FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-06-30**
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FILER

MILLENNIUM PHARMACEUTICALS INC

CIK:**1002637**| IRS No.: **043177038** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-28494** | Film No.: **1697189**
SIC: **2834** Pharmaceutical preparations

Mailing Address
75 SIDNEY STREET
CAMBRIDGE MA 02139

Business Address
75 SIDNEY STREET
CAMBRIDGE MA 02139
6176797000

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)
|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001

OR

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

FOR THE TRANSITION PERIOD FROM _____ to _____.

COMMISSION FILE NUMBER 0-28494

MILLENNIUM PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	04-3177038
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
75 SIDNEY STREET CAMBRIDGE, MASSACHUSETTS (Address of principal executive offices)	02139 (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (617) 679-7000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

The number of shares outstanding of each of the registrant's classes of common stock as of:

DATE	CLASS	OUTSTANDING SHARES
July 24, 2001	Common stock, $.001 par value	219,680,522

MILLENNIUM PHARMACEUTICALS, INC.

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2001

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PART I FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MILLENNIUM PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	JUNE 30, 2001	DECEMBER 31, 2000
	(unaudited)	
<S>	<C>	<C>
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
ASSETS		
Current assets:		
Cash and cash equivalents	$ 119,658	$ 166,086
Marketable securities	1,360,280	1,286,281
Due from strategic alliance partners	22,428	21,901
Prepaid expenses and other current assets	13,208	11,312
Total current assets	1,515,574	1,485,580
Property and equipment, net	116,596	85,803
Restricted cash and other assets	34,380	34,599
Goodwill, net	149,077	177,083
Intangible assets, net	25,615	28,857
Total assets	$ 1,841,242	$ 1,811,922
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 16,616	$ 20,256

Accrued expenses	58,066	39,868
Deferred revenue	73,959	61,842
Current portion of capital lease obligations	15,884	14,208
Total current liabilities	164,525	136,174
Deferred revenue	57,192	88,169
Capital lease obligations, net of current portion	35,344	29,369
Long term debt	83,325	95,927
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, $0.001 par value; 5,000 shares authorized, none issued	-	-
Common Stock, $0.001 par value; 500,000 shares authorized: 218,346 shares at June 30, 2001 and 213,979 shares at December 31, 2000 issued and outstanding	218	214
Additional paid-in capital	2,329,667	2,203,902
Deferred compensation	(1,030)	(1,296)
Notes receivable from officers	(355)	(385)
Accumulated other comprehensive income	22,761	10,455
Accumulated deficit	(850,405)	(750,607)
Total stockholders' equity	1,500,856	1,462,283
Total liabilities and stockholders' equity	$ 1,841,242	$ 1,811,922

</TABLE>

See notes to condensed consolidated financial statements.

MILLENNIUM PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000**	2001	2000**
<S>	<C>	<C>	<C>	<C>
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
Revenues:				
Revenue under strategic alliances	$ 59,066	$ 46,473	$ 109,430	$ 93,709
Costs and expenses:				
Research and development	94,583	62,011	187,104	122,111
General and administrative	19,397	11,057	35,633	21,880
Amortization of goodwill and intangible assets	16,029	12,161	32,296	24,131
Total costs and expenses	130,009	85,229	255,033	168,122
Loss from operations	(70,943)	(38,756)	(145,603)	(74,413)
Other income (expense):				
Equity in operations of joint venture	39	(1,400)	(925)	(1,400)
Interest income	26,491	10,781	53,950	19,261
Interest expense	(2,317)	(6,684)	(4,653)	(12,135)
Debt conversion expense	-	-	(2,567)	-
Minority interest	-	78	-	(63)
Loss before cumulative effect of change in accounting principle	(46,730)	(35,981)	(99,798)	(68,750)
Cumulative effect of change in accounting principle	-	-	-	(107,692)
Net loss	(46,730)	(35,981)	(99,798)	(176,442)

Deemed preferred stock dividend	-	(45,668)	-	(45,668)
Net loss attributable to common stockholders	$ (46,730)	$ (81,649)	$ (99,798)	$ (222,110)
AMOUNTS PER COMMON SHARE:				
Loss before cumulative effect of change in accounting principle	$ (0.21)	$ (0.20)	$ (0.46)	$ (0.38)
Cumulative effect of change in accounting principle	-	-	-	(0.59)
Deemed preferred stock dividend	-	(0.24)	-	(0.25)
Net loss per share, basic and diluted	$ (0.21)	$ (0.44)	$ (0.46)	$ (1.22)
Weighted average shares, basic and diluted	217,779	184,440	216,582	182,664

</TABLE>

** Includes the effects of SAB 101. See Note 2.

See notes to condensed consolidated financial statements.

MILLENNIUM PHARMACEUTICALS, INC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

(IN THOUSANDS)	Six Months Ended JUNE 30, 2001	2000
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (99,798)	$(176,442)
Adjustments to reconcile net loss to cash used in operating activities:		
Cumulative effect of change in accounting principle	-	107,692
Depreciation and amortization	48,792	31,742
Gain on available-for-sale securities	(4,438)	-
Stock compensation expense	1,991	1,371
Equity in operations of joint venture	925	1,400
Minority interest	-	63
Changes in operating assets and liabilities:		
Due from strategic alliance partners	(527)	(7,340)
Prepaid expenses and other current assets	(1,866)	3,037
Restricted cash and other assets	(582)	627
Accounts payable and accrued expenses	6,143	8,465
Deferred revenue	(18,860)	9,156
Net cash used in operating activities	(68,220)	(20,229)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in marketable securities	(384,869)	(402,384)
Proceeds from sales and maturities of marketable securities	329,184	117,021
Investment in joint venture	(4,845)	-
Purchase of property and equipment and other long term assets	(21,961)	(13,689)
Net cash used in investing activities	(82,491)	(299,052)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of convertible subordinated notes, net of issuance costs	-	388,695
Proceeds from sales of common stock	100,000	2,930
Net proceeds from employee stock purchases	11,564	29,817

Repayment of notes receivable from officers	-	555
Principal payments on capital leases	(6,390)	(4,626)
Net cash provided by financing activities	105,174	417,371
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(45,537)	98,090
Equity adjustment from foreign currency translation	(891)	-
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	166,086	56,775
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 119,658	$ 154,865
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 4,421	$ 1,417
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Equipment acquired under capital leases	$ 14,041	$ 6,750
Construction costs for laboratory and office space	12,894	-
Conversion of subordinated debt to common stock	12,602	-
Write off of capital assets	558	1,350
Reclassification of debt issuance costs to additional paid-in capital	122	-
MPI buyout of Becton Dickinson interest in MPMx	-	61,160
Issuance of common stock to Abgenix, Inc.	-	10,000
Deferred compensation relating to issuance of stock options	-	1,160

</TABLE>

See notes to condensed consolidated financial statements.

MILLENNIUM PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation of the accompanying condensed consolidated financial statements have been included. Interim results for the three and six month periods ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, which was filed with the Securities and Exchange Commission (SEC) on March 15, 2001.

The Company is in discussions with the staff of the SEC with respect to their comments on the Company's Form 10-K for the year ended December 31, 2000 and Form 10-Q for the quarter ended March 31, 2001 relating to certain non-cash charges related to the manner of accounting for minority interests in the Company's financial statements for the years ended December 31, 1998, 1999 and 2000. The Company has responded to the SEC's comments and is awaiting their reply. The Company does not expect any material changes in our accounting treatment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) CASH EQUIVALENTS AND MARKETABLE SECURITIES

Cash equivalents consist principally of money market funds and corporate bonds with original maturities of three months or less at the date of purchase. Marketable securities consist of high-grade corporate bonds, asset-backed and U.S. government agency securities.

Management determines the appropriate classification of marketable

securities at the time of purchase and reevaluates such designation at each balance sheet date. Marketable securities at June 30, 2001 and December 31, 2000 are classified as "available-for-sale." Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported in a separate component of stockholders' equity. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in interest income. The cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion is included in interest income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income.

(b) GOODWILL AND INTANGIBLE ASSETS

Intangible assets consist of specifically identified intangible assets. Goodwill is the excess of any purchase price over the estimated fair market value of net tangible assets acquired not allocated to specific intangible assets. Amortization is computed using the straight-line method over the estimated useful lives of the respective assets, generally four years. Accumulated amortization was $96.3 million and $64.0 million at June 30, 2001 and December 31, 2000, respectively. On a periodic basis, the Company estimates the future undiscounted cash flows of the businesses to which the goodwill and intangible assets relate in order to ensure that the carrying value of such assets has not been impaired.

(c) REVENUE RECOGNITION

Effective October 1, 2000, Millennium changed its method of accounting for revenue recognition in accordance with Staff Accounting Bulletin (SAB) No. 101 ("SAB 101"), REVENUE RECOGNITION IN FINANCIAL STATEMENTS. Previously, the Company had recognized revenue relating to non-refundable, up-front, license and milestone payments and certain research funding payments from its strategic partners in accordance with the contract. Under the new accounting method adopted retroactively to January 1, 2000, the Company recognizes revenue from non-refundable, up-front, license and milestone payments, not specifically tied to a separate earnings process, ratably over the term of the research contract. When payments are specifically tied to a separate earnings process, revenue is recognized when the specific performance obligation associated with the payment is completed. Performance obligations typically consist of significant milestones in the development life cycle of the related technology such as initiation of clinical trials, filing for approval with regulatory agencies and approvals by regulatory agencies. In addition, when appropriate, the Company recognizes revenue from certain research payments based upon the level of research services performed during the period of the research contract. The cumulative effect of the change on prior years resulted in a charge to income of $107.7 million, which is included in the loss for the six months ended June 30, 2000. Included in revenue for the three and six months ended June 30, 2000 is $5.0 million and $10.1 million, respectively, of revenue that was recognized in prior years relating to the adoption of SAB 101. The amount of revenue recognized in the three and six months ended June 30, 2001 that was included in the cumulative effect of change in accounting principle is $12.2 million and $22.3 million, respectively. Prior year financial results have been restated for the retroactive adoption of SAB 101 to January 1, 2000.

(d) SEGMENT INFORMATION

The Company operates in one business segment, which primarily focuses on the discovery and development of proprietary therapeutic and diagnostic human healthcare products and services. Substantially all of the Company's revenues have been derived from its strategic alliances. Revenues from Aventis Pharmaceuticals, Inc. ("Aventis") accounted for approximately 16.9% of consolidated revenues for the three months ended June 30, 2001 and 18.3% of consolidated revenues for the six months ended June 30, 2001. Revenues from Bayer AG ("Bayer") accounted for approximately 29.6% and 27.7% of consolidated revenues for the quarters ended June 30, 2001 and 2000, respectively and 30.0% and 25.2% of consolidated revenues for the six months ended June 30, 2001 and

2000, respectively. Revenues from Monsanto Company ("Monsanto") accounted for approximately 18.4% and 23.3% of consolidated revenues for the quarters ended June 30, 2001 and 2000, respectively and 19.8% and 23.1% of consolidated revenues for the six months ended June 30, 2001 and 2000, respectively. Revenues from Becton, Dickinson Company ("Becton Dickinson") accounted for approximately 16.1% and 12.1% of consolidated revenues for the three and six months ended June 30, 2000, respectively.

(e) NET INCOME (LOSS) PER COMMON SHARE

Basic net income (loss) per common share is computed using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per common share is computed using the weighted average number of common and dilutive common equivalent shares from stock options, warrants and convertible debt using the treasury stock method. For the three and six months ended June 30, 2001 and 2000, diluted net loss per share is the same as basic net loss per share as the inclusion of weighted average shares of common stock issuable upon the exercise of stock options, warrants and convertible debt would be antidilutive.

(f) STOCK DIVIDENDS

Stockholders' equity has been restated to give retroactive application to each of the two-for-one stock splits on April 18, 2000 and October 4, 2000 by reclassifying from additional paid-in capital to common stock the par value of the additional shares arising from the stock splits. In addition, all references in the condensed consolidated financial statements to the number of shares and per share amounts have been restated.

(g) COMPREHENSIVE INCOME (LOSS)

Comprehensive loss was $50.1 million and $36.4 million for the quarters ended June 30, 2001 and 2000, respectively, and $87.5 million and $176.8 million for the six months ended June 30, 2001 and 2000, respectively. Comprehensive income (loss) is comprised of net income (loss), unrealized gains and losses on marketable securities and cumulative foreign currency translation adjustments. Accumulated other comprehensive income at June 30, 2001 included $23.9 million of unrealized gains on marketable securities and $1.1 million of cumulative foreign currency translation adjustments.

(h) RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." The effective date of this statement was deferred to fiscal years beginning after June 15, 2000 by SFAS No. 137 "Accounting for Derivative Instruments and Hedging Activities--Deferral of Effective Date of SFAS No. 133." SFAS No. 133 was amended by SFAS No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities." The Company has adopted this new accounting standard effective January 1, 2001 and it did not have a significant effect on the financial statements.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 eliminates the pooling-of-interests method of accounting for business combinations except for qualifying business combinations that were initiated prior to July 1, 2001. Under SFAS No. 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually for impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company is required to adopt SFAS No. 142 for the fiscal year beginning after December 15, 2001. The Company is currently in the process of evaluating the impact SFAS No. 142 will have on its financial position and results of operations.

3. STRATEGIC ALLIANCES

In both January 2001 and July 2001, Aventis made $50 million purchases of

Millennium common stock pursuant to the Investment Agreement between the Company and Aventis.

On March 12, 2001, the Company entered into a strategic alliance with Abbott Laboratories ("Abbott"). This alliance is for a five-year term, and is primarily for collaborative research and development in the area of metabolic diseases. The Company and Abbott have agreed to share the cost of developing, manufacturing and marketing products on a worldwide basis. This arrangement with Abbott also includes a technology exchange and development agreement and an equity investment by Abbott, under which the Company is eligible to receive up to $250 million. As part of this $250 million equity investment, Abbott made an initial investment of $50 million on April 11, 2001 and has agreed to make additional investments totaling $200 million in seven equal quarterly installments from later in 2001 through 2003.

On April 11, 2001, the Company entered into an agreement with BZL Biologics, L.L.C. ("BZL"), a privately-held company, to develop and commercialize antibody-based therapeutics targeting Prostate Specific Membrane Antigen (PSMA). The development plan includes programs for both immunotoxin and radiolabeled products. The primary indication expected for products targeting PSMA is prostate cancer, although PSMA may also be a relevant therapeutic target in other solid tumors. The terms of the agreement call for Millennium and BZL to jointly develop the immunotoxin and radiolabeled products for the prostate cancer indication until a predetermined clinical decision point. Thereafter, Millennium will have full responsibility for development, manufacturing and commercialization of all antibody-based therapies for all indications, as well as all diagnostic products. Millennium will be responsible for all development costs of the products. In addition, BZL will be entitled to receive milestone payments and royalties based on net sales of any marketed products.

4. MILLENNIUM & ILEX PARTNERS, L.P.

The Company and ILEX Products, Inc. ("ILEX") each own 50% of Millennium and ILEX Partners, L.P. ("M&I") a joint venture formed for the purpose of developing and commercializing the CAMPATH(R) product, a monoclonal antibody for use in the treatment of chronic lymphocytic leukemia. In August 1999, M&I and Schering AG ("Schering") entered into a distribution and development agreement which grants Schering exclusive marketing and distribution rights to the CAMPATH(R) product in the U.S., Europe and the rest of the world except Japan and East Asia, where M&I has retained rights. In the United States, Berlex Laboratories, Inc., Schering's U.S. affiliate, and M&I will share in the profits from the sale of the CAMPATH(R) product. On sales made in the rest of the territory, Schering has agreed to pay royalties equivalent to the rate of profit sharing expected in the U.S. Under the terms of the agreement, Schering has agreed to make payments of up to $30 million, of which $25 million has been paid as of June 30, 2001, for rights to the CAMPATH(R) product upon the achievement of certain regulatory milestones. The joint venture currently intends to use these funds to pay for ongoing development activities.

The Company accounts for its investment in M&I under the equity method of accounting and records its share of the income or loss in other income (expense). For the three and six months ended June 30, 2001 the Company's share of the joint venture's recorded income (loss) was $0.04 million and $(0.9) million, respectively and the Company's obligation to fund the joint venture at June 30, 2001 was $4.7 million. During the three and six months ended June 30, 2001, the Company recognized $1.2 million and $2.3 million, respectively, of revenue from research and development activities performed on behalf of and to be reimbursed by M&I. Included in Due from strategic alliance partners was $1.2 million and $3.8 million at June 30, 2001 and December 31, 2000, respectively for amounts due from M&I for such work.

5. CONVERTIBLE DEBT

In January 2000, the Company completed a sale, pursuant to Rule 144A of the Securities Act of 1933, of $400.0 million of 5.5% convertible subordinated notes due January 15, 2007. The 5.5% convertible subordinated notes due January 15, 2007 are convertible into Millennium common stock at any time prior to

maturity at a price equal to $42.07 per share, subject to adjustment, unless previously repurchased or redeemed by the Company under certain circumstances. Under the terms of the notes, the Company is required to make semi-annual interest payments on the outstanding principal balance of the notes on January 15 and July 15 of each year. All required interest payments to date have been made.

