right to exercise the option as to any or all of Regents' Patent Rights. In its notification to The Regents pursuant to Section 4.1, Optionee shall specify in writing those particular patents and patent applications within Regents' Patent Rights to which it wishes a license and those to which it has no interest. For those patents and patent applications to which Optionee has no interest, Optionee shall have no further right to and The Regents shall be free to license third parties to same and shall have no further obligation to Optionee.

4.3 Optionee is prohibited from exercising the option any earlier than thirty (30) days before the second anniversary of the Effective Date unless the Research Agreement is terminated for breach on the part of Gladstone by Optionee pursuant to Section 8.2 thereof prior to such date. Such exercise will in no way affect the provisions of the Research Agreement.

5. TERMS OF THE PROPOSED LICENSE AGREEMENT

5.1 If Optionee exercises the option in accordance with Article 4 (EXERCISE OF THE OPTION), then The Regents and Optionee shall negotiate in good faith to arrive at mutually agreeable terms and conditions for the License Agreement. The License Agreement will include, but is not limited to, the following provisions:

5.1.1 an exclusive worldwide license within the Field of Use, with the right to sublicense, to make, have made, use, import, offer to sell and sell Licensed Product and to practice Licensed Methods under Regents' Patent Rights;

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5.1.2 an option exercise fee of ***** due upon written notice by Optionee of its election to exercise its option as per Section 4.1;

5.1.3 equity provisions as set forth in the Stockholders' Rights Agreement;

5.1.4 an earned-royalty rate for sales by Optionee of*****

***** based on net sales of products covered by patent rights solely owned by The Regents and *****
***** based on net sales of products covered by patent rights jointly owned by The Regents and Optionee;

5.1.5 Section 5.1.4 notwithstanding, if Optionee receives earned royalties under a sublicense to a non-Affiliate, Optionee shall only be required to pay to The Regents an earned royalty of ***** of the royalty received by Optionee under such sublicense *****;

5.1.6 ***** any agreement relating to Licensed Product or Licensed Method according to the following schedule measured from the effective date of the License Agreement:

- (a) year 0-2, not applicable,
- (b) year 3, *****;
- (c) year 4, *****;
- (d) year 5, *****; and
- (e) year 6 and thereafter, *****.

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5.1.7 a *****
***** of the License Agreement;

5.1.8 *****;

5.1.9 *****;

5.1.10 mutually agreed upon diligence terms including milestone dates and fees based on objective-performance standards and designed to achieve commercialization of the Licensed Product;

5.1.11 an obligation to negotiate with Gladstone to participate in future research relating to the Invention, including but not limited to, targeted research and development, referred to in the Research Agreement (Appendix A), within Gladstone's area of competence at comparable costs to independent third parties;

5.1.12 confidentiality terms;

5.1.13 indemnification of The Regents and Gladstone by Optionee;

5.1.14 a warranty that is limited to The Regents' right to grant an exclusive license under Regents' Patent Rights as set forth in Article 12 (LIMITED WARRANTY);

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Confidential material omitted and filed separately with the Securities and Exchange Commission. Asterisks denote such omissions.

5.1.15 preference for U.S. industry to the extent required by federal law;

5.1.16 continued payment of patent costs; and

5.1.17 provisions comparable to Section 7.8 of this Option Agreement providing Optionee rights to New Inventions and provisions for amendment of the License Agreement to cover additional Regents' Patent Rights as provided in Section 1.10 hereof and as provided in the Research Agreement (Appendix A).

5.2 The option exercise fee, ***** milestone fees and ***** referred to above are non-creditable, non-refundable and not an advance against royalties or any future research monies provided to Gladstone.

5.3 The License Agreement shall be subject to the overriding obligations to the U.S. Government including those in 35 U.S.C. 200-212 and applicable governmental implementing regulations.

5.4 In the event that the parties have been unable to agree on terms of the License Agreement within the one hundred and twenty (120) day period from the exercise of the option (the "Negotiation Period"), the parties agree that any financial terms not yet agreed upon will be submitted to arbitration upon a written request for arbitration delivered within ten (10) days after the expiration of the Negotiation Period, as follows:

5.4.1 the arbitration shall be conducted in San Francisco,

5.4.2 the arbitration will be conducted before a single arbitrator experienced in university technology transfer matters in the biotechnology industry, provided that both parties are able to agree on the identity of such single arbitrator. If the parties cannot agree on a single arbitrator, there will be three arbitrators, with Optionee and The Regents each selecting one independent arbitrator and the two so selected, choosing a third;

5.4.3 the arbitration shall be limited to the unagreed to financial terms to be included in the License Agreement and shall not modify financial terms that have been previously agreed to by the parties, either in Article 5 hereof or during the Negotiation Period;

5.4.4 any subsequent License Agreement must be consistent with The Regents' patent policies;

5.4.5 the decision of the arbitrator or arbitration panel shall be rendered within ninety (90) days of the written request for arbitration, and shall be binding on The Regents if it is accepted by Optionee within thirty (30) days of the decision. Optionee shall have the right, within thirty (30) days of the decision, to reject the decision, in which case Optionee will forfeit all rights to the Regents' Patent Rights that were to be included in the proposed License Agreement subject to Section 5.4.7 below;

5.4.6 the Negotiation Period will automatically be extended until thirty (30) days after the decision of the arbitrator or arbitration panel;

5.4.7 notwithstanding the rejection of Optionee of the arbitrator's decision, if, for a period of two (2) years following the expiration of such thirty (30) day period specified in Sections 5.4.5 and 5.4.6 above, The Regents proposes to enter into a license agreement with a third party covering the Regents' Patent Rights that were included in the proposed

License Agreement on terms more favorable to the third party than the terms contained in the arbitrators' decision, then (i) The Regents shall deliver to Optionee a notice specifying such terms (an "Offer Notice"), (ii) Optionee shall have fifteen (15) days from receipt of the Offer Notice to either waive any further rights or notify The Regents in writing of its desire to obtain a license reflecting the terms of Offer Notice ("Acceptance Notice"), and (iii) if, at the end of thirty (30) days from the Acceptance Notice, Optionee and The Regents fail to enter into a definitive agreement reflecting such terms, The Regents shall be free to enter into a license with the third party, the terms of such license to be no more favorable to the third party than those set forth in the Offer Notice. If Optionee waives its refusal right with respect to the terms set forth in the Offer Notice or fails to deliver to The Regents an Acceptance Notice within the requisite fifteen (15) day period, then The Regents shall be free to enter into a license with the third party, the terms of such license to be no more favorable to the third party than those set forth in the Offer Notice; and

5.4.8 the cost of the arbitration will be paid for solely by Optionee.