During the six months ended June 30, 2001, the Company paid an aggregate of $2.6 million in cash to certain holders of Millennium's 5.5% convertible subordinated notes due January 15, 2007 in order to induce the conversion of their notes into Millennium common stock. These cash payments were expensed during the six months ended June 30, 2001. Interest accrued through the date of conversion was charged to interest expense and was paid upon conversion. These conversions resulted in the retirement of $12.6 million of outstanding principal of Millennium 5.5% convertible subordinated notes due January 15, 2007, the issuance of approximately 0.3 million shares of Millennium common stock, and the reclassification of deferred debt issuance costs of $0.1 million to additional paid-in capital.

6. COMMITMENTS

On August 4, 2000, the Company entered into lease agreements, relating to two buildings to be constructed for laboratory and office space in Cambridge, Massachusetts. The rent obligation for each building is expected to commence on the earlier of (a) September 1, 2002 or October 1, 2003, respectively or (b) the date on which the Company commences occupancy of the respective building. Both leases are for a term of seventeen years. The Company is responsible for a portion of the construction costs for both buildings. The Company's cost to complete one of the buildings is expected to be approximately $37.9 million. The other building is currently in the design phase and construction costs are currently being estimated to be approximately $42 million. Rent is calculated on an escalating scale ranging from approximately $7.6 million, per building per year, to approximately $9.7 million, per building per year.

In February 2001, the Company entered into a lease agreement relating to a building to be constructed for laboratory and office space in Cambridge, England. The lease is for a term of 20 years and is expected to commence in 2003. The Company is responsible for a portion of the construction costs, which it estimates to be approximately $21.0 million. Rent is approximately $2.4 million per year and is subject to market adjustments at the end of the 5th, 10th and 15th years.

7. SUBSEQUENT EVENTS

In July 2001, the European Commission granted marketing authorization to the MabCampath(TM) (alemtuzumab) product for patients with chronic lymphocytic leukemia (CLL) who have been treated with alkylating agents and have failed fludarabine therapy. MabCampath(TM) is the name that will be used for the CAMPATH(R) product in Europe. Under this authorization, M&I was granted a single license for marketing MabCampath(TM) in the 15 member states of the European Union and received national licenses in two additional countries, Iceland and Norway. M&I has initiated a post-approval clinical trial of MabCampath(TM) versus chlorambucil, the standard frontline treatment, to further examine MabCampath(TM) for the treatment of B-cell chronic lymphocytic leukemia (B-CLL) patients.

In July 2001, Aventis made a $50.0 million purchase of Millennium common stock pursuant to the Investment Agreement between the Company and Aventis.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

OVERVIEW

Millennium Pharmaceuticals, Inc. was founded in 1993. We incorporate large-scale genetics, genomics, high throughput screening, and informatics in an integrated science and technology platform, which we apply primarily in discovering and developing proprietary therapeutic and diagnostic human healthcare products and services.

We currently derive our revenue primarily from payments from strategic alliances with major pharmaceutical companies. We have not received any revenue from the sale of products. Significant strategic alliances include the following: an agreement with Bayer, AG ("Bayer") in cardiovascular disease, and certain areas of oncology, osteoporosis, pain, liver fibrosis, hematology and viral infections; a research alliance and technology transfer agreement with Monsanto Company ("Monsanto") in plant agriculture; a technology transfer agreement and joint development and commercialization agreement with Aventis Pharmaceuticals, Inc. ("Aventis") in inflammatory disease; Millennium and ILEX Partners, L.P. ("M&I"), a joint venture partnership with ILEX Products, Inc. ("ILEX") for development of the CAMPATH(R) (alemtuzumab) product, a monoclonal antibody for use in the treatment of chronic lymphocytic leukemia, for which the partnership received marketing approval from the Food and Drug Administration ("FDA") in May 2001; and an agreement, through our joint venture partnership with ILEX, with Schering AG for distribution of the CAMPATH(R) (alemtuzumab) product. In addition, we have a number of other strategic alliances. Our strategic alliance agreements have provided us with various combinations of equity investments, license fees and research funding, and may provide certain additional payments contingent upon our attainment of research and regulatory milestones and royalty and/or profit sharing payments based on sales of any products resulting from the collaborations.

In July 2001, the European Commission granted marketing authorization to the MabCampath(TM) (alemtuzumab) product for patients with chronic lymphocytic leukemia (CLL) who have been treated with alkylating agents and have failed fludarabine therapy. MabCampath(TM) is the name that will be used for the CAMPATH(R) product in Europe. Under this authorization, M&I Partners was granted a single license for marketing MabCampath(TM) in the 15 member states of the European Union and received national licenses in two additional countries, Iceland and Norway. M&I has initiated a post-approval clinical trial of MabCampath(TM) versus chlorambucil, the standard frontline treatment, to further examine MabCampath(TM) for the treatment of B-cell chronic lymphocytic leukemia (B-CLL) patients.

On March 12, 2001, we entered into a strategic alliance with Abbott Laboratories ("Abbott"). This alliance is for a five-year term, and is primarily for collaborative research and development in the area of metabolic diseases. Abbott and we have agreed to share the cost of developing, manufacturing and marketing products on a worldwide basis. This arrangement with Abbott also includes a technology exchange and development agreement and an equity investment by Abbott, under which we are eligible to receive up to $250 million. As part of this $250 million equity investment, Abbott made an initial investment of $50 million on April 11, 2001 and has agreed to make additional investments totaling $200 million in seven equal quarterly installments from later in 2001 through 2003.

On April 11, 2001, we entered into an agreement with BZL Biologics, L.L.C. ("BZL"), a privately-held company, to develop and commercialize antibody-based therapeutics targeting Prostate Specific Membrane Antigen (PSMA). The development plan includes programs for both immunotoxin and radiolabeled products. The primary indication expected for products targeting PSMA is prostate cancer, although PSMA may also be a relevant therapeutic target in other solid tumors. The terms of the agreement call for BZL and us to jointly develop the immunotoxin and radiolabeled products for the prostate cancer indication until a predetermined clinical decision point. Thereafter, we will have full responsibility for development, manufacturing and commercialization of all antibody-based therapies for all indications, as well as all diagnostic products. We will be responsible for all development costs of the products. In addition, BZL will be entitled to receive milestone payments and royalties based on net sales of any marketed products.

Our goal is to become an integrated biopharmaceutical company. As a result, we expect to continue to pursue additional alliances and to consider joint development, merger, or acquisition opportunities that may provide us with access to products on the market or in later stages of commercial development than those represented within our current programs. We expect that we will incur increasing expenses and may incur increasing operating losses for at least the next several years, primarily due to expansion of facilities and research and development programs and as a result of our efforts to advance acquired products or our own development programs to commercialization. Our results of operations for any period may not be indicative of future results as our revenues under strategic alliance and licensing arrangements and from product sales, to the extent that we receive product sales in future periods, may fluctuate from period to period or year to year.

We are in discussions with the staff of the SEC with respect to their comments on our Form 10-K for the year ended December 31, 2000 and Form 10-Q for the quarter ended March 31, 2001 relating to certain non-cash charges related to the manner of accounting for minority interests in our financial statements for the years ended December 31, 1998, 1999 and 2000. We have responded to the SEC's comments and are awaiting their reply. We do not expect any material changes in our accounting treatment.

RESULTS OF OPERATIONS

QUARTERS ENDED JUNE 30, 2001 AND JUNE 30, 2000

For the three months ended June 30, 2001 (the "2001 Quarterly Period") we reported a net loss attributable to common stockholders of $46.7 million or $(0.21) per basic and diluted share as compared to a net loss attributable to common stockholders of $81.6 million or $(0.44) per basic and diluted share for the three months ended June 30, 2000 (the "2000 Quarterly Period").

Revenue under strategic alliances increased to $59.1 million for the 2001 Quarterly Period from $46.5 million for the 2000 Quarterly Period. The increase in revenue is primarily due to increased revenue from Aventis and Bayer. As the Aventis alliance was entered into on June 23, 2000, there was no Aventis revenue in the 2000 Quarterly Period. We expect revenue under existing and new strategic alliances to continue; however, revenues may fluctuate from period to period and there can be no assurance that strategic alliance agreements will continue for their full initial terms or beyond.

Effective October 1, 2000, we changed our method of accounting for revenue recognition in accordance with Staff Accounting Bulletin (SAB) No. 101 ("SAB 101"), REVENUE RECOGNITION IN FINANCIAL STATEMENTS. Previously, we had recognized revenue relating to non-refundable, up-front, license and milestone payments and certain research funding payments from our strategic partners in accordance with the contract. Under the new accounting method adopted retroactively to January 1, 2000, we now recognize revenue from non-refundable, up-front, license and milestone payments, not specifically tied to a separate earnings process, ratably over the term of the research contract. When payments are specifically tied to a separate earnings process, revenue is recognized when the specific performance obligation associated with the payment is completed. Performance obligations typically consist of significant milestones in the development life cycle of the related technology such as initiation of clinical trials, filing for approval with regulatory agencies and approvals by regulatory agencies. In addition, when appropriate, we recognize revenue from certain research payments based upon the level of research services performed during the research contract. Included in the 2000 quarterly revenue is $5.0 million of revenue that was recognized in prior years relating to the adoption of SAB 101. The amount of revenue recognized in the 2001 Quarterly Period that was included in the cumulative effect of change in accounting principle is $12.2 million.

Research and development expenses increased to $94.6 million for the 2001 Quarterly Period from $62.0 million for the 2000 Quarterly Period. The increase was primarily attributable to increased personnel and facilities expenses, increased purchases of laboratory supplies and our continued investment in clinical trials and preclinical product candidates. We expect research and development expenses to continue to increase as personnel are added and research and development activities are expanded to accommodate our existing and additional strategic alliances as well as our investment in development efforts to move our product candidates to commercialization.

General and administrative expenses increased to $19.4 million for the 2001 Quarterly Period from $11.1 million for the 2000 Quarterly Period. The increase was primarily attributable to increased expenses for additional management and administrative personnel, as well as an increase in facilities expenses and other professional fees associated with the expansion and increased complexity of our operations.

On December 22, 1999 we acquired LeukoSite, Inc. ("LeukoSite") and on July 27, 2000 we acquired Cambridge Discovery Chemistry Limited. The transactions were recorded as purchases for accounting purposes and accordingly, the purchase price was allocated to the separately identifiable assets purchased and liabilities assumed based upon their respective fair values. Goodwill is the excess of the purchase price over such allocation of fair values. Intangible assets and goodwill are being amortized on a straight-line basis over four years. Amortization expense for the 2001 and 2000 Quarterly Periods is primarily related to the LeukoSite acquisition.

In connection with the LeukoSite acquisition, we also incurred a nonrecurring charge to operations in 1999 for acquired in-process research and development. Our research and development projects acquired in connection with our acquisition of LeukoSite are expected to continue in line with the estimates set forth in our 2000 Annual Report on Form 10-K.

Through our 1999 acquisition of LeukoSite we became a party to a joint venture partnership with ILEX, called M & I, for development of the CAMPATH(R) product. We account for our investment in the joint venture under the equity method of accounting and record our share of the income or loss in other income (expense). Equity in operations of the joint venture was $0.04 million for the 2001 Quarterly Period.

Interest income increased to $26.5 million for the 2001 Quarterly Period from $10.8 million for the 2000 Quarterly Period. The increase resulted primarily from a higher level of invested funds due to net proceeds from our public stock offering in October 2000 of $767.4 million (including the underwriters' exercise of their over-allotment option), common stock purchases made by Aventis in the third quarter of 2000 and January 2001 of $150 million and $50 million, respectively, and a common stock purchase made by Abbott in April 2001 of $50 million. Interest expense decreased to $2.3 million for the 2001 Quarterly Period from $6.7 million for the 2000 Quarterly Period due to reduced obligations from the early conversion of a portion of our 5.5% convertible subordinated notes due January 15, 2007.

Minority interest in the 2000 Quarterly Period represents the minority shareholder interest of Becton, Dickinson and Company ("Becton Dickinson") in the net loss for the 2000 Quarterly Period of our then majority-owned subsidiary, Millennium Predictive Medicine, Inc. ("MPMx"). On June 2, 2000, we acquired the outstanding preferred stock of our MPMx subsidiary that we did not already own, making MPMx a wholly-owned subsidiary of the Company.

SIX MONTHS ENDED JUNE 30, 2001 AND JUNE 30, 2000

For the six months ended June 30, 2001 (the "2001 Six Month Period") we reported a net loss attributable to common stockholders of $99.8 million or $(0.46) per basic and diluted share as compared to a net loss attributable to common stockholders of $222.1 million or $(1.22) per basic and diluted share for the six months ended June 30, 2000 (the "2000 Six Month Period").

Revenue under strategic alliances increased to $109.4 million for the 2001 Six Month Period from $93.7 million for the 2000 Six Month Period. The increase in revenue is primarily due to increased revenue from Aventis and Bayer. Included in the 2000 Six Month Period revenue is $10.1 million of revenue that was recognized in prior years relating to the adoption of SAB 101. The amount of revenue recognized in the 2001 Six Month Period that was included in the cumulative effect of change in accounting principle relating to the adoption of SAB 101 is $22.3 million. We expect revenue under existing and new strategic alliances to continue; however, revenues may fluctuate from period to period and there can be no assurance that strategic alliance agreements will continue for their full initial terms or beyond.

Research and development expenses increased to $187.1 million for the 2001

Six Month Period from $122.1 million for the 2000 Six Month Period. The increase was primarily attributable to increased personnel

and facilities expenses, increased purchases of laboratory supplies and our continued investment in clinical trials and preclinical product candidates. We expect research and development expenses to continue to increase as personnel are added and research and development activities are expanded to accommodate our existing and additional strategic alliances as well as our investment in development efforts to move our product candidates to commercialization.

General and administrative expenses increased to $35.6 million for the 2001 Six Month Period from $21.9 million for the 2000 Six Month Period. The increase was primarily attributable to increased expenses for additional management and administrative personnel, as well as an increase in facilities expenses and professional fees associated with the expansion and increased complexity of our operations.

On December 22, 1999 we acquired LeukoSite and on July 27, 2000 we acquired Cambridge Discovery Chemistry Limited, respectively. The transactions were recorded as purchases for accounting purposes and accordingly, the purchase price was allocated to the separately identifiable assets purchased and liabilities assumed based upon their respective fair values. Goodwill is the excess of the purchase price over such allocation of fair values. Intangible assets and goodwill are being amortized on a straight-line basis over four years. Amortization expense for the 2001 and 2000 Six Month Period primarily relates to the LeukoSite acquisition.

In connection with the LeukoSite acquisition, we also incurred a nonrecurring charge to operations in 1999 for acquired in-process research and development. Our research and development projects acquired in connection with our acquisition of LeukoSite are expected to continue in line with the estimates set forth in our 2000 Annual Report on Form 10-K.

Through our 1999 acquisition of LeukoSite we became a party to a joint venture partnership with ILEX, M & I, for development of the CAMPATH(R) product. We account for our investment in the joint venture under the equity method of accounting and record our share of the income or loss in other income (expense). Equity in operations of the joint venture was a loss of $0.9 million for the 2001 Six Month Period. The loss is primarily attributable to pre-product launch marketing and sales activities.

Interest income increased to $54.0 million for the 2001 Six Month Period from $19.3 million for the 2000 Six Month Period. The increase resulted primarily from a higher level of invested funds due to net proceeds from our public stock offering in October 2000 of $767.4 million (including the underwriters' exercise of their over-allotment option) and common stock purchases made by Aventis in the third quarter of 2000 and January 2001 of $150 million and $50 million, respectively, and a common stock purchase made by Abbott in April 2001 of $50 million. Interest expense decreased to $4.7 million for the 2001 Six Month Period from $12.1 million for the 2000 Six Month Period due to reduced obligations from the early conversion of a portion of our 5.5% convertible subordinated notes due January 15, 2007.

During the 2001 Six Month Period, we paid an aggregate of $2.6 million in cash to certain holders of our 5.5% convertible subordinated notes due January 15, 2007 in order to induce the conversion of their notes into our common stock. These cash payments were expensed during the 2001 Six Month Period.

Minority interest in the 2000 Six Month Period represents the minority shareholder interest of Becton Dickinson in the net income for the 2000 Six Month Period of our then majority-owned subsidiary, MPMx. On June 2, 2000, we acquired the outstanding preferred stock of our MPMx subsidiary that we did not already own, making MPMx a wholly-owned subsidiary of the Company.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2001, we had approximately $1.5 billion in cash, cash equivalents and marketable securities, an increase of $27.6 million from December 31, 2000. This excludes $28.9 million of interest-bearing marketable securities classified as restricted cash and other assets on our balance sheet, which serve as security deposits for certain of our facilities leases.

The increase in cash, cash equivalents and marketable securities is primarily due to $100.0 million of proceeds from the sales of common stock to Aventis and Abbott and $11.6 million of proceeds from employee stock purchases, offset by cash outflows of $68.2 million for operating activities, purchases of $22.0 million of property and equipment and other long term assets, and $6.4 million to pay capital lease obligations.

In January 2000, we completed a sale, pursuant to Rule 144A of the Securities Act of 1933, of $400.0 million of 5.5% convertible subordinated notes due January 15, 2007. The 5.5% convertible subordinated notes due January 15, 2007 are convertible into shares of our common stock at any time prior to maturity at a price equal to $42.07 per share, subject to adjustment, unless previously repurchased or redeemed by us under certain circumstances. Under the terms of the notes, we are required to make semi-annual interest payments on the outstanding principal balance of the notes on January 15 and July 15 of each year.