6. DUE DILIGENCE

6.1 Prior to the execution of this Option Agreement, Optionee shall have raised a minimum of One Million Two Hundred and Fifty Thousand Dollars (\$1,250,000), as detailed in Section 2 of the Stockholders' Rights Agreement. Furthermore, unless Optionee raises the required funds, by selling stock to investors other than CNSI or an Affiliate, to fund the second and third year research support payments as set forth in the Research Agreement, CNSI must lend Optionee all such amounts. All such loans shall be interest free loans.

6.2 Optionee shall execute the Research Agreement concurrently with the execution of this Option Agreement. It is a material term of this Option Agreement and any License Agreement that Optionee fund research at Gladstone under the Research Agreement in an

amount equal to One Million Two Hundred and Fifty Thousand Dollars (\$1,250,000) the first year and a minimum of One Million Two Hundred and Fifty Thousand Dollars (\$1,250,000) per year thereafter, payable semi-annually each year for three (3) years starting on the Effective Date to develop and evaluate Licensed Product(s).

6.3 Optionee shall execute the Stockholders' Rights Agreement within thirty (30) days of the Effective Date of this Option Agreement. This obligation is a material part of this Option Agreement and any breach by Optionee of this obligation or any breach of the Stockholders' Rights Agreement will be a breach by Optionee of this Option Agreement.

6.4 Optionee shall provide to The Regents semi-annual progress reports covering the development and testing of Licensed Product. Such progress reports may include copies of reports received by Optionee from Gladstone as required of Gladstone as set forth in the Research Agreement. The progress reports are due to The Regents on June 30 and December 30 of each year, beginning December 30, 1997, and for the life of this Option Agreement.

6.5 The progress reports will include, but are not limited to, the following topics so that The Regents may determine the progress of the development and testing of Licensed Product:

- o summary of work completed
- o key scientific discoveries
- o summary of work in progress
- o current schedule of anticipated events or milestones
- o a summary of resources (dollar value) spent in the reporting period

7. PATENT PROSECUTION AND MAINTENANCE

7.1 Subject to Section 7.6, The Regents shall diligently prosecute and maintain the

United States and foreign patent applications and patents comprising Regents' Patent Rights using counsel reasonably acceptable to Optionee, except for Regents' Patent Rights consisting of New Inventions jointly owned with Optionee, which will be prosecuted by Optionee as provided in Sections 7.4 and 7.5 herein. The Regents shall promptly provide Optionee with copies of all relevant documentation so that Optionee may be apprised of the continuing prosecution. Optionee shall keep this documentation in confidence in accordance with the provisions of Article 11 (CONFIDENTIALITY).

7.2 The Regents will hold title to all patents and patent applications

subject to this Option Agreement, except as provided for in the Research Agreement, and The Regents' counsel will take instructions only from The Regents but The Regents shall use reasonable efforts to amend any patent application to include claims requested by Optionee and required to protect Licensed Product or Licensed Method. Pursuant to Section 6.2 of the Research Agreement, The Regents agrees to assert rights to the Invention and New Inventions in the Field of Use as long as this Option Agreement is in effect.

7.3 Except as provided in the Research Agreement with respect to jointly owned New Inventions, The Regents shall, at the request of Optionee, file, prosecute and maintain patent applications and patents covered by Regents' Patent Rights in foreign countries if available. The Regents shall notify Optionee in writing at least three (3) months prior to any applicable deadline for any foreign filings, and Optionee shall notify The Regents in writing of those countries in which it wishes foreign filings to occur within forty-five (45) days of the receipt of such request. Failure by Optionee to so notify The Regents within the forty-five (45) day period shall be deemed to constitute an election by Optionee not to request The Regents to secure foreign patent rights in such countries on behalf of Optionee. The Regents has the right to file patent applications at its own expense in any country in which Optionee has elected not to secure foreign patent rights, and those patent applications and resulting patents, if any, shall not thereafter be included in the licenses granted under this Option Agreement.

Confidential material omitted and filed separately with the Securities and Exchange Commission. Asterisks denote such omissions.

7.4 Optionee shall control the preparation, filing, prosecution and maintenance of United States and foreign patent applications, with respect to New Inventions jointly owned by The Regents and Optionee. Such applications shall be prepared, filed, prosecuted and maintained using counsel reasonably acceptable to The Regents. The Regents and Gladstone shall cooperate fully with and provide assistance to Optionee (or if the parties agree to have The Regents exercise control, Optionee shall cooperate fully with and provide assistance to The Regents) in connection with the preparation, filing, prosecution and maintenance of such jointly owned patent applications, including, without limitation, execution of all documents and performance of all acts reasonably necessary to file and prosecute such patent applications and maintain, enforce and defend such patents. Optionee and The Regents shall each provide the other in a timely manner with copies of all jointly owned patent applications filed by either pursuant to this Section, as well as those documents involved in the prosecution thereof, so that the other shall have an opportunity to provide comment on any such applications and documents. Such jointly owned patent applications and documents shall be held in confidence in accordance with the

Provisions of Article 11 (CONFIDENTIALITY). Optionee shall bear the expenses associated with the filing and prosecution of such jointly owned patent applications.

7.5 Neither party, with respect to a New Invention jointly owned by Optionee and The Regents, shall abandon such patent application and resulting patent without first providing the other party with thirty (30) days' prior written notice.

7.6 Optionee shall pay all past, present and future costs incurred by The Regents and Gladstone in preparing, filing, prosecuting and maintaining all United States and foreign patents and patent applications covered by Regents' Patent Rights. Patent costs incurred as of the Effective Date are approximately *****.

The parties shall consult in good faith with each other regarding the desirability of pursuing or defending any interferences or oppositions. The costs of interferences and opposition, if approved by Optionee in writing, are prosecution expenses and will be paid by the Optionee. If such costs are not approved by Optionee, or Optionee chooses not to participate in such interference and opposition, then such decision not to participate will be deemed an election by Optionee not to pursue such action on behalf of Optionee. Those patent applications and resulting patents, if any involved in such interferences and opposition shall not thereafter be included in the licenses granted under this Option Agreement, effective on the date The Regents provided notice to Optionee of such interference and opposition, and The Regents will have no further obligation to Optionee with respect thereto. Optionee shall reimburse The Regents for all costs and charges within thirty (30) days following receipt of a proper itemized invoice from The Regents for same. If this Option Agreement is in effect two (2) months before the due date of PCT filings, or four (4) months before the due date of National Phase filings, then Optionee shall pay for the relevant PCT Chapter I, PCT Chapter II or National Phase filings in all designated countries, notwithstanding the provisions of Section 7.5 below. If Optionee decides not to proceed with such interference and opposition, The Regents shall decide in its sole discretion, whether or not to enter any interference proceedings or opposition.

7.7 Optionee may terminate its obligations with respect to any patent application or patent in any or all designated countries upon three (3) months' prior written notice to The Regents. The Regents will use its best efforts to curtail the associated patent costs after notice is received from the Optionee. The Regents may continue prosecution and/or maintenance of those applications or

patents at its sole discretion and expense and Optionee will have no further right or licenses thereunder.

7.8 The Regents will promptly transmit to Optionee any disclosures of New Inventions as provided in the Research Agreement. Within ninety (90) days of receipt by

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Optionee of a disclosure of a New Invention, Optionee shall inform The Regents in writing, whether or not it wishes to include The Regents' interest in any New Invention within the Field of Use within Regents' Patent Rights and pay patent costs therefor under this Article. If Optionee does not elect or elects not to include The Regents' interest in the New Invention within Regents' Patent Rights, Optionee and CNSI shall have no further rights thereto. If Optionee does elect to include The Regents interest in the New Invention within Regents' Patent Rights, The Regents, to the extent it is legally able to do so, shall include its interest in any patent application filed under this Section 7.8 in this Option Agreement.

7.9 Optionee has a continuing responsibility to keep The Regents informed of its large/small business entity status (as defined by the United States Patent and Trademark Office).

8. LIFE OF THE OPTION AGREEMENT

8.1 Unless otherwise terminated by operation of law or by acts of the parties in accordance with the terms of this Option Agreement, this Option Agreement is in effect from the Effective Date and shall remain in effect for the period specified in Section 3.1 hereof. Upon proper exercise of the option as provided in Section 4.1, Optionee may have an extension throughout the Negotiation Period specified in Section 5.4 to conclude a final written License Agreement, after which time The Regents shall have no obligation to Optionee whatsoever, except as provided in Section 5.4 hereof.

8.2 Any termination of this Option Agreement will not affect the rights and obligations set forth in the following Sections and Articles:

Section 2.4

Notice of filing patent applications

Section 5.4	Arbitration of License Agreement Financial Terms
Article 10	USE OF NAMES AND TRADEMARKS
Article 11	CONFIDENTIALITY
Article 13	INDEMNIFICATION AND INSURANCE
Article 16	LATE PAYMENTS
Article 20	GUARANTEED PERFORMANCE

8.3 Termination of this Option Agreement will not relieve a party of any obligation or liability accrued prior to termination nor will it rescind anything done by a party or any payments made by Optionee to The Regents prior to the time termination becomes effective.

9. TERMINATION FOR CAUSE

9.1 If a party violates or fails to perform any material term of this Option Agreement, then the aggrieved party may give written notice of default ("Notice of Default") to such party. If such party fails to repair the default within forty-five (45) days of the date of notice, then the aggrieved party has the right to terminate this Option Agreement upon delivery of a second written notice so stating ("Notice of Termination").

9.2 If a Notice of Termination is delivered by a party, this Option Agreement shall automatically terminate on the effective date of such notice. Termination will not relieve a party of its obligation to pay all amounts under this Option Agreement, the Research Agreement or the Stockholders' Rights Agreement as of the date of termination and will not impair any accrued rights of the party.

9.3 If this Option Agreement is terminated for cause, a party shall, upon request made by another party, promptly return to the requesting party all tangible personal property and confidential data (including copies, facsimiles, and any derivatives thereof), belonging to

the party and provided to the requesting party.

9.4 The Regents will also have the right and option to terminate this Option Agreement if the Research Agreement or the Stockholders' Rights Agreement is materially breached or terminated by Optionee or CNSI prior to the agreed upon expiration date of the Research Agreement or the Stockholders' Rights Agreement and there has been no breach thereof by The Regents or Gladstone. Such termination of this Option Agreement will be subject to Article 14 (NOTICES).

10. USE OF NAMES AND TRADEMARKS

10.1 Nothing in this Option Agreement confers to a party, the right to use any name, trade name, trademark or other designation (including contraction, abbreviation or simulation of any name, trade name, trademark or other designation) of another party in advertising, publicity or other promotional activities. Unless expressly required by law, the use by Optionee or CNSI of the names, "The Regents of the University of California," "The University of California," "The J. David Gladstone Institutes" or of any campus of the University of California is prohibited without prior written consent of The Regents or, if appropriate, Gladstone.

10.2 If a third party inquires whether a license to Regents' Patent Rights is available, The Regents may disclose the existence of this Option Agreement and the extent of the grant in Article 2 (GRANT), but may not disclose the name of Optionee or CNSI, except where The Regents is required to release that information under the California Public Records Act or other applicable law.