During the first six months of 2001, the Company paid an aggregate of $2.6 million in cash to certain holders of Millennium's 5.5% convertible subordinated notes due January 15, 2007 in order to induce the conversion of their notes into Millennium common stock. These cash payments were expensed during 2001. Interest accrued through the date of conversion was charged to interest expense and was paid upon conversion. These conversions resulted in the retirement of $12.6 million of outstanding principal of Millennium 5.5% convertible subordinated notes due January 15, 2007, the issuance of approximately 0.3 million shares of Millennium common stock, and the reclassification of deferred debt issuance costs of $0.1 million to additional paid-in capital.

On June 23, 2000, we entered into an alliance with Aventis covering the joint development and commercialization of drugs for the treatment of inflammatory diseases; joint development of new drug discovery technologies; transfer of key elements of our technology platform to Aventis to enhance its existing capabilities; and purchase of an equity interest in us by Aventis. In North America, we have agreed to share the responsibility for and cost of developing, marketing and manufacturing products arising from the alliance, as well as profits. Outside of North America, Aventis is responsible for developing and marketing products arising from the alliance, with a royalty obligation to us. Under a Technology Transfer Agreement, we agreed to provide Aventis with rights to our drug discovery technologies in exchange for payments of up to $200 million over a five-year period. Under an Investment Agreement, Aventis agreed to invest $250 million in our common stock. As part of this $250 million equity investment, Aventis made a $150 million stock purchase in the third quarter of 2000 and made a $50 million stock purchase in both January 2001 and July 2001.

On August 4, 2000, we entered into lease agreements, relating to two buildings to be constructed for laboratory and office space in Cambridge, Massachusetts. The rent obligation for each building is expected to commence on the earlier of (a) September 1, 2002 or October 1, 2003, respectively or (b) the date on which we commence occupancy of the respective building. Both leases are for a term of seventeen years. We are responsible for a portion of the construction costs for both buildings. Our cost to complete one of the buildings is expected to be approximately $37.9 million. The other building is currently in the design phase and construction costs are currently being estimated to be approximately $42 million. Rent is calculated on an escalating scale ranging from approximately $7.6 million, per building per year, to approximately $9.7 million, per building per year.

On October 11, 2000, we completed a public offering of 11,000,000 shares of our common stock resulting in net proceeds to us of $677.1 million. On October 17, 2000 the underwriters exercised their over-allotment option with respect to an additional 1,465,500 shares of common stock, resulting in net proceeds to us of an additional $90.3 million. We plan to use the net proceeds of this offering for working capital and other corporate purposes including financing our growth, accelerating the expansion of our technology platform, developing products, including conducting preclinical testing and clinical trials, and acquisitions of businesses, products and technologies that complement or expand our business.

In February 2001, we entered into a lease agreement relating to a

building to be constructed for laboratory and office space in Cambridge, England. The lease has a term of 20 years and is expected to commence in 2003. We are responsible for a portion of the construction costs, which we estimate to be approximately $21.0 million. Rent is expected to be approximately $2.4 million per year and is subject to market adjustments at the end of the 5th, 10th and 15th years.

In March 2001, we entered into a strategic alliance with Abbott Laboratories. This alliance is for a five-year term, and is primarily for collaborative research and development in the area of metabolic diseases. Abbott and we have agreed to share the cost of developing, manufacturing and marketing products on a worldwide basis. Our arrangement with Abbott also includes a technology exchange and development agreement and an equity investment by Abbott, under which we are eligible to receive up to $250 million. As part of this $250 million equity investment, Abbott made an initial investment of $50 million on April 11, 2001 and has agreed to make additional investments totaling $200 million in seven equal quarterly installments from later in 2001 through 2003.

We believe that existing cash, our investment securities and the anticipated cash payments from our current strategic alliances will be sufficient to support our operations and fund our capital commitments for the near term. Our actual future cash requirements, however, will depend on many factors, including the progress of our disease research programs, the number and breadth of these programs, achievement of milestones under strategic alliance arrangements, acquisitions, our ability to establish and maintain additional strategic alliance and licensing arrangements, success of products introduced into the market and the progress of our development efforts and the development efforts of our strategic partners.

We may require additional financing in the future, which we may seek to raise through public or private security offerings, debt financings, additional strategic alliances or other financing sources. However, additional financing, strategic alliances or licensing arrangements may not be available when needed or, if available, such financing may not be obtained on terms favorable to us.

SUBSEQUENT EVENTS

In July 2001, the European Commission granted marketing authorization to the MabCampath(TM) (alemtuzumab) product for patients with CLL who have been treated with alkylating agents and have failed fludarabine therapy. MabCampath(TM) is the name that will be used for the CAMPATH(R) product in Europe. Under this authorization, M&I Partners was granted a single license for marketing MabCampath(TM) in the 15 member states of the European Union and received national licenses in two additional countries, Iceland and Norway. M&I has initiated a post-approval clinical trial of MabCampath(TM) versus chlorambucil, the standard frontline treatment, to further examine MabCampath(TM) for the treatment of B-CLL patients.

In July 2001, Aventis made a $50.0 million purchase of Millennium common stock pursuant to the Investment Agreement between Aventis and us.

RISK FACTORS THAT MAY AFFECT RESULTS

THIS QUARTERLY REPORT ON FORM 10-Q AND CERTAIN OTHER COMMUNICATIONS MADE BY THE COMPANY CONTAIN "FORWARD-LOOKING STATEMENTS," INCLUDING STATEMENTS ABOUT OUR GROWTH AND FUTURE OPERATING RESULTS, DISCOVERY AND DEVELOPMENT OF PRODUCTS, POTENTIAL ACQUISITIONS, STRATEGIC ALLIANCES AND INTELLECTUAL PROPERTY. FOR THIS PURPOSE, ANY STATEMENT THAT IS NOT A STATEMENT OF HISTORICAL FACT SHOULD BE CONSIDERED A FORWARD-LOOKING STATEMENT. WE OFTEN USE THE WORDS "BELIEVES," "ANTICIPATES," "PLANS," "EXPECTS," "INTENDS" AND SIMILAR EXPRESSIONS TO HELP IDENTIFY FORWARD-LOOKING STATEMENTS.

THERE ARE A NUMBER OF IMPORTANT FACTORS THAT COULD CAUSE MILLENNIUM'S ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED OR IMPLIED BY FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE THOSE DISCUSSED BELOW, AS WELL AS THOSE DISCUSSED ELSEWHERE IN THIS FORM 10-Q. WE DISCLAIM ANY INTENTION OR OBLIGATION TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

REGULATORY RISKS

WE MAY NOT BE ABLE TO OBTAIN MARKETING APPROVAL FOR PRODUCTS OR SERVICES RESULTING FROM OUR DEVELOPMENT EFFORTS.

All of the products that we are developing will require additional research and development, extensive preclinical studies and clinical trials and regulatory approval prior to any commercial sales. This process is

lengthy, often taking a number of years, and expensive. In some cases, the length of time that it takes for us to achieve various regulatory approval milestones affects the payments that we are eligible to receive under our strategic alliance agreements.

We may need to successfully address a number of technological challenges in order to complete development of our products. Moreover, these products may not be effective in treating any disease or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude our obtaining regulatory approval or prevent or limit commercial use.

IF WE FAIL TO COMPLY WITH REGULATORY REQUIREMENTS, OR IF WE EXPERIENCE UNANTICIPATED PROBLEMS WITH OUR APPROVED PRODUCTS, OUR PRODUCTS COULD BE SUBJECT TO RESTRICTIONS OR WITHDRAWAL FROM THE MARKET.

Any product for which we obtain marketing approval, such as our CAMPATH(R) monoclonal antibody, along with the manufacturing processes, post-approval clinical data and promotional activities for such product, will be subject to continual review and periodic inspections by the FDA and other regulatory bodies. Later discovery of previously unknown problems with our products or manufacturing processes, or failure to comply with regulatory requirements, may result in restrictions on such products or manufacturing processes, withdrawal of the products from the market or the imposition of civil or criminal penalties.

WE HAVE ONLY LIMITED EXPERIENCE IN REGULATORY AFFAIRS, AND SOME OF OUR PRODUCTS MAY BE BASED ON NEW TECHNOLOGIES; THESE FACTORS MAY AFFECT OUR ABILITY OR THE TIME WE REQUIRE TO OBTAIN NECESSARY REGULATORY APPROVALS.

We have only limited experience in filing and prosecuting the applications necessary to gain regulatory approvals. Moreover, certain of the products that are likely to result from our research and development programs may be based on new technologies and new therapeutic approaches that have not been extensively tested in humans. The regulatory requirements governing these types of products may be more rigorous than for conventional products. As a result, we may experience a longer regulatory process in connection with any products that we develop based on these new technologies or new therapeutic approaches.

RISKS RELATING TO OUR INDUSTRY, BUSINESS AND STRATEGY

BECAUSE DISCOVERING DRUGS BASED UPON GENOMICS IS NEW, IT IS POSSIBLE THAT THIS DISCOVERY PROCESS WILL NOT RESULT IN COMMERCIAL PRODUCTS OR SERVICES.

The process of discovering drugs based upon genomics is new and evolving rapidly. We focus our genomics research primarily on diseases that may be linked to several or many genes working in combination. Both we and the general scientific and medical communities have only a limited understanding relating to the role of genes and their products in these diseases. To date, we have not commercialized any products discovered through our genomics research, and we may not be successful in doing so in the future. In addition, relatively few products based on gene discoveries have been developed and commercialized by others. Rapid technological development by us or others may result in compounds, products or processes becoming obsolete before we recover our development expenses.

WE FACE SUBSTANTIAL COMPETITION, WHICH MAY RESULT IN OTHERS DISCOVERING, DEVELOPING OR COMMERCIALIZING PRODUCTS AND SERVICES BEFORE OR MORE SUCCESSFULLY THAN WE DO.

The fields of genomics, biotechnology and pharmaceuticals are highly

competitive. Many of our competitors are substantially larger than we are and have substantially greater capital resources, research and development staffs and facilities than we have. Furthermore, many of our competitors are more experienced than we are in drug discovery, development and commercialization, obtaining regulatory approvals and product manufacturing and marketing. As a result, our competitors may identify genes associated with diseases or discover, develop and commercialize products or services based on such genes before we do. In addition, our competitors may discover, develop and commercialize products or services that render non-competitive or obsolete the products or services that we or our collaborators are seeking to develop and commercialize.

WE MAY NOT BE ABLE TO OBTAIN BIOLOGICAL MATERIAL, INCLUDING HUMAN AND ANIMAL DNA SAMPLES, REQUIRED FOR OUR GENETIC STUDIES, WHICH COULD DELAY OR IMPEDE OUR DRUG DISCOVERY EFFORTS.

Our gene identification strategy includes genetic studies of families and populations prone to particular diseases. These studies require the collection of large numbers of DNA samples from affected individuals, their families and other suitable populations as well as animal models. The availability of DNA samples and other biological material is important to our ability to discover the genes responsible for human diseases through human genetic approaches and other studies. Competition for these resources is intense. Access to suitable populations, materials and samples could be limited by forces beyond our control, including governmental actions. Some of our competitors may have obtained access to significantly more family and population resources and biological materials than we have obtained. As a result, we may not be able to obtain access to DNA samples necessary to support our human gene discovery programs.

BECAUSE MANY OF THE PRODUCTS AND SERVICES THAT WE DEVELOP WILL BE BASED ON NEW TECHNOLOGIES AND THERAPEUTIC APPROACHES, THE MARKET MAY NOT BE RECEPTIVE TO THESE PRODUCTS AND SERVICES UPON THEIR INTRODUCTION.

The commercial success of any of our products and services for which we may obtain marketing approval from the FDA, the EMEA and other regulatory authorities will depend upon their acceptance by the medical community and third-party payors as clinically useful, cost-effective and safe. Many of the products and services that we are developing are based upon new technologies or therapeutic approaches. As a result, it may be more difficult for us to achieve market acceptance of our products and services, particularly the first products and services that we introduce to the market based on new technologies and therapeutic approaches. Our efforts to educate the medical community on these potentially unique approaches may require greater resources than would be typically required for products and services based on conventional technologies or therapeutic approaches. The safety, efficacy, convenience and cost-effectiveness of our products as compared to competitive products will also affect market acceptance.

RISKS RELATING TO OUR FINANCIAL RESULTS AND STRUCTURE AND NEED FOR FINANCING

WE HAVE INCURRED SUBSTANTIAL LOSSES AND EXPECT TO CONTINUE TO INCUR LOSSES. WE WILL NOT BE SUCCESSFUL UNLESS WE REVERSE THIS TREND.

We have incurred losses in all but two of the years since our inception. We expect to continue to incur substantial operating losses in future periods. To date, substantially all of our revenues have resulted from payments from collaborators, and not from the sale of products.

We expect to increase our spending significantly as we continue to expand our infrastructure, research and development programs and commercialization activities. As a result, we will need to generate significant revenues to pay these costs and achieve profitability. We cannot be certain whether or when we will become profitable because of the significant uncertainties with respect to our ability to generate revenues from the sale of products and services and from existing and potential future strategic alliances.

WE MAY NEED ADDITIONAL FINANCING, WHICH MAY BE DIFFICULT TO OBTAIN. OUR FAILURE TO OBTAIN NECESSARY FINANCING OR DOING SO ON UNATTRACTIVE TERMS COULD ADVERSELY AFFECT OUR DISCOVERY AND DEVELOPMENT PROGRAMS AND OTHER OPERATIONS.

We will require substantial funds to conduct research and development, including preclinical testing and clinical trials of our potential products. We will also require substantial funds to meet our obligations to our collaborators and maximize the prospective benefits to us from these alliances, manufacture and market any products and services that are approved for commercial sale and meet our debt service obligations. Additional financing may not be available when we need it or may not be available on terms that are favorable to us.

If we are unable to obtain adequate funding on a timely basis, we may be required to significantly curtail one or more of our discovery or development programs. We could be required to seek funds through arrangements with collaborators or others that may require us to relinquish rights to certain of our technologies, product candidates or products which we would otherwise pursue on our own.

RISKS RELATING TO COLLABORATORS

WE DEPEND SIGNIFICANTLY ON OUR COLLABORATORS TO DEVELOP AND COMMERCIALIZE PRODUCTS AND SERVICES BASED ON OUR WORK. OUR BUSINESS MAY SUFFER IF ANY OF OUR COLLABORATORS BREACHES ITS AGREEMENT OR FAILS TO SUPPORT OR TERMINATES ITS ALLIANCE WITH US.

We conduct most of our discovery and development activities through strategic alliances. The success of these programs depends heavily on the efforts and activities of our collaborators. Each of our collaborators has significant discretion in determining the efforts and resources that they will apply to the alliance. Our existing and any future alliances may not be scientifically or commercially successful.

The risks that we face in connection with these alliances include:

- All of our strategic alliance agreements are subject to termination under various circumstances, including, in many cases, on short notice without cause.

- In our strategic alliance agreements, we generally agree not to conduct specified types of research and development in the field that is the subject of the alliance. These agreements may have the effect of limiting the areas of research and development we may pursue, either alone or in collaboration with third parties.

- Our collaborators may develop and commercialize, either alone or with others, products and services that are similar to or competitive with the products and services that are the subject of the alliance with us.

- Our collaborators may change the focus of their development and commercialization efforts. Pharmaceutical and biotechnology companies historically have re-evaluated their priorities following mergers and consolidations, which have been common in recent years in these industries.

- We will rely on our collaborators to manufacture most products covered by our alliances. For example, Becton Dickinson has the sole right to develop, manufacture and commercialize our Melastatin(R) gene detection product. Therefore, we cannot control the timing of the introduction of this product.

WE MAY NOT BE SUCCESSFUL IN ESTABLISHING ADDITIONAL STRATEGIC ALLIANCES, WHICH COULD ADVERSELY AFFECT OUR ABILITY TO DEVELOP AND COMMERCIALIZE PRODUCTS AND SERVICES.

An important element of our business strategy is entering into strategic alliances for the development and commercialization of products and services based on our discoveries. We face significant competition in seeking appropriate collaborators. Moreover, these alliance arrangements are complex to negotiate and time-consuming to document. We may not be successful in our efforts to establish additional strategic alliances or other alternative arrangements. The terms of any additional strategic alliances or other arrangements that we establish may not be favorable to us. Moreover, such strategic alliances or other arrangements may not be successful.

RISKS RELATING TO INTELLECTUAL PROPERTY

IF WE ARE UNABLE TO OBTAIN PATENT PROTECTION FOR OUR DISCOVERIES, THE VALUE OF OUR TECHNOLOGY AND PRODUCTS WILL BE ADVERSELY AFFECTED. IF WE INFRINGE PATENT OR OTHER INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES, WE MAY NOT BE ABLE TO DEVELOP AND COMMERCIALIZE OUR PRODUCTS AND SERVICES OR THE COST OF DOING SO MAY INCREASE.

Our patent positions, and those of other pharmaceutical and biotechnology companies, are generally uncertain and involve complex legal, scientific and factual questions.

Our ability to develop and commercialize products and services depends in significant part on our ability to:

- obtain patents;
- obtain licenses to the proprietary rights of others on commercially reasonable terms;
- operate without infringing upon the proprietary rights of others;
- prevent others from infringing on our proprietary rights; and
- protect trade secrets.

THERE IS SIGNIFICANT UNCERTAINTY ABOUT THE VALIDITY AND PERMISSIBLE SCOPE OF GENOMICS PATENTS IN OUR INDUSTRY, WHICH MAY MAKE IT DIFFICULT FOR US TO OBTAIN PATENT PROTECTION FOR OUR DISCOVERIES.