11. CONFIDENTIALITY

11.1 Each party shall safeguard confidential data, supplied by the another party under this Option Agreement, against disclosure to others with the same degree of care as it exercises with its own data of a similar nature. No party shall use such data except to perform its obligations under this Option Agreement and shall not disclose such data to others (except to its employees, agents or consultants who are bound to such parties by a like obligation of confidentiality) without the express written permission of the other party, except that such party is not prevented from using or disclosing any of the data that: (a) such party can demonstrate by written records was previously known to it; (b) is now, or becomes in the future, public knowledge other than through acts or omissions of such party; or (c) is lawfully obtained by such party from

sources independent of the other party. The secrecy obligations of each party under these terms shall remain in effect for five (5) years from the expiration or termination date of this Option Agreement.

11.2 The obligations of confidentiality and limited use hereunder apply to any confidential information of a party relating to the subject matter of this Option Agreement whether supplied under this Option Agreement or previously.

12. LIMITED WARRANTY

12.1 The Regents warrants to Optionee that it has the lawful right to grant this option and that it is the owner of Regents' Patent Rights as of the Effective Date.

12.2 This Option Agreement and the Invention are provided WITHOUT WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR ANY OTHER WARRANTY, EXPRESS OR IMPLIED. THE REGENTS MAKES NO REPRESENTATION OR WARRANTY THAT THE LICENSED PRODUCT OR LICENSED METHOD PROVIDED HEREUNDER WILL NOT INFRINGE ANY PATENT OR OTHER PROPRIETARY RIGHT.

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12.3 IN NO EVENT WILL THE REGENTS OR GLADSTONE BE LIABLE FOR ANY INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES RESULTING FROM EXERCISE OF THIS OPTION AGREEMENT OR THE MANUFACTURE, OR USE OF THE INVENTION, LICENSED PRODUCT, OR LICENSED METHOD.

12.4 Nothing in this Option Agreement:

12.4.1 is a warranty or representation by The Regents as to the validity, enforceability or scope of any Regents' Patent Rights;

12.4.2 is a warranty or representation that anything made, used or otherwise disposed of under any license from The Regents is or will be free from infringement of patents of third parties;

12.4.3 is an obligation to bring or prosecute actions or suit against third parties for patent infringement, provided, however, that each party shall promptly notify the other as to any such infringement of which it becomes aware;

12.4.4 is an obligation to furnish any information or know-how not provided in Regents' Patent Rights; or

12.4.5 confers by implication, estoppel or otherwise any license or

rights under any patents of The Regents other than Regents' Patent Rights.

13. INDEMNIFICATION AND INSURANCE

13.1 Optionee and CNSI shall indemnify, hold harmless and defend The Regents, its officers, employees, and agents, the sponsors of the research that led to the Invention and the

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Inventors and their employer (Gladstone), against any and all claims, suits, losses, liabilities, damages, costs, fees and expenses resulting from or arising out of actions of Optionee under this Option Agreement. This indemnification includes, but is not limited to product liability.

13.2 The Regents shall promptly notify Optionee and CNSI in writing of any claim or suit brought against The Regents in respect of which The Regents intends to invoke the provisions of this Article. Optionee and CNSI will keep The Regents informed on a current basis of their defense of any claims pursuant to this Article.

(Remainder of this page deliberately left blank)

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14. NOTICES

Notices or payments are properly given and effective on the date of delivery if delivered in person or five (5) days after mailing if mailed by first-class, certified mail, postage paid, to the respective addresses given below or to such other addresses as are designated by written notice:

To Optionee: Cambridge NeuroScience Partners, Inc.
c/o Cambridge NeuroScience, Inc.

One Kendall Square, Building 700
Cambridge, MA 02139
Attention: Harry Wilcox
Vice President
Finance and Business Development

with a copy to: Palmer & Dodge LLP
One Beacon Street
Boston, MA 02108
Attention: F. Andrew Anderson, Esq.

To The Regents: The Regents of the University of California
Office of Technology Transfer
1320 Harbor Bay Parkway, Suite 150
Alameda, CA 94502
Attention: Executive Director
Research Administration and
Technology Transfer
UC Case No. *****

15. ASSIGNABILITY

This Option Agreement shall be binding on and inure to the benefit of The Regents, its successors and assigns, but it is personal to Optionee. However, Optionee may assign or transfer Optionee's rights and obligations under this Option Agreement to an Affiliate or a successor to all or substantially all of its assets or business relating to this Option Agreement,

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whether by sale, merger or operation of law. In such instances, Optionee shall notify The Regents of such assignment in writing within thirty (30) days following such assignment.

16. LATE PAYMENTS

If fees or patent cost reimbursements are not received by The Regents when due, Optionee shall pay to The Regents interest charges at a rate of ten percent (10%) simple interest per annum. Interest is calculated from the date payment was due until actually received by The Regents. Acceptance by The Regents of any late payment of fees, patent costs or interest from Optionee under this Article in no way affects the provisions of Article 17 (NO WAIVER).

17. NO WAIVER

No waiver by either party hereto of any breach or default of any of the

covenants or agreements herein set forth is a waiver as to any subsequent and/or similar breach or default.

18. FAILURE TO PERFORM

In the event of a failure of performance due under the terms of this Option Agreement and if it becomes necessary for either party to undertake legal action against the other on account thereof, then the prevailing party will be entitled to reasonable attorney's fees in addition to costs and necessary disbursements.

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19. GOVERNING LAWS

This Option Agreement WILL BE INTERPRETED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

20. GUARANTEED PERFORMANCE

CNSI HEREBY GUARANTEES PERFORMANCE OF ALL OBLIGATIONS OF OPTIONEE UNDER ARTICLES 3, 4, 5, 6, 7, 13 AND 16 OF THIS OPTION AGREEMENT, UNDER THE RESEARCH AGREEMENT AND UNDER THE STOCKHOLDERS' RIGHTS AGREEMENT. Without limiting the foregoing, CNSI specifically guarantees the research funding required under Section 6.2 above.