The validity and permissible scope of patent claims in the pharmaceutical and biotechnology fields, including the genomics field, involve important unresolved legal principles and are the subject of public policy debate in the United States and abroad. For example, there is significant uncertainty both in the United States and abroad regarding the patentability of gene sequences in the absence of functional data and the scope of patent protection available for full-length genes and partial gene sequences. Moreover, certain groups have made certain gene sequences available in publicly accessible databases. These and other disclosures may adversely affect our ability to obtain patent protection for gene sequences claimed by us in patent applications that we file subsequent to such disclosures. There is also some uncertainty as to whether human clinical data will be required for issuance of patents for human therapeutics. If such data are required, our ability to obtain patent protection could be delayed or otherwise adversely affected.

THIRD PARTIES MAY OWN OR CONTROL PATENTS OR PATENT APPLICATIONS AND REQUIRE US TO SEEK LICENSES, WHICH COULD INCREASE OUR DEVELOPMENT AND COMMERCIALIZATION COSTS, OR PREVENT US FROM DEVELOPING OR MARKETING OUR PRODUCTS OR SERVICES.

We may not have rights under some patents or patent applications related to our proposed products, processes or services. Third parties may own or control these patents and patent applications in the United States and abroad. Therefore, in some cases, such as those described below, to develop, manufacture, sell or import certain of our proposed products, processes or services, we or our collaborators may choose to seek, or be required to seek, licenses under third party patents issued in the United States and abroad or those that might issue from United States and foreign patent applications. In such event, we would be required to pay license fees or royalties or both to the licensor. If licenses are not available to us on acceptable terms, we or our collaborators may not be able to develop, manufacture, sell or import these products, processes or services.

With respect to our product candidate LDP-01, we are aware of third party patents and patent applications which relate to certain anti-CD18 antibodies and their use in various methods of treatment including methods of reperfusion therapy and methods of treating focal ischemic stroke. In addition, our LDP-01 and LDP-02 product candidates and our CAMPATH(R) product are humanized monoclonal antibodies. We are aware of third party patents and patent applications that relate to certain humanized or modified antibodies, products

useful for making humanized or modified antibodies, and processes for making and using humanized or modified antibodies. We are also aware of third party patents and patent applications relating to certain manufacturing processes, products thereof and materials useful in such processes.

Our product candidates LDP-341 and LDP-519 are small molecule drug candidates. With respect to LDP-341, we are aware of third party patents or patent applications that relate to either intermediates or synthetic processes used in the synthesis of this compound. Additionally, for the use of LDP-341 and LDP-519 in the treatment of infarctions we are aware of the existence of a potentially interfering patent application filed by one of our former consultants.

WE MAY BECOME INVOLVED IN EXPENSIVE PATENT LITIGATION OR OTHER PROCEEDINGS, WHICH COULD RESULT IN OUR INCURRING SUBSTANTIAL COSTS AND EXPENSES OR SUBSTANTIAL LIABILITY FOR DAMAGES OR REQUIRE US TO STOP OUR DEVELOPMENT AND COMMERCIALIZATION EFFORTS.

There has been substantial litigation and other proceedings regarding the patent and other intellectual property rights in the pharmaceutical and biotechnology industries. We may become a party to patent litigation or other proceedings regarding intellectual property rights. For example, we believe that we hold patent applications that cover genes that are also claimed in patent applications filed by others. Interference proceedings before the United States Patent and Trademark Office may be necessary to establish which party was the first to invent these genes.

The cost to us of any patent litigation or other proceeding, even if resolved in our favor, could be substantial. Some of our competitors may be able to sustain the cost of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. If a patent litigation or other proceeding is resolved against us, we or our collaborators may be enjoined from developing, manufacturing, selling or importing our products, processes or services without a license from the other party and we may be held liable for significant damages. We may not be able to obtain any required license on commercially acceptable terms or at all.

Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Patent litigation and other proceedings may also absorb significant management time.

RISKS RELATING TO PRODUCT MANUFACTURING, MARKETING AND SALES

BECAUSE WE HAVE LIMITED SALES, MARKETING OR DISTRIBUTION EXPERIENCE AND CAPABILITIES, WE WILL DEPEND ON THIRD PARTIES TO SUCCESSFULLY PERFORM THESE FUNCTIONS ON OUR BEHALF OR WILL BE REQUIRED TO INCUR SIGNIFICANT COSTS AND DEVOTE SIGNIFICANT EFFORTS TO DEVELOP THESE CAPABILITIES.

We have limited sales, marketing or distribution experience and capabilities. We plan to rely significantly on sales, marketing and distribution arrangements with our collaborators and other third parties for the CAMPATH(R) product and the other products and services that we are developing. For example, our partnership that holds the CAMPATH(R) monoclonal antibody relies solely upon Schering AG and its U.S. affiliate, Berlex Laboratories, for the marketing, distribution and sale of the CAMPATH(R) product throughout the world other than the Far East. If in the future we elect to perform sales, marketing and distribution functions ourselves, we would face a number of additional risks, including the need to recruit experienced marketing and sales personnel.

BECAUSE WE HAVE LIMITED MANUFACTURING CAPABILITIES, WE WILL BE DEPENDENT ON THIRD-PARTY MANUFACTURERS TO MANUFACTURE PRODUCTS FOR US OR WILL BE REQUIRED TO INCUR SIGNIFICANT COSTS AND DEVOTE SIGNIFICANT EFFORTS TO ESTABLISH OUR OWN MANUFACTURING FACILITIES AND CAPABILITIES.

We have limited manufacturing experience and no commercial scale manufacturing capabilities. In order to continue to develop products and services, apply for regulatory approvals and commercialize products and services, we will need to develop, contract for or otherwise arrange for the

necessary manufacturing capabilities.

We currently rely upon third parties to produce material for preclinical testing purposes and expect to continue to do so in the future. We also expect to rely upon other third parties, including our collaborators, to produce materials required for clinical trials and for the commercial production of certain of our products. Our partnership with ILEX Products relies on Boehringer Ingelheim as the sole source manufacturer of the CAMPATH(R) monoclonal antibody.

There are a limited number of manufacturers that operate under the FDA's good manufacturing practices regulations capable of manufacturing for us. As a result, we have experienced some difficulty finding manufacturers for our products with adequate capacity for our anticipated future needs. If we are unable to arrange for third party manufacturing of our products, or to do so on commercially reasonable terms, we may not be able to complete development of our products or market them.

Reliance on third party manufacturers entails risks to which we would not be subject if we manufactured products ourselves, including reliance on the third party for regulatory compliance and quality assurance, the possibility of breach of the manufacturing agreement by the third party because of factors beyond our control and the possibility of termination or nonrenewal of the agreement by the third party, based on its own business priorities, at a time that is costly or inconvenient for us.

We may in the future elect to manufacture certain of our products in our own manufacturing facilities. We will require substantial additional funds and need to recruit qualified personnel in order to build or lease and operate any manufacturing facilities.

IF WE FAIL TO OBTAIN AN ADEQUATE LEVEL OF REIMBURSEMENT FOR THE CAMPATH(R) PRODUCT OR OUR FUTURE PRODUCTS OR SERVICES BY THIRD PARTY PAYORS, THERE MAY BE NO COMMERCIALLY VIABLE MARKETS FOR OUR PRODUCTS OR SERVICES.

The availability and levels of reimbursement by governmental and other third party payors affect the market for any pharmaceutical product or healthcare service. These third party payors continually attempt to contain or reduce the costs of healthcare by challenging the prices charged for medical products and services. In certain foreign countries, particularly the countries of the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. We may not be able to sell our products and services profitably if reimbursement is unavailable or limited in scope or amount.

In both the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory proposals to change the healthcare system. Further proposals are likely. The potential for adoption of these proposals affects or will affect our ability to raise capital, obtain additional collaborators and market our products.

We expect to experience pricing pressures in connection with the sale of the CAMPATH(R) product and our future products and services due to the trend toward managed health care, the increasing influence of health maintenance organizations and additional legislative proposals.

ETHICAL, LEGAL AND SOCIAL ISSUES RELATED TO GENETIC TESTING MAY CAUSE OUR DIAGNOSTIC PRODUCTS TO BE REJECTED BY CUSTOMERS OR PROHIBITED OR CURTAILED BY GOVERNMENTAL AUTHORITIES.

Diagnostic tests that evaluate genetic predisposition to disease raise issues regarding the use and confidentiality of the information provided by such tests. Insurance carriers and employers might discriminate on the basis of such information, resulting in a significant barrier to the acceptance of such tests by customers. This type of discrimination could cause governmental authorities to prohibit or limit the use of such tests.

WE FACE A RISK OF PRODUCT LIABILITY CLAIMS AND MAY NOT BE ABLE TO OBTAIN INSURANCE.

Our business exposes us to the risk of product liability claims that is inherent in the manufacturing, testing and marketing of human therapeutic

products. Although we have product liability and clinical trial liability insurance that we believe is appropriate, this insurance is subject to deductibles and coverage limitations. We may not be able to obtain or maintain adequate protection against potential liabilities. If we are unable to obtain insurance at acceptable cost or otherwise protect against potential product liability claims, we will be exposed to significant liabilities, which may materially and adversely affect our business and financial position. These liabilities could prevent or interfere with our product commercialization efforts.

GUIDELINES AND RECOMMENDATIONS CAN AFFECT THE USE OF OUR PRODUCTS.

Government agencies promulgate regulations and guidelines directly applicable to us and to our products. In addition, professional societies, practice management groups, private health and science foundations and organizations involved in various diseases from time to time may also publish guidelines or recommendations to the health care and patient communities. Recommendations of government agencies or these other groups or organizations may relate to such matters as usage, dosage, route of administration and use of concomitant

therapies. Recommendations or guidelines that are followed by patients and health care providers could result in decreased use of our products.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We maintain an investment portfolio in accordance with our Investment Policy. The primary objectives of our Investment Policy are to preserve principal, maintain proper liquidity to meet operating needs and maximize yields. Although our investments are subject to credit risk, our Investment Policy specifies credit quality standards for our investments and limits the amount of credit exposure from any single issue, issuer or type of investment. Our investments are also subject to interest rate risk and will decrease in value if market interest rates increase. A hypothetical 100 basis point increase in interest rates would result in an approximate $19.2 million decrease in the fair value of our investments as of June 30, 2001. However, due to the conservative nature of our investments and relatively short duration, interest rate risk is mitigated. We do not own derivative financial instruments in our investment portfolio.

The interest rates on our 5.5% convertible subordinated notes due January 15, 2007 and capital lease obligations are fixed and therefore not subject to interest rate risk.

Accordingly, we do not believe that there is any material market risk exposure with respect to derivative or other financial instruments which would require disclosure under this item.

PART II OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On April 11, 2001, we issued and sold to Abbott Laboratories 1,553,629 shares of our common stock for aggregate proceeds of approximately $50.0 million. These shares were issued in connection with a collaboration agreement between the parties and no person served as an underwriter with respect to this transaction. We relied on Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act") for exemption from the registration requirements of the Securities Act.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Company's 2001 Annual Meeting of Stockholders which was held on May 10, 2001, the stockholders of the Company elected Eugene Cordes, Raju S. Kucherlapati and Eric S. Lander to serve as Class II directors for a term of

three years by the following votes:

	Number of Shares	
	For	Withheld
Eugene Cordes	175,785,435	428,576
Raju S. Kucherlapati	175,131,816	1,082,195
Eric S. Lander	175,132,210	1,081,801

The other directors whose terms of office as a director continue after the meeting are as follows: Mark J. Levin, A. Grant Heidrich, III, Edward D. Miller, Jr., Norman C. Selby and Kenneth E. Weg.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The exhibits listed in the Exhibit Index are included in this report.

(b) Reports on Forms 8-K.

1. A Current Report on Form 8-K was filed on April 5, 2001 to report, pursuant to Item 5, that the Board of Directors of the Company had adopted a shareholder rights plan.

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, thereunto duly authorized.

MILLENNIUM PHARMACEUTICALS, INC.
(Registrant)

Dated: August 3, 2001

/s/ KEVIN P. STARR

Kevin P. Starr
EXECUTIVE VICE PRESIDENT, BUSINESS OPERATIONS AND CHIEF FINANCIAL OFFICER (PRINCIPAL FINANCIAL AND CHIEF ACCOUNTING OFFICER)

EXHIBIT INDEX

The following exhibits are filed as part of this Quarterly Report on Form 10-Q:

EXHIBIT NO.	DESCRIPTION
+ 10.1	Development and License Agreement between the Company and BZL

Biologics, LLC effective as of April 5, 2001.

10.2 Agreement between Owner and Contractor by and between the Company and Turner Construction Company dated as of May 4, 2001 for 35 Landsdowne Street, Cambridge, MA.

+ Confidential treatment requested as to certain portions.

EXHIBIT 10.1

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

DEVELOPMENT AND LICENSE AGREEMENT

BETWEEN

MILLENNIUM PHARMACEUTICALS, INC.

AND

BZL BIOLOGICS, LLC

EFFECTIVE AS OF APRIL 5, 2001

Execution Draft: 07/20/01

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DEVELOPMENT AND LICENSE AGREEMENT

THIS DEVELOPMENT AND LICENSE AGREEMENT (this "AGREEMENT") is made and entered into effective as of April 5, 2001, by and between Millennium Pharmaceuticals, Inc., a Delaware corporation, having its principal place of business at 75 Sidney Street, Cambridge, Massachusetts, 02139 ("MILLENNIUM"), and BZL Biologics, LLC, a New York limited liability company having its principal place of business at c/o Barry W. Silverstein, 99 Clinton Street, Brooklyn, New York 11201 ("BZL").

RECITALS

WHEREAS, BZL has exclusive rights to certain patents claiming antibodies directed to PSMA (as defined below) and the use of such antibodies for treating and diagnosing cancer;

WHEREAS, BZL has developed antibodies against PSMA for the treatment and diagnosis of prostate and certain other forms of cancer;

WHEREAS, Millennium is engaged in genomic research and drug discovery and development endeavors, with the objective of identifying, developing and marketing products that will serve a variety of human healthcare needs throughout the world; and

WHEREAS, BZL desires to license Millennium, and Millennium desires to obtain a license, to develop and commercialize antibody-based products with respect to PSMA in accordance with the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual promises and covenants of the Parties contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, do hereby agree as follows:

ARTICLE I
DEFINITIONS

Unless otherwise specifically provided herein, the following terms shall have the following meanings:

1.1 "AFFILIATE" shall mean, with respect to a Party, any corporation or other business entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such Party. For purposes of this definition, "control" and, with correlative meanings, the terms "controlled by" and "under common control with" shall mean (a) the possession, directly or indirectly, of the power to direct the

management or policies of a business entity, whether through the ownership of voting securities, by contract relating to voting rights or corporate governance, or otherwise, or (b) the ownership, directly or indirectly, of at

least fifty percent (50%) of the voting securities or other ownership interest of a business entity (or, with respect to a limited partnership or other similar entity, its general partner or controlling entity); provided that, if local law restricts foreign ownership, control will be established by direct or indirect ownership of the maximum ownership percentage that may, under such local law, be owned by foreign interests.

1.2 "ANTIBODY" shall mean any antibody, including any murine, chimeric, deimmunized, human or humanized, polyclonal or monoclonal antibody, whether multiple or single chain, recombinant, transgenic animal derived, phage display derived or naturally occurring, whole or fragment, and any constructs thereof (including fusion proteins incorporating any such antibody or fragment thereof), that has binding affinity for PSMA, and any nucleic acid encoding any of the foregoing.

1.3 "ANTIBODY PRODUCTS" shall have the meaning set forth in Section 4.1(f).

1.4 "APPLICABLE LAW" shall mean the applicable laws, rules, regulations, including any rules, regulations, guidelines, or other requirements of the Regulatory Authorities, that may be in effect from time to time in the Territory.

1.5 "BIOLOGICAL MATERIALS" shall mean any tissues, cells, cell lines, organisms, blood samples, nucleic acids, genetic material, proteins, peptides, protein fragments, plasmids, vectors, expression systems and any constituents, progeny, mutants, derivatives or replications thereof or therefrom, and other biological substances and materials, including any Antibodies, as well as any reagents, cytotoxins, radioisotopes or other compositions of matter necessary or useful for the Exploitation thereof.

1.6 "BZL" shall have the meaning set forth in the preamble to this Agreement.

1.7 "BZL KNOW-HOW" shall mean all Information and Inventions developed by or at the request of, or in the possession or Control of, BZL or its Affiliates as of the Effective Date or at any time during the term of this Agreement relating to PSMA, Antibodies or the Exploitation of Licensed Products or Diagnostic Products that are Confidential Information, but excluding (i) any Information and Inventions to the extent covered or claimed by issued BZL Patents, and (ii) any Joint Know-How. BZL Know-How shall include all: (a) scientific data relating to PSMA or Antibodies, including DNA and amino acid sequences of, the human tissue and/or cell type expression profile for, and existing and available models for pre-clinical validation of antibody-based products against, PSMA, (b) biological, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, clinical, safety, manufacturing and quality control data and

information related to Licensed Products or Diagnostic Products, (c) assays and biological methodology necessary or useful for the Exploitation of Licensed Products or Diagnostic Products, and (d) any and all Information and Inventions developed in connection with or otherwise resulting from Development Activities performed by or on behalf of BZL that is Confidential Information and is not covered or claimed by issued BZL Patents and is not Joint Know-How.

1.8 "BZL PATENTS" shall mean all of the Patents that BZL and its Affiliates own, have under license, have a right to acquire (by option or otherwise) or otherwise Control, as of the Effective Date and at any time during the term of this Agreement, that are necessary or useful for, or otherwise related to, the Exploitation of Licensed Products or Diagnostic Products, or that claim or cover PSMA, any Antibody or any Licensed Product or Diagnostic Product, but excluding the Joint Patents.

1.9 "CALENDAR QUARTER" shall mean each period of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31.

1.10 "CALENDAR YEAR" shall mean each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.11 "CLINICAL DECISION POINT" (a) with respect to an Immunotoxin Product, shall mean the earlier of (i) the [**] for an Immunotoxin Product in the Prostate Cancer Field set forth in the Development Plan, [**] an Immunotoxin Product [**], in which case the "CLINICAL DECISION POINT" shall mean the [**] that is agreed to by the Steering Committee and the FDA and identified prospectively in the [**], [**] has achieved the [**] as set forth in the Development Plan, and (ii) the expenditure of [**] Dollars ($[**]) by Millennium on the development of the Licensed Product(s) pursuant to Section 2.1(i)(i)(A), and (b) with respect to a Radiolabel Product, shall mean the earlier of (i) the [**] for a Radiolabel Product in the Prostate Cancer Field set forth in the Development Plan, [**] for a Radiolabel Product [**], in which case the "CLINICAL DECISION POINT" shall mean [**] that is agreed to by the Steering Committee and the FDA and identified prospectively in the [**], which [**] has achieved [**] as set forth in the Development Plan, and (ii) the expenditure of [**] Dollars ($[**]) by Millennium on the development of the Licensed Product(s) pursuant to Section 2.1(i)(i)(A).

1.12 "CLINICAL TRIAL" shall mean any Phase I, Phase II, Phase III, Phase IV or other similar trials in human subjects.

1.13 "COMMERCIALLY REASONABLE EFFORTS" shall mean, with respect to the research, development, Manufacture or commercialization of a Licensed Product or Diagnostic Product, as applicable, efforts and resources commonly used in the research-based pharmaceutical industry for a compound or product of similar commercial potential at a similar stage in its lifecycle, taking into consideration its safety and efficacy, its cost to develop, the competitiveness of alternative products, its proprietary position, the likelihood of regulatory approval, its profitability, and all other relevant factors. Commercially

Reasonable Efforts shall be determined on a market-by-market basis.

1.14 "COMPETITION" shall have the meaning set forth in Section 4.1(f).

1.15 "CONFIDENTIAL INFORMATION" shall have the meaning set forth in Section 7.3(a).

1.16 "CONTROL" shall mean, with respect to any item of Information and Invention, Patent, Trademark or other intellectual property right, possession of the right, whether directly or indirectly, and whether by ownership, license or otherwise, to assign, or grant a license, sublicense or other right to or under, such Information and Invention, Patent, Trademark or right

as provided for herein without violating the terms of any agreement or other arrangement with any Third Party.

1.17 "CURE PERIOD" shall have the meaning set forth in Section 8.2.

1.18 "CYTOTOXIN AGREEMENT" shall have the meaning set forth in Section 10.2(b).

1.19 "DEVELOPMENT ACTIVITIES" shall mean those tests, studies and other activities set forth in, or required in order to obtain the information set forth in, the Development Plan, and such other tests, studies and other activities as may be required or recommended from time to time by the Steering Committee or the FDA with respect to an Immunotoxin Product or Radiolabel Product prior to the Clinical Decision Point with respect thereto, including, by way of example, the pharmacology and toxicology testing in pre-clinical models (in vitro and animal), manufacturing process development and scale-up, clinical development from the preparation and filing of an IND through the applicable Clinical Decision Point and such other activities as are necessary to comply with Applicable Law.

1.20 "DEVELOPMENT ASSISTANCE" shall have the meaning set forth in Section 2.7.

1.21 "DEVELOPMENT BUDGET" shall have the meaning set forth in Section 2.1(b).

1.22 "DEVELOPMENT PLAN" shall have the meaning set forth in Section 2.1(b)

1.23 "DEVELOPMENT TEAM LEADER" shall have the meaning set forth in Section 2.1(c).

1.24 "DIAGNOSTIC PRODUCT" shall mean any composition, formulation or device containing or comprising one or more Antibodies that are approved only for diagnostic, imaging and other non-therapeutic purposes, which is covered, or the use of which is covered, by a Valid Claim in a BZL Patent or Joint Patent, or that is derived from or incorporates BZL Know-How or Joint Know-How.

1.25 "EFFECTIVE DATE" shall mean the effective date of this Agreement as set forth in the preamble to this Agreement.

1.26 "EMEA" shall mean the European Agency for the Evaluation of Medicinal Products and any successor agency thereto.

1.27 "EUROPE" shall mean the European Union as it may be constituted from time to time.

1.28 "EXISTING IND" shall have the meaning set forth in Section 2.1(e).

1.29 "EXPLOIT" shall mean to make, have made, import, use, sell, or offer for sale, or otherwise dispose of, including to research, develop, register, modify, enhance, improve, Manufacture, have Manufactured, store, formulate, optimize, export, transport, distribute, promote, market or have sold.

1.30 "EXPLOITATION" shall mean the making, having made, importation, use, sale, offering for sale or disposition of a product or process, including the research, development, registration, modification, enhancement, improvement, Manufacture, storage, formulation, optimization, export, transport, distribution, promotion or marketing of a product or process.

1.31 "FAIR MARKET VALUE" shall have the meaning set forth in Section 4.1(d)(i).

1.32 "FDA" shall mean the United States Food and Drug Administration and any successor agency thereto.

1.33 "FIRST COMMERCIAL SALE" shall mean the first sale for use or consumption by the general public of a Licensed Product or Diagnostic Product, as applicable, in a country after Regulatory Approval (including pricing and reimbursement approval) for the marketing and sale of such Licensed Product or Diagnostic Product has been obtained in such country.

1.34 "FULLY BURDENED MANUFACTURING COST" shall mean, with respect to each Licensed Product, [**] Percent ([**]%) of the consolidated fully burdened cost of Manufacturing such Licensed Product, which shall consist of (a) the process development, engineering and scale-up costs for supply of such Licensed Product, which shall be allocated based on the relative market potential for the markets to which such process development and scale-up costs relate, and (b) (i) direct labor and material costs, (ii) all manufacturing overhead costs incurred by Millennium attributable to the costs of goods under the foregoing clause (i), including supervisory services, quality assurance, quality control, occupancy costs, purchasing, human resources, payroll, information system and accounting that are allocable to company departments based on space occupied or headcount or another activity-based method; (iii) process and packaging engineering; (iv) costs of losses or wastage; (v) expenses with respect to the foregoing; (vi) all of Millennium's allocable intellectual property and technology acquisition and license costs and expenses (including royalties, license fees, milestone

payments and other payment obligations other than those due to BZL under the terms of this Agreement) paid to Third Parties with respect to a Licensed Product; (vii) any other costs borne by Millennium for the transport, customs clearance, duty, insurance and/or storage of such Licensed Product; and (viii) general and administrative costs that are allocable to company departments based on space occupied or headcount or another activity-based method. All allocations pursuant clause (b) above shall be made in a commercially reasonable manner consistent with generally accepted accounting practices consistently applied and assuming the relevant facility is operating at at least [**] percent ([**]%) of capacity.

1.35 "GAAP" shall mean United States generally accepted accounting principles consistently applied.

1.36 "IMMUNOTOXIN PRODUCT" shall mean any Licensed Product containing or comprising an Antibody conjugated to a biological or chemical structure intended to cause cell death or otherwise confer a clinical benefit.

1.37 "IMPROVEMENT" shall mean any modification, variation or revision to, or derivative of, a compound, product or technology or any discovery, technology, device, process or formulation related to such compound, product or technology, whether or not patented or patentable,

including any enhancement in the efficiency, operation, Manufacture (including any Manufacturing Process), ingredients, preparation, presentation, formulation, means of delivery, packaging or dosage of such compound, product or technology, any discovery or development of any new or expanded indications for such compound, product or technology, or any discovery or development that improves the stability, safety or efficacy of such compound, product or technology or would, if commercialized, replace or displace such compound, product or technology.

1.38 "IMS" shall have the meaning set forth in Section 4.1(f).

1.39 "IND" shall mean an investigational new drug application filed with the FDA for authorization to commence human clinical trials, and its equivalent in other countries or regulatory jurisdictions in the Territory.

1.40 "INDEMNIFICATION CLAIM NOTICE" shall have the meaning set forth in Section 9.3(a).

1.41 "INDEMNIFIED PARTY" shall have the meaning set forth in Section 9.3(a).

1.42 "INFORMATION AND INVENTIONS" shall mean all technical, scientific and other know-how and information, trade secrets, knowledge, technology, means, methods, processes, practices, formulas, instructions, skills, techniques, procedures, experiences, ideas, technical assistance, designs, drawings, assembly

procedures, computer programs, apparatuses, specifications, data, results and other material, including high-throughput screening, gene expression, genomics, proteomics and other drug discovery and development technology, pre-clinical and clinical trial results, Manufacturing procedures, test procedures and purification and isolation techniques (whether or not confidential, proprietary, patented or patentable) in written, electronic or any other form now known or hereafter developed, and all Improvements, whether to the foregoing or otherwise, and other discoveries, developments, inventions, and other intellectual property (whether or not confidential, proprietary, patented or patentable), but excluding the Regulatory Documentation.

1.43 "INFRINGEMENT SUIT" shall have the meaning set forth in Section 6.4(b).

1.44 "IN-LICENSE AGREEMENTS" shall have the meaning set forth in Section 10.3(f).

1.45 "INVOICED SALES" shall have the meaning set forth in Section 1.64.

1.46 "IP LICENSE" shall have the meaning set forth in Section 3.4.

1.47 "IP REVERSION TERMINATION" shall have the meaning set forth in Section 8.4(a)(ii).

1.48 "JOINT INVENTIONS" shall mean any and all Information and Inventions, conceived, discovered, developed or otherwise made, as necessary to establish joint authorship or joint inventorship under Applicable Law, jointly by Persons by or on behalf of Millennium (or its Affiliates or sublicensees) and BZL (or its Affiliates or sublicensees).

1.49 "JOINT KNOW-HOW" shall mean any Information and Inventions included in the Joint Inventions, but excluding any Information and Inventions to the extent covered or claimed by issued Joint Patents.

1.50 "JOINT PATENTS" shall mean any Patents to the extent such Patents cover or claim the Joint Inventions.

1.51 "JURISDICTION" shall mean the countries comprising Europe collectively and each other country in the Territory.

1.52 "LICENSED BZL PATENTS" shall have the meaning set forth in Section 10.3(f).

1.53 "LICENSED PRODUCT" shall mean any composition or formulation containing or comprising one or more Antibodies, including any Antibody conjugated to a biological or chemical structure intended to cause cell death or otherwise confer a clinical benefit, which is covered, or the use of which is covered, by a Valid Claim in a BZL Patent or Joint Patent, or that is derived from or incorporates BZL Know-How or Joint Know-How, but shall not include any

Diagnostic Products. By way of clarification, Licensed Products in different formulations for different modes of administration (e.g., oral vs. intravenous) or that are marketed pursuant to different MAAs in the same country shall be deemed to be different Licensed Products.

1.54 "LONZA AGREEMENT" shall mean (a) that certain Agreement, dated December 10, 1998, between Lonza Biologics PLC and BZL, and any amendments thereto, (b) that certain Licence Agreement, dated December 10, 1998, between Lonza Biologics PLC and BZL, and any amendments thereto, and (c) that certain Agreement, dated December 10, 1998, among Lonza Biologics PLC, Biovation Ltd. and BZL, and any amendments thereto.

1.55 "LONZA TRANSFER DATE" shall have the meaning set forth in Section 2.1(g).

1.56 "LOSSES" shall have the meaning set forth in Section 9.1(a).

1.57 "MAJOR MARKET" shall mean each of the United States, Europe and Japan.

1.58 "MANUFACTURE" AND "MANUFACTURING" shall mean the manufacturing, processing, formulating, packaging, labeling, holding and quality control and release testing of a product, including the development of processes and technology to facilitate production, purification, evaluation, characterization, and stability assessment of such product, as well as the validation of such product and processes.

1.59 "MANUFACTURING PROCESS" shall mean any process or step thereof that is necessary or useful for Manufacturing any Licensed Product or Diagnostic Product, any Improvement thereto or any intermediate of the foregoing, including any Improvement to such process or step.

1.60 "MARKETING AUTHORIZATION APPLICATION" OR "MAA" shall mean a New Drug Application or Biologics License Application, each as defined in the United States Federal Food, Drug, and Cosmetics Act, as amended, and the regulations promulgated thereunder, and any corresponding foreign application, registration or certification, necessary or reasonably useful to

market Licensed Products or Diagnostic Products in the Territory, including any governmental pricing and reimbursement approvals.

1.61 "MILLENNIUM" shall have the meaning set forth in the preamble to this Agreement.

1.62 "MILLENNIUM INFORMATION" shall have the meaning set forth in Section 7.1(b).

1.63 "MTAS" shall have the meaning set forth in Section 3.3(d).

1.64 "NDA AGREEMENT" shall have the meaning set forth in Section 3.3(c).

1.65 "NET SALES" shall mean, for any period, the gross amount invoiced by a Party, its Affiliates and its permitted sublicensees for the sale of Licensed Product(s) to Third Parties (the "INVOICED SALES"), less deductions for: (a) normal and customary trade, quantity and cash discounts and sales returns and allowances actually allowed and taken, including (i) those granted on account of price adjustments, billing errors, rejected goods, damaged goods, returns and rebates, (ii) administrative and other fees and reimbursements and similar payments to wholesalers and other distributors, buying groups, pharmacy benefit management organizations, health care insurance carriers and other institutions, (iii) allowances, rebates and fees paid to distributors and (iv) chargebacks; (b) freight, postage, shipping, insurance and any other distribution expenses to the extent that such items are included in the gross amount invoiced; (c) customs and excise duties and other duties related to the sales to the extent that such items are included in the gross amount invoiced; (d) rebates and similar payments made with respect to sales paid for by any governmental or regulatory authority such as, by way of illustration and not in limitation of the Parties' rights hereunder, Federal or state Medicaid, Medicare or similar state program or equivalent foreign governmental program; (e) sales and other taxes and duties directly related to the sale or delivery of Licensed Product(s) (but not including taxes assessed against the income derived from such sale); (f) any other similar and customary deductions actually allowed and taken that are consistent with GAAP, or in the case of non-United States sales, other applicable accounting standards; and (g) any such invoiced amounts that are not collected by such Party, its Affiliates or its permitted sublicensees. Any of the deductions listed above that involves a payment by such Party, its Affiliates or its permitted sublicensees shall be taken as a deduction in the Calendar Quarter in which the payment is accrued by such entity. Deductions pursuant to subsection (g) above shall be taken in the Calendar Quarter in which such sales are no longer recorded as a receivable but shall be treated as Net Sales in the quarter of collection if subsequently collected net of any collection expenses. For purposes of determining Net Sales, the Licensed Product(s) shall be deemed to be sold when invoiced and a "sale" shall not include transfers or dispositions for charitable, promotional, pre-clinical, clinical, regulatory or governmental purposes.

For purposes of calculating Net Sales, sales between or among such Party or its Affiliates or sublicensees shall be excluded from the computation of Net Sales, but sales by such Party, its Affiliates or its sublicensees to Third Parties other than sublicensees shall be included in the computation of Net Sales; PROVIDED, HOWEVER, that with respect to Millennium only sales by United States Sublicensees shall be included in Net Sales by sublicensees for purposes of determining Net Sales for purposes of this Agreement.

In the event that a Licensed Product is sold in any country in the form of a combination product containing one or more active ingredients in

addition to the Antibody(ies), and such combination has been approved by the appropriate Regulatory Authorities for sale as a combination product, Net Sales of such combination product will be adjusted by multiplying actual Net Sales of such combination product in such country calculated pursuant to the first paragraph of this Section by the fraction A/(A+B), where A is the average invoice price in such country of the Licensed Product containing such Antibody(ies), if sold separately in such country, and B is the average invoice price in such country of such other active ingredients in the combination, if sold separately in such country. The invoice price for the Licensed Product containing such Antibody(ies) and for each other active ingredient shall be for a quantity comparable to that used in such combination product and of the same class, purity and potency. If, in a specific country, a Licensed Product containing only such Antibody(ies) or only such other therapeutically active ingredients in such combination product are not sold separately, a market price for such Antibody(ies) and such other therapeutically active ingredients shall be negotiated by the Parties in good faith based on the relative values of such Antibody(ies) and active ingredients taking into account relative prices of such components if sold separately in other countries, relative to manufacturing costs for such components, and the costs, overhead and profit as are then incurred for such Antibody(ies) and active ingredients and all similar substances then being made and marketed by such Party and having an ascertainable market price. By way of clarification, a Radiolabel Product or Immunotoxin Product shall not be deemed to be a combination product by virtue of the radioisotope or cytotoxin, as applicable, that is conjugated to an Antibody.

1.66 "NON-UNITED STATES SUBLICENSEES" shall have the meaning set forth in Section 4.1(d)(i).

1.67 "OTHER BZL IND" shall have the meaning set forth in Section 2.1(f).

1.68 "OWNED BZL PATENTS" shall have the meaning set forth in Section 10.3(f).