21. MISCELLANEOUS

21.1 This Option Agreement is not binding upon the parties until it has been signed below by each party: it then becomes effective as of the Effective Date.

21.2 No amendment or modification hereof is valid or binding upon the parties unless made in writing and signed on behalf of each party.

21.3 This Option Agreement, the Research Agreement (Appendix A) and the Stockholder's Rights Agreement embody the entire understanding of the parties and supersedes all previous communications, representations and understandings, either oral or

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written, between the parties relating to the subject matter hereof. The Regents agrees to be bound by and perform the intellectual property requirements of Gladstone/The Regents as set forth in and required by, the Research Agreement (Appendix A).

21.4 Each party hereby agrees that it does not intend by any provisions of this Option Agreement to violate any public policy, statutory or common laws, rules or regulations. Should one or more provisions of this Option Agreement be or become invalid, the parties hereto shall substitute, by mutual consent, valid provisions for such invalid provisions that it can be reasonably assumed that the parties would have entered into this Option Agreement with such valid provisions. In case such valid provisions cannot be agreed upon, the invalidity of one or several provisions of this Option Agreement shall not affect the validity of this Option Agreement as a whole, unless the invalid provisions are of such essential importance to this Option Agreement that it is to be reasonably assumed that the parties would not have entered into this Option Agreement without the invalid provisions.

21.5 In the event that any action shall be instituted in any court by a party hereto for breach of this Option Agreement or the License Agreement or to resolve any dispute with respect to either agreement, the prevailing party shall be entitled to recover court costs and reasonable attorney's fees in such amount or amounts as the court shall determine.

21.6 In the event of inconsistencies between this Option Agreement and the Research agreement, this Option Agreement will prevail.

The Regents, Optionee and CNSI have executed this Option Agreement, in triplicate originals, by their duly authorized representatives, on the day and year hereinafter written.

CAMBRIDGE NEUROSCIENCE
PARTNERS, INC.

THE REGENTS OF THE UNIVERSITY
OF CALIFORNIA

By: /s/ R.N. McBurney

By: /s/ Terence A. Feuerborn

(Signature)

(Signature)

Name: R.N. McBurney

(Please print)

Name: Terence A. Feuerborn

Title: President

Title: Executive Director
Research Administration and
Technology Transfer

Date:

Date: 12-19-96

Approved as to legal form: /s/ Edwin H. Baker 12/19/96

Edwin H. Baker, Associate Resident Counsel Date
Office of Technology Transfer
University of California

CAMBRIDGE NEUROSCIENCE, INC.

By: /s/ Elkan Gamzu

(Signature)

Name: Elkan Gamzu

Title: President and CEO

Date:

Confidential material omitted and filed separately with the Securities and Exchange Commission. Asterisks denote such omissions.

STOCKHOLDERS' RIGHTS AGREEMENT

This Stockholders' Rights Agreement (the "Agreement") dated as of December 23, 1996, is entered into by and among Cambridge NeuroScience Partners, Inc., a Delaware corporation (the "Company"), Cambridge NeuroScience, Inc., a Delaware corporation ("CNSI"), The J. David Gladstone Institutes, a charitable trust ("Gladstone"), and The Regents of the University of California, a California corporation ("The Regents").

WITNESSETH

WHEREAS, the Company, CNSI and The Regents have entered into an Option Agreement of even date herewith (the "Option Agreement"); and

WHEREAS, the Company and Gladstone have entered into a Sponsored Research and Collaboration Agreement of even date herewith (the "Sponsored Research and Collaboration Agreement"); and

WHEREAS, concurrently with the execution of this Agreement, CNSI, Gladstone and The Regents are purchasing Shares; and

WHEREAS, each of the parties hereto desires to set forth in a single agreement certain rights with respect to the securities of the Company.

NOW THEREFORE, in consideration of the mutual promises, covenants and conditions hereinafter set forth and other good and valuable consideration, the parties hereto agree as follows:

1. Certain Definitions.

As used in this Agreement, the following terms shall have the following respective meanings:

"Affiliate" means any individual, partnership, joint venture, corporation, trust, unincorporated organization or government or any department or agency thereof (a "Person") which directly or indirectly controls, is controlled by, or is under common control with, the indicated Person.

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

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Confidential material omitted and filed separately with the Securities and Exchange Commission. Asterisks denote such omissions.

"MAJOR FINANCING" shall mean a sale of shares newly issued New Securities to investors other than CNSI or an Affiliate of CNSI with aggregate net proceeds to the Company of not less than ***** (excluding the conversion of debt by CNSI pursuant to Section 3.2 hereof) after deduction of commissions, legal, accounting and all other expenses of sale.

"NEW SECURITIES" shall mean any capital stock of the Company whether now authorized or not, and rights, options or warrants to purchase capital stock and securities of any type whatsoever which are, or may become, convertible into capital stock of the Company; provided, however, that the term "New Securities" does not include (i) the Shares; (ii) securities offered to the public pursuant to a Registration Statement; (iii) securities issued for the acquisition of another corporation by the Company by merger, purchase of substantially all the assets of such corporation or other reorganization resulting in the ownership by the Company of not less than a majority of the voting power of such corporation; (iv) securities issued as a result of a stock split, stock dividend or reclassification of common stock, distributable on a pro rata basis to all holders of common stock; (v) securities issued in connection with equipment lease transactions between the Company and unaffiliated third parties; or (vi) "Employee Shares" which, for purposes of this Agreement, shall consist of shares of common stock issued or issuable to employees, officers and directors of, or consultants to, the Company pursuant to agreements, plans or programs, or pursuant to rights, options or warrants granted under stock option plans, employee stock purchase plans, restricted stock plans or other employee stock plans or agreements, in each case approved by the Board of Directors of the Company.

"REGISTRATION STATEMENT" means a registration statement filed by the Company with the Commission for a public offering and sale of securities of the Company (other than a registration statement on Form S-8 or Form S-4, or their successors, or any other form for a limited purpose, or any registration statement covering only securities proposed to be issued in exchange for securities or assets of another corporation.