1.69 "PATENTS" shall mean (a) all patents and patent applications, (b) any substitutions, divisions, continuations, continuations-in-part, reissues, renewals, registrations, confirmations, re-examinations, extensions, supplementary protection certificates and the like, and any provisional applications, of any such patents or patent application, and (c) any foreign or international equivalent of any of the foregoing.

1.70 "PCT" shall mean the Patent Cooperation Treaty, opened for signature June 19, 1970, 28 U.S.T. 7645.

1.71 "PERSON" shall mean an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other similar entity or organization, including a government or political subdivision, department or agency of a government.

1.72 "PHASE I" shall mean a human clinical trial, the principal purpose of which is to evaluate the pharmacokinetic and pharmacodynamic properties, maximum tolerated dose, dosing interval, and absorption, distribution, metabolism and

excretion of a Licensed Product in healthy individuals or patients as required in 21 C.F.R.

ss.312, or a similar clinical study prescribed by the Regulatory Authorities in a country other than the United States.

1.73 "PHASE I COMPLETION POINT" shall be deemed to have occurred with respect to a Licensed Product when the Steering Committee determines to proceed with Phase II studies, [**], in the United States for such Licensed Product.

1.74 "PHASE II" shall mean a human clinical trial, for which a primary endpoint is a preliminary determination of efficacy or dose ranges in patients with a disease target being studied as required in 21 C.F.R. ss.312, or a similar clinical study prescribed by the Regulatory Authorities in a country other than the United States. [**] the filing of an approvable MAA (such as a combined Phase II/Phase III study, or any Phase III study [**] shall automatically be deemed to have reached Phase II status.

1.75 "PHASE II COMPLETION POINT" shall be deemed to have occurred with respect to a Licensed Product when the Steering Committee determines to proceed with a Phase III study in the United States for such Licensed Product or to file an MAA for such Licensed Product with the FDA, whichever determination is made first.

1.76 "PHASE IIA" shall mean a [**] Phase II study of a Licensed Product in patients with a disease target being studied.

1.77 "PHASE IIA COMPLETION POINT" shall be deemed to have occurred with respect to a Licensed Product when the Steering Committee has received the completed data package for a Phase IIa study in the United States, which data package shows whether such Licensed Product [**] as set forth in the Development Plan.

1.78 "PHASE IIB" shall mean a [**] of a Licensed Product [**].

1.79 "PHASE III" shall mean a human clinical trial, the principal purpose of which is to establish safety and efficacy in patients with a disease target being studied as required in 21 C.F.R. ss.312, or similar clinical study prescribed by the Regulatory Authorities in a country other than the United States. A Phase III study shall be deemed to have [**].

1.80 "PROSTATE CANCER FIELD" shall mean the treatment of prostate cancer.

1.81 "PSMA" shall mean prostate-specific membrane antigen as described in RS Israeli, CT Powell, WR Fair and WD Heston. MOLECULAR CLONING OF A COMPLEMENTARY DNA ENCODING A PROSTATE-SPECIFIC MEMBRANE ANTIGEN. Cancer Research 53: 227 - 230 (1993).

1.82 "RADIOLABEL MANUFACTURING TRANSFER DATE" shall have the meaning set forth in Section 2.1(g).

1.83 "RADIOLABEL PRODUCT" shall mean any Licensed Product containing or comprising an Antibody conjugated with such radioisotope as is set forth in the Development Plan or such other radioisotope as the Parties may agree.

1.84 "REGULATORY APPROVAL" shall mean any and all approvals (including governmental pricing and reimbursement approvals), licenses, registrations or authorizations of any Regulatory Authority, necessary for the Exploitation of Licensed Products or Diagnostic Products in a country in the Territory, including any (a) approval of any Licensed Product or Diagnostic Product, including any: INDs, MAAs and supplements and amendments thereto; (b) pre- and post-approval marketing authorizations (including any prerequisite Manufacturing approval or authorization related thereto); (c) labeling approval; and (d) technical, medical and scientific licenses.

1.85 "REGULATORY AUTHORITY" shall mean any applicable supra-national, federal, national, regional, state, provincial or local regulatory agencies, departments, bureaus, commissions, councils or other government entities regulating or otherwise exercising authority with respect to the Exploitation of Licensed Products or Diagnostic Products in the Territory.

1.86 "REGULATORY DOCUMENTATION" shall mean all applications, registrations, licenses, authorizations and approvals (including all Regulatory Approvals), all correspondence submitted to or received from Regulatory Authorities (including minutes and official contact reports relating to any communications with any Regulatory Authority) and all supporting documents and all clinical studies and tests, relating to any Licensed Product or Diagnostic Product, and all data contained in any of the foregoing, including all regulatory drug lists, advertising and promotion documents, adverse event files, complaint files and Manufacturing records.

1.87 "REVERSION TERMINATION" shall have the meaning set forth in Section 8.4(a)(i).

1.88 "STEERING COMMITTEE" shall have the meaning set forth in Section 2.1(d).

1.89 "SUBLICENSE AGREEMENT" shall have the meaning set forth in Section 4.1(d)(i).

1.90 "SUBLICENSE REVENUE" shall have the meaning set forth in Section 4.1(d)(i).

1.91 "TERRITORY" shall mean the entire world, except for those countries in which this Agreement is terminated pursuant to Section 8.3(c).

1.92 "THIRD PARTY" shall mean any Person other than Millennium, BZL and their respective Affiliates.

1.93 "THIRD PARTY CLAIM" shall have the meaning set forth in Section 9.3(b).

1.94 "TRADEMARK" shall include any word, name, symbol, color, designation or device or any combination thereof, including any trademark, trade dress, brand mark, service mark, trade name, brand name, service name, logo or business symbol.

1.95 "TRIGGERING EVENT" shall have the meaning set forth in Section 6.4(a).

1.96 "UNITED STATES SUBLICENSEES" shall mean Third Party sublicensees of Millennium in the United States.

1.97 "VALID CLAIM" shall mean, with respect to a particular country, a claim of an issued and unexpired patent in such country that (a) has not been revoked or held unenforceable or invalid by a decision of a court or governmental agency of competent jurisdiction from which no appeal can be taken or has been taken within the time allowed for appeal; and (b) has not been abandoned, disclaimed, denied or admitted to be invalid or unenforceable through reissue or disclaimer or otherwise in such country.

ARTICLE II
DEVELOPMENT AND COMMERCIALIZATION

2.1 CO-DEVELOPMENT PROGRAM.

(a) DEVELOPMENT ACTIVITIES.

(i) GENERAL. Through the Clinical Decision Point for the Immunotoxin Product, under the direction and supervision of the Steering Committee, (A) BZL and Millennium shall use Commercially Reasonable Efforts to perform, or cause to be performed, the Development Activities with respect to the Immunotoxin Products in the Prostate Cancer Field, and (B) BZL shall use Commercially Reasonable Efforts to perform, or cause to be performed, the Development Activities with respect to the Radiolabel Products in the Prostate Cancer Field, all in accordance with the Development Plan and the Development Budget, as each may be amended from time to time by the Steering Committee pursuant to Section 2.1(b), and this Agreement. The Parties shall use Commercially Reasonable Efforts to conduct and complete their respective Development Activities with respect to the Immunotoxin Products in the Prostate Cancer Field through the Clinical Decision Point for the Immunotoxin Product, and BZL shall use Commercially Reasonable Efforts to complete its Development Activities with respect to the Radiolabel Products in the Prostate Cancer Field by the Clinical Decision Point for the Immunotoxin Product; PROVIDED, HOWEVER,

that if BZL does not do so, it shall use Commercially Reasonable Efforts to complete such Development Activities promptly. The Parties acknowledge that [**] shall have the right to [**] in the Development Plan [**], provided that (A) [**] Millennium's clinical advisory board or the equivalent thereof for the Licensed Products, (B) the Parties agree that [**] the Licensed Products, (C[**] under this Agreement, and (D) [**] of Antibody and Licensed Products considering any current and anticipated requirements of Antibody and Licensed Products, [**]; PROVIDED, HOWEVER, in the event [**] in connection with [**], [**] shall notify Millennium and Millennium shall [**] under a sponsored research agreement.

(ii) CONDUCT OF DEVELOPMENT ACTIVITIES. BZL and Millennium each shall use Commercially Reasonable Efforts to (A) perform, or cause to be performed, its respective Development Activities in good scientific manner, and in compliance in all material respects with good clinical and laboratory practices and all other Applicable Law, and (B) achieve the objectives of the Development Plan efficiently and expeditiously by allocating sufficient time, effort, equipment and skilled personnel to complete such activities successfully and promptly and in accordance with the Development Budget.

(iii) REPORTS. Within [**] after the end of each Calendar Quarter in which Development Activities are performed, each Party shall provide to the Steering Committee a written progress report, which shall describe the Development Activities it has performed, or caused to be performed, during such Calendar Quarter, evaluate the work performed in relation to the goals of the Development Plan and in relation to the Development Budget, and provide such other information as may be required by the Development Plan or reasonably requested by a Party with respect to the Development Activities.

(b) DEVELOPMENT PLAN AND BUDGET. Attached hereto as Exhibit A is a preliminary development plan. Within [**] after the Effective Date, the Steering Committee shall meet to develop and approve (i) a more detailed plan based on the preliminary development plan for the Development Activities (the "DEVELOPMENT PLAN"), which sets forth (A) the tests, studies and other activities to be performed by the Parties through each Clinical Decision Point, (B) the Party responsible for each such activity, and (C) the period in which each such activity is expected to be started and completed, and (ii) a detailed budget for the Development Activities (the "DEVELOPMENT BUDGET"), which sets forth the projected costs and expenses for the Development Activities. The Parties currently contemplate that certain Development Activities and clinical trials will be conducted at New York Presbyterian

Hospital/Cornell Medical Center with certain involvement of New Drug Associates, Inc., subject to Millennium's and Cornell Medical Center's respective internal policies, the guidelines and requirements of the FDA and all other Applicable Law. The Steering Committee shall review the Development Plan and Development Budget at least annually and shall have the right to make such modifications or updates to the Development Plans and Development Budgets that it deems appropriate. No changes shall be made to a Development Plan or a Development Budget without the prior written approval of the Steering Committee. Notwithstanding the foregoing, [**] performing the Development Activities, as set forth in a Development Plan or otherwise, with respect to the [**] through the Clinical Decision Point for the [**] Product, unless Millennium expressly agrees otherwise; PROVIDED, HOWEVER, that the cost of such Development Activities shall not exceed [**] Dollars ($[**]). The Parties acknowledge and agree that BZL's Development Activities shall be performed by Dr. Neil Bander and New Drug Associates, Inc. pursuant to the NDA Agreement as assigned to Millennium pursuant to Section 3.3(c) and that the complete cost and expense of NDA's performance of such activities and the other development work set forth in this Agreement is set forth in the NDA Agreement. New Drug Associates, Inc. shall not devote more than [**] hours per

Calendar Year during the term of the NDA Agreement to the Development Activities for the Radiolabel Product.

(c) DEVELOPMENT TEAM LEADERS. The day-to-day Development Activities with respect to the Immunotoxin Products shall be conducted under the joint direction and supervision of a member of each Party's senior development staff designated by such Party (each, a "DEVELOPMENT TEAM LEADER"). The day-to-day Development Activities with respect to the Radiolabel Products shall be conducted under the direction and supervision of BZL's Development Team Leader. BZL's Development Team Leader shall be Dr. Neil Bander. The Development Team Leaders shall be the primary contacts for the Parties with respect to the Development Activities. BZL shall not substitute anyone for its Development Team Leader or materially reduce the time commitment of its Development Team Leader to the Development Activities without the prior written approval of Millennium. In the event that BZL's Development Team Leader is no longer affiliated with BZL or is otherwise incapable of performing his obligations under this Agreement (e.g., become disabled), the Parties shall meet and discuss in good faith how best to proceed. Notwithstanding the foregoing, BZL shall continue to be responsible for performing its Development Activities, and any consent or agreement by Millennium pursuant to this Section 2.1(c) shall not be deemed to be a waiver of any failure of BZL to conduct its Development Activities under this Agreement.

(d) STEERING COMMITTEE.

(i) FORMATION OF THE STEERING COMMITTEE. Millennium and BZL shall establish a joint oversight and management committee (the "STEERING COMMITTEE"), which shall oversee the Development Activities performed by the Parties for the Immunotoxin Product and the Radiolabel Product through the applicable Clinical Decision Point. Each Party shall appoint two (2) representatives, which representatives of BZL shall be Dennis Goldberg and Dr. Neil Bander, with the requisite experience and seniority to enable them to make decisions on behalf of the Parties with respect to the Development Activities; PROVIDED, HOWEVER, that as of the date of the last Clinical Decision Point, the Steering Committee shall be reduced to one (1) representative from each Party, or such other number as the Parties may mutually agree, which representative of BZL shall be Dr. Neil Bander. The Steering Committee shall terminate upon the first approval by the Regulatory Authorities of an MAA for the Immunotoxin Product inside the Prostate Cancer Field and, if appropriate, one indication outside the Prostate Cancer Field in a Major Market, unless the Steering Committee decides to proceed with a Radiolabel Product, in which event the Steering Committee shall terminate upon the approval of an MAA for a Radiolabel Product inside the Prostate Cancer Field and, if applicable, one indication outside the Prostate Cancer Field, unless the Parties mutually agree to terminate the Steering Committee at an earlier time; PROVIDED, HOWEVER, that the Steering Committee shall terminate in the event of a sale of all or substantially all of BZL's assets related to the Licensed Product(s) or its business, or in the event of a merger, consolidation or change in control of BZL or BZL Biologics, Inc. Prior to serving on the Steering Committee, the

representatives of BZL and Millennium shall enter into an agreement to comply with and be bound by the nondisclosure and use obligations set forth in Article VII. From time to time, each Party may substitute its representatives on written notice to the other Party so long as such substitute representative has the requisite scientific or clinical expertise with respect to the ongoing development of the Licensed Product.

(ii) RESPONSIBILITIES. The Steering Committee shall: (A) oversee the performance by the Parties of their respective Development Activities under the Development Plan; (B) review and amend the Development Plan in accordance with Section 2.1(b); (C) oversee the design and conduct of Phase I, Phase II and any Pivotal Studies (which commenced prior to the applicable Clinical Decision Point) with respect to the Immunotoxin Products and Radiolabel

Products in the Prostate Cancer Field through the applicable Clinical Decision Point; and (D) take such other actions as are set forth in this Section 2.1 or as the Parties may mutually agree, except that the Steering Committee may not take any action that would conflict with any provision in this Agreement.

(iii) MEETINGS. The Steering Committee shall meet quarterly, or as otherwise agreed to by the Parties, during any period in which Development Activities are conducted by or on behalf of the Parties with the location of such meetings designated by Millennium. After the last Clinical Decision Point, the Steering Committee shall meet quarterly to review the development plan for the Licensed Product(s) or Diagnostic Product(s) and discuss such development plan and any modifications thereto. Any significant changes to the development plan for the Licensed Product(s) or Diagnostic Product(s) after the applicable Clinical Decision Point shall be discussed at a meeting of the Steering Committee prior to the amendment of the development plan, provided that any breach of this obligation by Millennium shall not be deemed to be a material breach of this Agreement and shall not be subject to the termination provisions set forth in Section 8.2. Millennium shall circulate an agenda in advance of each meeting. The Parties shall agree on the minutes of each meeting within ten (10) days after the end of such meeting. Each Party shall bear all costs and expenses associated with its representatives' attendance at meetings of the Steering Committee, provided that Millennium shall reimburse Dr. Bander for his reasonable and verifiable out-of-pocket expenses incurred in connection with his attendance at meetings of the Steering Committee.

(iv) PROCEDURAL RULES.

(A) The Steering Committee shall adopt such standing rules as shall be necessary for its work.

(B) A quorum of the Steering Committee shall exist whenever there is present at a meeting at least one representative appointed by each Party. Members of the Steering Committee may attend a meeting either in person or by telephone,

video conference or similar means in which each participant can hear what is said by the other participants. Representation by proxy shall not be allowed.

(C) The Steering Committee shall take action by unanimous consent of BZL and Millennium, with each such Party having a single vote, irrespective of the number of representatives actually in attendance at a

meeting, or by a written resolution signed by the designated representatives of each of BZL and Millennium. In the event that the Steering Committee cannot or does not reach an agreement on an issue (1) if such dispute relates to the Radiolabel Product in the Prostate Cancer Field prior to the Clinical Decision Point for the Radiolabel Product, [**]provided that [**] on such issue and [**] in resolving such dispute; PROVIDED, however, that any disputes with respect to the Development Budget shall be resolved pursuant to Section 11.6, and (2) if such dispute relates to the Radiolabel Product in the Prostate Cancer Field after the Clinical Decision Point for the Radiolabel Product or any other Licensed Product or Diagnostic Product at any time, [**], provided that [**] on such issue and [**] in resolving such dispute.

(v) LIMITATIONS ON AUTHORITY OF THE STEERING COMMITTEE. Each Party to this Agreement shall retain the rights, powers, and discretion granted to it under this Agreement, and no such rights, powers, or discretion shall be delegated to or vested in the Steering Committee unless such delegation or vesting of rights is expressly provided for in this Agreement or the Parties expressly so agree in writing. The Steering Committee shall not have the power to amend or modify this Agreement, which may only be amended or modified as provided in Section 11.8.