"SECURITIES ACT" means the Securities Act of 1933, as amended, or any similar Federal statute and the rules and regulations of the Commission issued under such Act, as they each may, from time to time, be in effect.

"SECURITYHOLDERS" means Gladstone and The Regents, and any persons or entities to whom the rights granted under this Agreement are transferred by either Securityholder, their successors or assigns pursuant to Section 3.3 hereof.

"SHARES" means common stock of the Company, having a par value of \$.0001 per share, purchased by the Securityholders and CNSI contemporaneously with the execution of this Agreement and representing one hundred percent (100%) of the initial capitalization of the Company.

2. Initial Equity Provisions.

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2.1 INCORPORATION AND CAPITALIZATION. CNSI and the Company represent that, prior to the execution of the Option Agreement, The Company was incorporated in the State of Delaware and, as of the Effective Date of the Option Agreement, has paid in capital of at least One Million Two Hundred and Fifty Thousand Dollars (\$1,250,000). Furthermore, unless the Company raises the required funds, by selling stock to investors other than CNSI or an Affiliate, to fund the second and third year research support payments as set forth in the Research Agreement, CNSI must lend the Company all amounts which the Company may require to fund such payments. All such loans shall be interest free loans.

2.2 ADDITIONAL CONSIDERATION FOR THE OPTION AGREEMENT. As additional consideration for the Option Agreement, on or prior to the Effective Date of this Agreement, CNSI shall have contributed at least One Million Two Hundred and Fifty Thousand Dollars (\$1,250,000) paid in capital to the Company and Company shall issue to the Securityholders a number of Shares of the Company sufficient to result in an equity position of five percent (5%) to The Regents, fifteen percent (15%) to Gladstone, and eighty percent (80%) to CNSI as shown in Table 1 below.

<TABLE>

TABLE 1

CAPITAL STRUCTURE* OF CAMBRIDGE NEUROSCIENCE PARTNERS, INC. (THE "COMPANY")
<CAPTION>

FIRST ROUND: PRICE PER SHARE = \$0.00064
OF COMMON SHARES** TOTAL

<S> <C> <C>

CNSI:	468,750	\$300.00
GLADSTONE	234,375	\$150.00
THE REGENTS	78,125	\$ 50.00

<CAPTION>

=====

SECOND ROUND: PRICE PER SHARE = \$1.60

	# OF COMMON SHARES**	TOTAL
--	----------------------	-------

<S>	<C>	<C>
CNSI:	781,250	\$1,250,000.00

<CAPTION>

FIRST AND SECOND ROUND:

TOTAL NO. OF SHARES	TOTAL DOLLAR AMOUNT
<S>	<C>
1,562,500	\$1,250,500

<FN>

* Capital structure at an initial capitalization of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000)

** Fully Diluted

</TABLE>

3. Right of First Refusal.

3.1 New Securities Rights

(a) The Regents and Gladstone shall each have the right, but not the obligation, to maintain their pro rata portions of five percent (5%) and fifteen percent (15%), respectively, as provided for in Section 2.2 above (or such other percentages as they may respectively own as a result of (i) the failure of The Regents and/or Gladstone, respectively, to exercise its rights under this

Section 3.1 or Section 3.2 with respect to a previous issuance of the capital stock of the Company or (ii) the purchase of one of them or the others pro rata portions of the capital stock of the Company pursuant to Section 3.1 (b) or Section 3.2(c) by purchasing their pro rata portion of any New Securities which the Company may, from time to time, sell at the same price per share paid therefore by other purchasers, including CNSI, subject to the terms and conditions set forth below in Section 3.1 (b) and 3.1 (c). A Securityholders' pro rata portion of the New Securities shall be determined by the ratio of the number of shares of common stock (which, for this purpose shall include shares of common stock issuable upon conversion of any then outstanding shares of preferred stock) of the Company owned by such Securityholder, bears to the total number of shares of the Company's common stock (which, for this purpose shall include shares of common stock issuable upon conversion of any then outstanding shares of preferred stock) outstanding immediately prior to the offering of the New Securities, including shares issued to CNSI upon conversion of debt of the Company pursuant to Section 3.2 below.

(b) In the event the Company intends to sell New Securities, it shall deliver written notice of such intention to each Securityholder, describing the type of New Securities to be sold, the price thereof and the general terms upon which the Company proposes to effect such sale. Each Securityholder shall have ten (10) days from the date of any such notice to agree to purchase all or part of its pro rata portion of such New Securities for the price and upon the general terms and conditions specified in the Company's notice by giving written notice to the Company stating the quantity of New Securities to be so purchased. Each Securityholder shall have a right of over allotment such that if either Securityholder fails to exercise its right hereunder to purchase its total pro rata portion of New Securities, the other Securityholder may purchase such unpurchased portion by giving written notice to the Company with five (5) days from the date that the Company provides written notice to such Securityholder of the amount of New Securities with respect to which such non-purchasing Securityholder has failed to exercise its right hereunder.

(c) In the event either Securityholder fails to exercise its rights in Sections 3.1 and 3.2 within such 10-day period (or the additional 5-day period provided for over allotments), the Company may within one hundred twenty (120) days thereafter sell any or all of such nonpurchased New Securities at a price and upon general terms no more favorable to the purchasers thereof than those specified in the notice given to each Securityholder pursuant to paragraph (b) above. In the event the Company has not sold such New Securities within such 120-day period, the Company shall not thereafter sell such New Securities without first offering such New Securities to the Securityholders in the manner provided above.

Confidential material omitted and filed separately with the Securities and Exchange Commission. Asterisks denote such omissions.

(d) Unless otherwise approved by the Securityholders, any issuance and sale of New Securities by the Company following the date hereof must be on the basis of the Company being deemed to have a pre-money valuation of not less than *****.

3.2 Shares Issued Upon Conversion of Debt.

(a) CNSI shall have the right, but not the obligation, to convert all or any part of debt incurred by the Company to CNSI, into New Securities of the Company, provided that such conversion is coincident with a Major Financing. The conversion price shall be the average price per share which the investors will pay for their shares in said Major Financing.

(b) In the event of any such conversion of debt by CNSI pursuant to subsection (a) above, The Regents and Gladstone shall have the right to purchase from CNSI five percent (5%) and fifteen percent (15%), respectively, of the shares of New Securities issued to CNSI upon such conversion at the same price per share paid by CNSI with debt of the Company. Promptly after any such conversion, CNSI shall deliver written notice to the Securityholders of the date of conversion, the number of shares issued to CNSI upon such conversion and the price per share paid by CNSI with debt of the Company. The Securityholders shall have up to two (2) years from the date of conversion to exercise their right under this Section 3.2(b).

(c) If either Securityholder shall fail to purchase its total pro rata portion of such shares of common stock pursuant to subsection (b) above, CNSI shall promptly notify the Company and the other Securityholder. Each Securityholder shall have a right of over allotment such that if either Securityholder fails to exercise its right hereunder to purchase its total pro rata portion of the shares of common stock from CNSI pursuant to subsection (b) above, the other Securityholder may purchase such portion on a pro rata basis by giving written notice to CNSI and the Company within five (5) days from the date that CNSI provides written notice pursuant to this subsection (c) above.

(d) Unless otherwise approved by the Securityholders, any New Securities issued to CNSI pursuant to this Section 3.2 shall have a purchase or conversion price determined on the basis of the Company being deemed to have a pre-money valuation of not less than *****.

3.3 Transfers of Certain Rights.

(a) The rights granted to a Security holder under this Article 3 may be transferred by such Securityholder only to another Securityholder, to any Affiliate of the Company or to any person or entity that is acquiring all of such Securityholder's Shares provided that the Company is given written notice by the transferee at the time of such

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transfer stating the name and address of the transferee and identifying the securities with respect to which such rights are being assigned.

(b) Any transferee (other than a Securityholder) to whom rights under this Article 3 are transferred pursuant to this Section 3.3 shall, as a condition to such transfer, deliver to the Company a written instrument by which such transferee agrees to be bound by the obligations imposed upon Securityholders under this Agreement to the same extent as if such transferee were a Securityholder hereunder.

(c) A transferee to whom rights under this Article 3 are transferred pursuant to this Section 3.3 may not again transfer such rights to any other person or entity, other than as provided in paragraphs (a) or (b) above.

(d) Notwithstanding anything to the contrary contained in this Agreement, either Securityholder may transfer rights granted to such Securityholder under this Article 3 to any inventor and up to three (3) transferees to whom Shares are transferred and who delivers to the Company a written instrument in accordance with subsection (b) above and containing the representation that the transfer is exempt from registration under the Securities Act. In the event of such transfer, such transferee shall be deemed a Securityholder for purposes of this Section 3.3 and may again transfer such rights to any other person or entity which acquires Securities from such transferee in accordance with, and subject to, the provisions of subsections (a), (b) and (c) above.

4. MERGERS AND CONSOLIDATIONS. The Company has the right to (a) issue equity for consideration other than money, and (b) merge into or consolidate with another corporation other than CNSI without the approval of The Regents or Gladstone, provided that the Company shall deliver written notice to The Regents and Gladstone at least thirty (30) days prior to the consummation of such merger or consolidation. If the Company merges into CNSI, the terms of the merger, including but not limited to the number of shares to be issued by CNSI in exchange for shares of the capital stock of the Company as established by the underwriters, must be approved by an independent and qualified investment banking firm, such firm having been selected by the Securityholders. The fees of

any such investment banking firm will be paid by the Securityholders on a pro rata basis.

5. TERMINATION OF RIGHTS. The covenants contained in Articles 3 and 4 of this Agreement shall terminate, and be of no further force and effect, with respect to each Securityholder upon the Closing of a public offering of the Company's common stock, pursuant to a Registration Statement.

6. Sale or Transfer of Shares: Legend.

6.1 RESTRICTIONS ON TRANSFER. The Shares shall not be sold or transferred unless either (i) they first shall have been registered under the Securities Act or (ii) the Company first shall have been furnished with an opinion of legal counsel (which may be counsel to the Company), reasonable satisfactory to the Company, to the effect that such sale or transfer is exempt from the registration requirements of the Securities Act, and, in the case of a sale of transfer to a party other than an Affiliate of The Regents or Gladstone, as the case may be,

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the Company has consented to such sale or transfer.

6.2 "STAND-OFF" AGREEMENT. Each Securityholder, if requested by the Company and an underwriter of common stock or other securities of the Company, shall agree not to sell or otherwise transfer or dispose of any Shares or other securities of the Company held by such Securityholder for a specified period of time (not to exceed one hundred eighty (180) days) following the effective date of a Registration Statement relating to any public offering of the Company's common stock; provided, that all officers and directors of the Company and all holders of more than one percent (1%) of the outstanding shares of common stock of the Company enter into agreements at least as restrictive as this Agreement.

6.3 LEGEND. Each certificate or other instrument representing the Shares shall bear a legend substantially in the following form:

"This security has not been registered under the Securities Act of 1933, as amended, and may not be offered, sold or otherwise transferred, pledged or hypothecated unless and until it has been registered under such Act or an opinion of counsel satisfactory to the Company is obtained to the effect that such registration is not required."

The foregoing legend shall be removed from the certificates representing any Shares, at the request of the holder thereof, at such time as they become eligible for resale pursuant to Rule 144(k) under the Securities Act.

7. REPRESENTATIONS OF PURCHASERS. Each of CNSI, Gladstone and The Regents (each hereinafter referred to as a "Purchaser") hereby represents to the Company in connection with the Purchaser of their respective Shares contemporaneously the execution of this Agreement that:

7.1 INVESTMENT. Such Purchaser is acquiring the Shares for its own account for investment and not with a view to, or for sale in connection with, any immediate distribution thereof, nor with any present intention of immediately distributing or selling the same; and, except as contemplated by this Agreement, such Purchaser has no present or contemplated agreement, undertaking, arrangement, obligation, indebtedness or commitment providing for the disposition thereof except The Regents' obligation to inventors to share Shares in accordance with The Regents' Patent Policy.