(e) REGULATORY APPROVALS. The Steering Committee shall develop a detailed strategy for obtaining and maintaining Regulatory Approvals for Immunotoxin Products and Radiolabel Products in the Prostate Cancer Field through the applicable Clinical Decision Point, provided that all INDs (other than the IND No. 9279 for the Radiolabel Product and any amendments or supplements thereto (the "EXISTING IND") and the Other BZL INDs), MAAs and other filings, applications or requests pursuant to or in connection with the Regulatory Approvals for each Licensed Product or Diagnostic Product shall be filed in the name of Millennium. Upon Millennium's request, BZL shall also assign all of its right, title, and interest in and to the Existing IND, and such of the Other BZL INDs as Millennium shall request, to Millennium as set forth in Section 3.3(b). Subject to Section 2.3(a), Millennium shall have the exclusive right to (i) develop and implement a strategy for obtaining and maintaining Regulatory Approvals for Licensed Products for non-prostate cancer indications and Diagnostic Products at any time, and (ii) develop and implement a strategy for obtaining and maintaining Regulatory Approvals for Licensed Products for all indications after the applicable Clinical Decision Point. Millennium shall have the exclusive right to conduct all communications and filings with the Regulatory Authorities with respect to all Licensed Products and Diagnostic Products prior to and after each Clinical Decision Point; PROVIDED, HOWEVER, that, prior to the assignment to Millennium of the Existing IND and the Other BZL INDs, BZL shall have the right to conduct all communications and filings with the Regulatory Authorities with respect to the Existing IND and the Other BZL INDs, provided that Millennium shall have the right to participate in such

communications, whether by phone or in person. Millennium shall have the right to reference the Existing IND and the Other BZL INDs for all purposes.

(f) REGULATORY RECORDS. BZL and Millennium each shall maintain, or cause to be maintained, records of its respective Development Activities in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which shall be complete and accurate and shall fully and properly reflect all work done and results achieved in the performance of its respective Development Activities, and which shall be retained by such Party for at least five (5) years after the termination of this Agreement, or for such longer period as may be required by Applicable Law. Millennium shall have the right, during normal business hours and upon reasonable notice, to inspect and copy any such records of BZL. BZL shall provide Millennium with any and all information with respect to the Existing IND and any other INDs owned or Controlled by BZL other than the Existing IND ("OTHER BZL INDS"), including any communications and filings with or from the Regulatory Authorities, which BZL shall provide to Millennium reasonably in advance of making any such communication or filing, and Millennium shall have the right, but not the obligation, to review and approve any filings or communications with the Regulatory Authorities and to participate in any meetings with the Regulatory Authorities, whether by phone or in person, PROVIDED, HOWEVER, that, after the assignment to Millennium of the Existing IND and the Other BZL INDs, Millennium shall have the right to conduct meetings with the Regulatory Authorities with respect to the Existing IND and the Other BZL INDs. BZL shall use its Commercially Reasonable Efforts to pursue and maintain the Existing IND and all Other BZL INDs until the Clinical Decision Point for the Immunotoxin Product.

(g) PRE-CLINICAL AND CLINICAL SUPPLY. Upon the Effective Date, BZL shall use Commercially Reasonable Efforts to promptly assign to Millennium the Lonza Agreement pursuant to Section 3.3; PROVIDED, HOWEVER, that until such time as BZL is able to make such assignment to Millennium (the "LONZA TRANSFER DATE"), BZL shall supply all of the Parties' pre-clinical and clinical requirements of Antibody pursuant to and in accordance with the Lonza Agreement, unless Millennium agrees otherwise. Millennium shall be responsible for Manufacturing and supplying Immunotoxin Product produced with such Antibody. BZL shall be responsible for Manufacturing and supplying Radiolabel Products produced with such Antibody through the completion of each clinical study underway at the time of the last Clinical Decision Point using a Third Party manufacturer, and on terms and conditions, reasonably acceptable to Millennium. In the event that there is an inadequate supply of Antibody to produce both Immunotoxin Products and Radiolabel Products, any quantities of Antibody shall first be used to produce

the Parties' requirements of the Immunotoxin Product. BZL shall transfer to Millennium all inventories of useable Antibody that have reasonably useful shelf lives on the Lonza Transfer Date, which shall not be less than [**] grams of [**] Antibody and [**] grams of [**] Antibody. Within [**] days after Millennium's receipt from BZL of such Antibody and a written invoice and any supporting documentation with respect thereto, Millennium shall reimburse BZL for its invoiced direct out-of-pocket costs to Lonza Biologics PLC for the Manufacture of such Antibody, not to exceed [**] Dollars ($[**]). Subject to availability and, to the

extent additional supplies of Antibody are required, Millennium's supply of such Antibody, BZL shall also supply Millennium's requirements of Radiolabel Product for the preclinical and clinical development of Radiolabel Product [**] through the completion of any clinical study underway at the last Clinical Decision Point, provided that Millennium shall reimburse BZL for its invoiced direct out-of-pocket costs to Goodwin Biotechnology, Inc. in connection with such supply, not to exceed [**] Dollars ($[**]) for the existing supply of Radiolabel Product. The agreement with respect to the Manufacture and supply of the Radiolabel Products (the "RADIOLABEL MANUFACTURING AGREEMENT") shall be assigned to Millennium pursuant to Section 3.3 within ten (10) days of the last Clinical Decision Point or as earlier requested by Millennium (the "RADIOLABEL MANUFACTURING TRANSFER DATE"). BZL represents and warrants to Millennium that at the time of the transfer of the Antibodies and Radiolabel Product to Millennium pursuant to this Section 2.1(g), such Antibodies or Radiolabel Product (i) will have been Manufactured in accordance with Applicable Law for use under the applicable IND, (ii) will not be adulterated or misbranded under the Federal Food, Drug, and Cosmetic Act, 21 U.S.C.ss.ss.321 ET SEQ., as amended (the "FFDCA"), or under any other Applicable Law, and (iii) may be introduced into interstate commerce pursuant to the FFDCA.

(h) MATERIAL AND INFORMATION TRANSFER. BZL shall, and shall cause its Affiliates to, without additional compensation and at its sole expense, (i) provide to Millennium the Biological Materials in its Control specified from time to time in this Agreement or the Development Plan, or such other Biological Materials in its Control as Millennium may reasonably request, and (ii) disclose and make available to Millennium, in whatever form Millennium may reasonably request, all Manufacturing documentation, all Regulatory Documentation, all other BZL Know-How, all Joint Know-How and any other Information and Inventions relating, directly or indirectly, to the Development Activities (including a written description of each Antibody, Licensed Product, Diagnostic Product or Improvement thereto identified by BZL, any scientific or medical information with respect

to such Antibody, Licensed Product, Diagnostic Product or Improvement thereto and any Patent or other information with respect to the proprietary status of such Antibody, Licensed Product, Diagnostic Product or Improvement thereto), immediately after the Effective Date and thereafter promptly upon the earlier of the conception or reduction to practice, discovery, development or making of each such Manufacturing documentation, Regulatory Documentation, Know-How, or other Information and Inventions, provided that, except as otherwise provided in this Agreement, Millennium shall reimburse BZL for any reasonable and invoiced direct out-of-pocket costs incurred in providing such Biological Materials after the last Clinical Decision Point. Neither BZL nor Dr. Neil Bander shall provide any such Information or Inventions or Biological Materials to any Person other than Millennium or its Affiliates, without Millennium's prior written consent.

(i) DEVELOPMENT EXPENSES.

(i) MILLENNIUM'S OBLIGATION.

(A) Subject to Section 2.1(a)(i), and except as otherwise provided in this Agreement, Millennium shall be solely responsible for all costs and expenses in connection with the development and commercialization (including manufacturing, marketing and selling costs, subject, however, to Millennium's ability to recover certain amounts consistent with the definition of "Net Sales") with respect to the Licensed Product(s) and the Diagnostic Product(s); PROVIDED, HOWEVER, that BZL shall bear, and shall not be entitled to reimbursement for, any such costs or expenses incurred by BZL prior to the Effective Date (except for payments made for supply of Antibody and Radiolabel Product pursuant to Section 2.1(g)) and, unless otherwise expressly provided herein, any costs or expenses incurred by BZL in performing its obligations under this Agreement. Millennium shall reimburse BZL for the reasonable and invoiced direct out-of-pocket costs and expenses incurred by BZL and its Affiliates after the Effective Date in performing its Development Activities with respect to the Licensed Products in accordance with the Development Plan and the Development Budget, provided that Millennium's sole financial obligation to New Drug Associates, Inc. and its employees and principals with respect to such activities shall be pursuant to the NDA Agreement.

(B) Millennium agrees to fund the Development Activities through the Phase IIa Completion Point for an Immunotoxin Product in the Prostate Cancer Field and a Radiolabel Product in the Prostate Cancer Field, each as set forth in the Development Plan, unless a Pivotal Study for an Immunotoxin Product or Radiolabel Product, as applicable, is performed in lieu of a Phase IIa study, in which case Millennium agrees to fund the Development

Activities for such Immunotoxin Product or Radiolabel Product, as applicable, in accordance with the Development Budget prior to the completion of the data package from the interim analysis for such Pivotal Study that is agreed to by the Steering Committee and the FDA and identified prospectively in the protocol for such Pivotal Study, which data package shows whether such Immunotoxin Product or Radiolabel Product, as applicable, has achieved the predetermined endpoints for such interim analysis as set forth in the Development Plan; PROVIDED, HOWEVER, that in no event shall Millennium be obligated to spend more than [**] dollars ($[**]) in connection with such Development Activities and Millennium does hereby retain the right to terminate this Agreement pursuant to Article VIII.

(ii) STATEMENTS AND PAYMENTS. Within [**] days after the end of each Calendar Quarter in which Development Activities are conducted, each Party shall furnish the Steering Committee with a statement (A) detailing the costs and expenses actually incurred in connection with the Development Activities performed by or on behalf of such Party during such Calendar Quarter, provided that such costs and expenses may not exceed (or be projected to exceed) the amounts set forth in the Development Budget for the relevant Development Activities by more than [**] percent ([**]%) without the approval of the Steering Committee, and (B) comparing such expenses to date with the projections set forth in the Development Budget. Each Party shall promptly furnish the other with any other documentation of such costs and expenses as such other Party may reasonably request. Within [**] days after receipt by Millennium of such statement and any supporting documentation from BZL, Millennium shall reimburse BZL for all amounts set forth therein for costs and expenses actually incurred in connection with the Development Activities, except for amounts properly contested in good

faith. Millennium's reporting obligations under this Section 2.1(i)(ii) shall terminate upon the Clinical Decision Point for the Immunotoxin Product.

(iii) BOOKS AND RECORDS. Each Party shall maintain complete and accurate books, records and accounts that, in reasonable detail, fairly reflect any reimbursable costs and expenses incurred by such Party or its Affiliates in connection with the Development Activities in conformity with GAAP. Each Party shall retain such books, records and accounts until three (3) years after the end of the period to which such books, records and accounts pertain, or for such longer period as may be required by Applicable Law. Each Party shall have the right to have its certified public accountant, who shall be reasonably acceptable to the other Party, audit the books and financial records of such other Party, as well as those of such other Party's Affiliates and sublicensees,

relating to its Development Activities during one or more Calendar Quarters; PROVIDED, HOWEVER, that if such sublicensees object to such an audit by the auditing Party, the other Party shall have the right to conduct such audit of such sublicensees at the auditing Party's sole cost and expense and the other Party shall provide the auditing Party with a written certification disclosing the results of such audit, which certification shall be attested to by an officer of the other Party; and PROVIDED FURTHER that the auditing Party shall not have the right to audit a Calendar Quarter more than two (2) years after the end of such quarter, to conduct more than one such audit in any twelve-month period, or to audit any Calendar Quarter more than once; and PROVIDED FURTHER that the auditing Party shall bear the cost of such audit unless the audit reveals a variance of more than five percent (5%) from the reported results, in which case such other Party shall bear the cost of the audit.

(j) COOPERATION. Each Party shall cooperate with any and all reasonable requests for assistance from the other Party with respect to the Development Activities, including by making its employees, consultants and other scientific staff available upon reasonable notice during normal business hours at their respective places of employment to consult with such other Party on issues arising in connection with the performance of such Development Activities.

2.2 DEVELOPMENT AND COMMERCIALIZATION BY MILLENNIUM. Millennium shall have the exclusive right to develop, commercialize, Manufacture and otherwise Exploit in the Territory (a) Licensed Products, [**] at any time during the term of this Agreement, and (b) Licensed Products, [**] after the applicable Clinical Decision Point.

2.3 DILIGENCE OBLIGATIONS.

(a) MILLENNIUM DILIGENCE. Millennium shall use Commercially Reasonable Efforts to (i) commence a Phase I study with respect [**] prior to the Phase I Completion Point with respect to [**]Field, (ii) after the last Clinical Decision Point, conduct such other Clinical Trials, and make such filings with the Regulatory Authorities, as are necessary to obtain Regulatory Approvals for Licensed Product(s) [**], to the extent scientifically justified and commercially reasonable, with respect to [**] each of the

Major Markets, (iii) once all applicable Regulatory Approvals with respect to a Licensed Product have been obtained in a Major Market, develop and satisfy market demand for such Licensed Product in such Major Market, and (iv) to the extent scientifically justified and commercially reasonable, develop, seek Regulatory Approvals for, and, upon receipt of all such approvals, commercialize a Diagnostic Product

(or license a Third Party to do so); PROVIDED, HOWEVER, that (A) such obligations are expressly conditioned upon (1) BZL and its Affiliates performing their respective obligations hereunder, including the information disclosure requirements pursuant to Section 2.1(h) and the supply of such Antibody and Radiolabel Product pursuant to Section 2.1(g), (2) the availability of Antibody and other intermediates of Licensed Product or Diagnostic Product, [**], and (3) the continuing absence of any adverse condition as determined solely by Millennium relating to the safety and efficacy or scientific or commercial feasibility of such Licensed Products or Diagnostic Products, and (B) such obligations shall be delayed or suspended as long as any such condition or event exists; and PROVIDED FURTHER that Millennium shall not be obligated to obtain Regulatory Approvals for, or commercialize, more than one Licensed Product or Diagnostic Product, as applicable, in any Major Market. Commercially Reasonable Efforts, for purposes of this Section 2.3(a), shall not require that Millennium apply greater efforts, or make any other decisions, with respect to the Licensed Product(s) or Diagnostic Product(s) than it would were the Licensed Product(s) or Diagnostic Product(s), as applicable, solely owned by Millennium. BZL acknowledges and agrees that, in addition to the foregoing, the development and commercialization of the Licensed Product(s) or Diagnostic Product(s) may be delayed, suspended or otherwise modified by Millennium in response to circumstances outside the reasonable control of Millennium, including force majeure events, changes in the requirements of the Regulatory Authorities, failed or inconclusive clinical studies or a need for additional tests and studies to obtain appropriate labeling, pricing, reimbursement or other Regulatory Approvals. Further, BZL acknowledges and agrees that nothing in this Section 2.3 is intended, or shall be construed, to require Millennium to develop or commercialize a specific Licensed Product or Diagnostic Product. In the event that Millennium decides to discontinue the development or commercialization of a Licensed Product or Diagnostic Product in favor of another Licensed Product or Diagnostic Product, its obligations under this Section 2.3 shall cease with respect to such initial Licensed Product or Diagnostic Product in favor of such other Licensed Product or Diagnostic Product. BZL also acknowledges and agrees that (x) Millennium has the right, in its sole discretion, to develop and commercialize Diagnostic Product(s) through one or more sublicensees, (y) Millennium's obligations with respect to Diagnostic Product(s) shall be secondary to its obligations with respect to Licensed Product(s), and (z) as long as Millennium is using Commercially Reasonable Efforts to develop or commercialize an Immunotoxin Product, Millennium shall have no obligation to develop or commercialize a Radiolabel Product. Millennium shall perform its obligation under this Section 2.3 in good scientific manner and in compliance in all material respects with all Applicable Law. Except as expressly provided in Section 2.1, Millennium shall have no other obligation, express or implied, with respect to the Exploitation of the Licensed Product(s) or Diagnostic Product(s).

(b) MILLENNIUM DISCRETION. Subject to Sections 2.1(d) and 2.3(a), the Parties acknowledge and agree that all decisions with respect to (i) Licensed Products (other than Radiolabel Products in the Prostate Cancer Field prior to the Clinical Decision Point for the Radiolabel Product) and the Diagnostic Products, and (ii) Radiolabel Products in the Prostate Cancer Field after the Clinical Decision Point for the Radiolabel Product, including decisions relating to Millennium's Exploitation and pricing of Licensed Products or Diagnostic Products, shall ultimately be within the sole discretion of Millennium.

2.4 BREACH OF DILIGENCE OBLIGATIONS. If at any time BZL has a reasonable basis to believe that Millennium is in breach of its obligations under Section 2.3, then BZL shall so notify Millennium, specifying the basis for its belief, and the Parties shall meet within [**] days after such notice to discuss in good faith BZL's concerns and Millennium's development and commercialization plans with respect to the Licensed Products. If such failure constitutes a material breach of Millennium's obligation under Section 2.3, after such good faith negotiations, BZL may provide Millennium with a notice of termination pursuant to Section 8.2 subject to the right to cure as set forth therein.

2.5 DEVELOPMENT AND USE OF TRADEMARKS. Millennium shall have the sole right to determine the Trademarks to be used with respect to the development and commercialization of the Licensed Products or Diagnostic Products on a worldwide basis. BZL shall not, and shall not permit its Affiliates to use in their respective businesses, any Trademark that is confusingly similar to, misleading or deceptive with respect to, or that dilutes any Trademark used to identify or distinguish the Licensed Products or Diagnostic Products.