7.2 EXPERIENCE. Such Purchaser has adequate net worth and means of providing for its current needs and personal contingencies to sustain a complete loss of its investment in the Company; such Purchaser's overall commitment to investments which are not readily marketable is not disproportionate to its net worth and such Purchaser's investment in the Shares will not cause such overall commitment to become excessive; and such Purchaser has sufficient knowledge and experience to evaluate the risk of its investment in the Company.

7.3 ACCREDITED INVESTOR. Such Purchaser is an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act of 1933, as amended.

8. Piggy-Back Registration Rights.

8.1 REGISTRATION RIGHTS. The Securityholders shall have the right to request inclusion of Shares including shares of common stock issuable to them upon conversion of New Securities (if applicable) in any registration under the Securities Act proposed by the Company, other than a registration relating solely to employee benefit plans, a registration relating solely to a Rule 145 transaction or a registration pursuant to any registration form that does not permit secondary sales. Any required reduction in the number of shares to be included in such registered offering shall be effected pro-rata among the

holders having registration rights of all shares of capital stock of the Company. If the registration described herein involves an underwriting, then the Securityholders participating in such underwritten offering shall enter into an underwriting agreement with the representative of the underwriter or underwriters selected by the Company, which underwriting agreement shall contain customary terms and conditions, including provisions relating to indemnification by and among the Company, the Securityholders and the underwriters. The Company shall bear all cost and expenses of such registration, other than fees and expenses, if any, of counsel or other advisors to the Securityholders.

8.2 INDEMNIFICATION. The Company shall indemnify, defend and hold the Securityholders harmless against all claims, losses and damages arising out of the registration statement prepared by or on behalf of the Company and for the violation of any rule or regulation promulgated under the Securities Act or state "blue sky" law.

9. Miscellaneous.

9.1 SUCCESSORS AND ASSIGNS. Except as otherwise provided herein, the provisions of this Agreement shall be binding upon, and inure to the benefit of, the respective successors and assigns of the parties hereto.

9.2 AMENDMENTS. Except as otherwise expressly set forth in this Agreement, any term of this Agreement may be amended or modified only with the written consent of each of the parties hereto. No waivers of or exceptions to any term, condition or provision of this Agreement in any one or more instances shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

9.3 REMEDIES. In case any one or more of the covenants or agreements set forth in this Agreement shall have been breached by any party hereto, the other party or parties may proceed to protect and enforce its or their rights either by suit in equity or by action at law, including an action for damages as a result of any such breach or an action for specific performance of any such covenant or agreement contained in this Agreement. In the event that any action shall be instituted in any court by a party hereto for breach of this Agreement, the prevailing party shall be entitled to recover court costs and reasonable attorney's fees in such amount or amounts as the court shall determine.

9.4 NOTICES. All notices, requests, consents and other communications under this Agreement shall be in writing and shall be delivered by hand or mailed by first-class, certified or registered mail, return receipt requested, postage prepaid:

Confidential material omitted and filed separately with the Securities and Exchange Commission. Asterisks denote such omissions.

If to CAMBRIDGE NEUROSCIENCE
PARTNERS, INC. or CNSI:

Cambridge NeuroScience, Inc.
One Kendall Square, Building 700
Cambridge, MA 02139
Attention: Harry W. Wilcox

with a copy to:

Palmer & Dodge LLP
One Beacon Street
Boston, MA 02108
Attention: William T. Whelan, Esq.

If to GLADSTONE:

The J. David Gladstone Institutes
Purchaser O. Box 419100
San Francisco, CA 94141-9100
Attention: Dr. Robert W. Mahley
Executive Director

with a copy to:

Richard Hille
J. David Gladstone Institutes
43 Corporate Park, Suite 102
Irvine, CA 92714

If to The Regents:

The Regents of the University of California
Office of Technology Transfer
1320 Harbor Bay Parkway, Suite 150
Alameda, CA 94502
Attention: Terence A. Feuerborn
Executive Director
Research Administration and
Technology Transfer
UC Case No. *****

9.5 ENTIRE AGREEMENT. With respect to the subject matter hereof, this Agreement together with the Option Agreement and the Sponsored Research and Collaboration Agreement, embodies the entire agreement and understanding between the Securityholders and the Company and supersedes in their entirety all prior agreements and understandings relating to such subject matter; provided, however, that in the event of any conflict between the provisions of this Agreement and the provisions of the Option Agreement and/or the Sponsored Research and Collaboration Agreement, the provision of this Agreement shall prevail.

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

9.7 SEVERABILITY. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision, provided, that no such severability shall be effective if the result of such action materially changes the economic benefit of this Agreement to Gladstone or The Regents.

9.8 HEADINGS. The headings of the Articles, Sections and subsections of this Agreement have been added for convenience only and shall not be deemed to be a part of this Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands as of the day and year first above written.

CAMBRIDGE NEUROSCIENCE
PARTNERS, INC.

CAMBRIDGE NEUROSCIENCE, INC.

By: /s/ R. N. McBurney

Name: R. N. McBurney

Title: President

Date:

By: /s/ Elkan Gamzu

Name: Elkan Gamzu

Title: President and CEO

Date:

By: /s/ Richard Brawerman

Richard Brawerman, Trustee

By: /s/ Terence A. Feuerborn 12-19-96

Terence A. Feuerborn
Executive Director
Research Administration
and Technology Transfer

By: /s/ Albert A. Dorman

Albert A. Dorman, Trustee

Approved as to legal form: /s/ Edwin H. Baker 12/19/96

Edwin H. Baker, Associate Resident Counsel Date
Office of Technology Transfer
University of California

By: /s/ Richard D. Jones

Richard D. Jones, Trustee