2.6 RECORDS AND REPORTING. After the Clinical Decision Point with respect to the Immunotoxin Product, Millennium shall prepare and maintain complete and accurate records regarding the development and commercialization of the Licensed Products or Diagnostic Products and, after the termination of the Steering Committee, Millennium shall provide to BZL a reasonably detailed report regarding such development and commercialization at least once annually.

2.7 COOPERATION OF BZL. BZL shall cooperate with any and all reasonable requests for assistance from Millennium with respect to the development and commercialization of the Licensed Products or Diagnostic Products, including by making its employees, consultants and other scientific staff available upon reasonable notice during normal business hours at BZL's place of business to consult with Millennium on issues arising during such development and commercialization ("DEVELOPMENT ASSISTANCE"). Millennium shall reimburse BZL for any and all reasonable and invoiced direct out-of-pocket costs and expenses incurred by BZL in providing such assistance with respect to a Licensed Product or Diagnostic Product after the Clinical Decision Point with respect to such Licensed Product or Diagnostic Product. Notwithstanding the foregoing, the

Parties contemplate that Dr. Neil Bander will continue to provide clinical assistance to Millennium in such capacity, and upon such terms and conditions, as Millennium and Dr. Bander may mutually agree (but which is expected to involve Dr. Bander in the ongoing clinical development of Licensed Product(s)).

ARTICLE III
LICENSE GRANTS AND ASSIGNMENT

3.1 GRANTS TO MILLENNIUM. Subject to Article VIII of this Agreement, BZL and its Affiliates hereby grant to Millennium and its Affiliates:

(a) an exclusive (including with regard to BZL and its Affiliates), perpetual, royalty-bearing license in the Territory, with the right to grant sublicenses solely as provided in Section 3.4, under BZL's and its Affiliates' rights, titles, and interests in and to the BZL Patents, the BZL Know-How, the Joint Patents and the Joint Know-How to Exploit Licensed Products, Diagnostic Products and Improvements thereto for all purposes;

(b) an exclusive (including with regard to BZL and its Affiliates), perpetual, royalty-bearing license and right of reference in the Territory, with the right to grant sublicenses solely as provided in Section 3.4, under BZL's and its Affiliates' rights, titles and interests in and to the Regulatory Approvals, to the extent not otherwise assigned pursuant to Section 3.3(b), to Exploit Licensed Products, Diagnostic Products and Improvements thereto for all purposes; and

(c) an exclusive (including with regard to BZL and its Affiliates), perpetual, royalty-bearing (including a [**] percent ([**]%) royalty owed to Lonza Biologics PLC pursuant to the Lonza Agreement), license in the Territory, with the right to grant sublicenses, under BZL's and its Affiliates' rights, titles and interests in and to the BZL Patents, the BZL Know-How, the Joint Patents and the Joint Know-How to use the Manufacturing Processes to Manufacture and have Manufactured the Licensed Products, Diagnostic Products and Improvements thereto to Exploit for all purposes. By way of clarification, Millennium's Manufacture of a Licensed Product shall only be royalty-bearing to the extent that such Licensed Product is sold so as to produce Net Sales.

3.2 GRANTS TO BZL. Subject to Article VIII of this Agreement, Millennium and its Affiliates hereby grant to BZL and its Affiliates:

(a) a limited, nonexclusive, royalty-free, license in the Territory under Millennium's and its Affiliates' right, title and interest in and to the Regulatory Documentation, the BZL Patents, the BZL Know-How, the Joint Patents and the Joint Know-How to conduct the Development

Activities in accordance with the Development Plan and this Agreement; and

(b) a limited, nonexclusive, royalty-free, license in the Territory under Millennium's and its Affiliates' right, title and interest in and to the Immunotoxin Product to conduct the Development Activities with respect to the Immunotoxin Product in the Prostate Cancer Field in accordance with the Development Plan and this Agreement.

3.3 ASSIGNMENTS.

(a) MANUFACTURING RIGHTS. Upon the Lonza Transfer Date and the Radiolabel Manufacturing Transfer Date, BZL and its Affiliates shall and do hereby (i) transfer to Millennium the Lonza Agreement and the Radiolabel Manufacturing Agreement, respectively, and all Regulatory Documentation, and Biological Materials with respect to the Manufacturing of the Licensed Products or Diagnostic Products, including all inventories of Antibodies, cell lines, research cell banks, master cell banks, DNA, reagents, testing and stability data, Manufacturing standard operating procedures, batch records and any other production or quality control records with respect to the Licensed Products or Diagnostic Products or the Manufacturing thereof, and (ii) assign and transfer to Millennium all of BZL's and its Affiliates' rights, titles and interests in and to the foregoing. Millennium hereby agrees that it shall assume, insofar as they relate to the time period beginning on and including the day following Lonza Transfer Date and Radiolabel Manufacturing Transfer Date, all the obligations and liabilities of BZL under the Lonza Agreement and the Radiolabel Manufacturing Agreement, respectively.

(b) REGULATORY DOCUMENTATION. BZL and its Affiliates hereby assign and transfer to Millennium all of their respective rights, titles and interests in and to all Regulatory Documentation, including, to the extent permitted by Applicable Law, all Regulatory Approvals, but excluding the Existing IND and Other BZL INDs, Controlled by BZL or its Affiliates as of the Effective Date and from time to time during the term of this Agreement. Millennium hereby agrees that it shall assume, insofar as they relate to the time period beginning on and including the day following the date hereof, all the obligations and liabilities of BZL under the Regulatory Documentation. Upon Millennium's request, BZL shall assign and transfer to Millennium all of its and its Affiliates' rights, titles and interests in and to the Existing IND and such of the Other BZL INDs as Millennium may from time to time request. Millennium hereby agrees that it shall assume, insofar as they relate to the time period beginning on and including the day following the date of the assignment of the Existing IND and Other BZL INDs to Millennium, all the obligations and liabilities of BZL under the

Existing IND and Other BZL INDs.

(c) NDA AGREEMENT. BZL and its Affiliates hereby assign and transfer to Millennium all of their respective rights, titles and interests in and to that certain Amended and Restated Management Agreement between New Drug Associates, Inc., BZL and the NDA Principals as defined therein, effective as of January 1, 2001 (the "NDA AGREEMENT"). Millennium hereby agrees that it shall assume, insofar as they relate to the time period beginning on and including the day following the date hereof, all the obligations and liabilities of BZL under the NDA Agreement. Millennium shall indemnify and hold harmless BZL and its Affiliates from any Losses with respect to any breach of the NDA Agreement by Millennium or its Affiliates pursuant to Article IX.

(d) MATERIAL TRANSFER AGREEMENTS. BZL and its Affiliates hereby assign and transfer to Millennium all of their respective rights, titles and interests in and to those material transfer agreements set forth on Schedule 3.3(d) hereto (the "MTAs"), which schedule

is a true and complete list of all MTAs entered into by BZL or BZL Biologics, Inc. Millennium hereby agrees that it shall assume, insofar as they relate to the time period beginning on and including the day following the date hereof, all the obligations and liabilities of BZL under the MTAs. Millennium shall indemnify and hold harmless BZL and its Affiliates from any Losses with respect to any breach of any such MTA by Millennium or its Affiliates pursuant to Article IX.

(e) LIABILITIES. Notwithstanding anything to the contrary in this Section 3.3, BZL shall (i) be and remain liable for any obligation or liability under the Lonza Agreement, the Radiolabel Manufacturing Agreement, the Regulatory Documentation, the Existing IND and Other BZL INDs, the NDA Agreement and the MTAs to the extent that such obligation or liability relates to the period, or any actions or omissions, prior to the date of assignment of BZL's rights, titles and interests with respect thereto to Millennium, and (ii) indemnify and hold harmless Millennium and its Affiliates and sublicensees from any Losses with respect thereto pursuant to Article IX.

(f) FURTHER ASSURANCES. BZL shall duly execute and deliver, or cause to be duly executed and delivered, such instruments and shall do and cause to be done such acts and things, including the filing of such assignments, agreements, documents and instruments, as may be necessary under, or as Millennium may reasonably request in connection with, or to carry out more effectively the purpose of, or to better assure and confirm unto Millennium its rights under, this Section 3.3.

3.4 SUBLICENSES. Millennium shall have the right, in its sole discretion, to grant to Third Parties sublicenses under the licenses granted in Section 3.1 (a)

with respect to Licensed Products (i) outside the United States, (ii) inside the United States if such sublicense is with respect to (A) contract, manufacturing or other services, or (B) is in connection with a strategic alliance or collaboration that includes co-exclusive rights with respect to a field that includes prostate cancer together with one or more of: breast cancer, colon cancer, lung cancer or another cancer with comparable market potential, or with respect to one or more products for one or more of such cancers in addition to a Licensed Product, in which Millennium has a substantial ongoing role in and responsibility for product development and sales in the field or with respect to such products, or (iii) in settlement of any actual, threatened or potential Patent or other intellectual property dispute or proceeding related to the BZL Patents or Licensed Products or in connection with any cross-license to obtain rights to any Patent, trade secret or other intellectual property which Millennium reasonably believes would impede the Exploitation of any Licensed Product by Millennium or its Affiliates or otherwise permitted sublicensees in the Territory (each such sublicense, an "IP LICENSE"), or (b) with respect to Diagnostic Products throughout the Territory, in each case without the prior approval of BZL. All other sublicenses in the United States shall require the prior approval of BZL. Before granting any IP License, Millennium shall consult with BZL and its patent counsel regarding the advisability of granting such IP License, including with respect to information relating to rights to be obtained by Millennium under any cross-license.

3.5 LICENSE LIMITATIONS. Millennium acknowledges and agrees that it has no right to use the BZL Know-How or BZL Patents outside of the Exploitation of the Licensed Products, Diagnostic Products and Improvements thereto as set forth in Section 3.1, including for

the development of products that are not Antibodies, Licensed Products or Diagnostic Products, but that bind to PSMA. In the event that Millennium desires to use the BZL Patents or BZL Know-How for any other purpose, the Parties shall negotiate in good faith for [**] days the appropriate terms and conditions for such use, provided that neither Party shall have any obligation to enter into an agreement with respect thereto.

ARTICLE IV
PAYMENTS AND ROYALTIES

4.1 PAYMENTS TO BZL. In partial consideration of the licenses and other rights granted herein and subject to the terms and conditions set forth in this Agreement, Millennium shall make the following payments to BZL:

(a) MILESTONE PAYMENTS.

(i) Millennium shall make the milestone payments provided below to BZL within [**] days following achievement, after the Effective Date, of the corresponding milestone event:

MILESTONE EVENT	MILESTONE PAYMENT
(A) The [**] Immunotoxin Product;	$[**]
(B) [**] an Immunotoxin Product;	$[**]
(C) [**] an Immunotoxin Product; and	$[**]
(D) [**] an Immunotoxin Product.	$[**]

In the event that the Steering Committee decides to proceed with a Radiolabel Product in lieu of an Immunotoxin Product, Millennium shall pay BZL [**] percent ([**]%) of the above milestone payments set forth in this Section 4.1(a)(i) within [**] days following achievement, after the Effective Date, of the corresponding milestone, provided that if an Immunotoxin Product subsequently achieves any of the above milestones after the [**]%) payment for the Radiolabel Product for such milestone, Millennium shall pay BZL the remaining [**] percent ([**]%) of the applicable milestone payment within [**] days after such Immunotoxin Product achieves such milestone.

(ii) Millennium shall make the milestone payments provided below to BZL within [**] days following achievement, after the Effective Date, of the corresponding milestone event:

MILESTONE EVENT	MILESTONE PAYMENT
(A) [**] Licensed Products ([**] Licensed Products [**] for [**] consecutive Calendar Quarters first reach $[**];	$[**]
(B) [**] Licensed Products ([**] Licensed Products [**]) for [**] consecutive Calendar Quarters first reach $[**]; and	$[**]
(C) [**] Licensed Products ([**]Licensed Products [**]) for [**]consecutive Calendar Quarters first reach $[**].	$[**]

(iii) For clarification, subject to the last paragraph of Section 4.1(a)(i), each milestone payment shall be payable only once irrespective of the number of Licensed Products that have achieved or the number of times Licensed Products achieve the milestone events set forth in this Section 4.1(a).

(b) ROYALTIES PAYABLE BY MILLENNIUM. Millennium shall pay to BZL the following royalties based on worldwide aggregate Net Sales by Millennium, its Affiliates and its United States Sublicensees of Licensed Products during each Calendar Year:

[**] Percent ([**]%) of Net Sales for that portion of aggregate Net Sales of Licensed Products in such Calendar Year that is less than $[**];

[**] Percent ([**]%) of Net Sales for that portion of aggregate Net Sales of Licensed Products in such Calendar Year that equals or exceeds $[**] but is less than $[**]; and

[**] Percent ([**]%) of Net Sales for that portion of aggregate Net Sales of Licensed Products in such Calendar Year that equals or exceeds $[**].

(c) ADJUSTMENTS. Any and all sales by Non-United States Sublicensees shall be excluded from the Net Sales calculations in Section 4.1(b) (including for purposes of the thresholds and ceilings).

(d) SUBLICENSE REVENUE.

(i) In the event that Millennium enters into a license agreement to sublicense to a Third Party (a "NON-UNITED STATES Sublicensee") Millennium's rights under this Agreement to market a Licensed Product outside of the United States (a "SUBLICENSE AGREEMENT"), Millennium shall pay BZL a portion, as set forth in Section 4.1(d)(ii), of any net license fees, milestone payments and net royalty payments or net profits, as applicable (collectively, "SUBLICENSE REVENUE"), paid to Millennium by such sublicensee in consideration for the sublicensing of such right to market outside the United States. For the sake of clarity, if Millennium is Manufacturing the Licensed Products, or any intermediary thereof, for such Third

Parties, amounts paid by the Sublicensee to Millennium for purchase of such Licensed Products or intermediate up to the Fair Market Value of such Licensed Products or intermediate shall not be considered to be Sublicense Revenue. For purposes of this Section 4.1(d), "FAIR MARKET VALUE" shall mean [**] percent ([**]%) of the Fully Burdened Manufacturing Cost for Millennium to Manufacture such Licensed Product or intermediate. To the extent that the manufacturing fee paid to Millennium under a Sublicense Agreement is above the Fair Market Value, any amount over such Fair Market Value shall be included in Sublicense Revenue and shall be shared with BZL pursuant to Section 4.1(d)(ii).

(ii) If a Sublicense Agreement for a Licensed Product is executed (A) prior to the first Phase I Completion Point for an Immunotoxin Product, Millennium shall pay BZL [**] percent ([**]%) of the

Sublicense Revenue under such Sublicense Agreement, (B) after the completion of the first Phase I Completion Point for an Immunotoxin Product but prior to the first Clinical Decision Point for an Immunotoxin Product, Millennium shall pay BZL [**] percent ([**]%) of the Sublicense Revenue under such Sublicense Agreement, (C) after the first Clinical Decision Point for an Immunotoxin Product but prior to the filing of the first MAA (but excluding pricing and reimbursement approvals) for an Immunotoxin Product, Millennium shall pay BZL [**] percent ([**]%) of the Sublicense Revenue under such Sublicense Agreement, and (D) after the first filing of a MAA (but excluding pricing and reimbursement approvals) for an Immunotoxin Product, Millennium shall pay BZL [**] percent ([**]%) of the Sublicense Revenue under such Sublicense Agreement; PROVIDED, HOWEVER, that if Millennium elects to proceed with a Radiolabel Product in lieu of an Immunotoxin Product, such thresholds shall be based on a Radiolabel Product and not an Immunotoxin Product.

(iii) Notwithstanding the foregoing, if the portion of the Territory subject to the Sublicense Agreement includes at least two of the following countries: United Kingdom, France, Germany, or Italy, and if the Sublicense Agreement is entered into prior to approval by the EMEA of a MAA for the Licensed Product, the first $[**] (or the first $[**] if such Licensed Product is a Radiolabel Product) of any such payments for Sublicense Revenue other than for royalties shall be retained by Millennium, provided that upon the approval by the EMEA of a MAA for a Licensed Product, the applicable milestone payment shall be due pursuant to Section 4.1(a).

(iv) Millennium's obligations to share Sublicense Revenue with BZL pursuant to Section 4.1(d)(ii) shall terminate, on a country-by-country basis, with respect to each Licensed Product upon the later of (i) [**] years after the First Commercial Sale in such country of such Licensed Product, and (ii) the expiration date in such country of the last to expire of any issued BZL Patent or Joint Patent that includes at least one Valid Claim covering the Licensed Product, or the use of the Licensed Product, sold in such country, or covering the Manufacturing of such Licensed Product in the country in which such Licensed Product is Manufactured. Upon termination of Millennium's obligations to share Sublicense Revenue with respect

to a Licensed Product in a country in which there is a Sublicense Agreement, the license grants to Millennium in Section 3.1 shall become fully paid-up exclusive licenses with respect to such Licensed Product in such country.

(e) ROYALTY TERM. Millennium's royalty obligations under Section 4.1(b) shall terminate, on a country-by-country basis, with respect to each Licensed Product on the later of (i) [**] years after the First Commercial Sale in such country of such Licensed Product, and (ii) the expiration date in such country of the last to expire of any issued BZL Patent or Joint Patent that includes at least one Valid Claim covering the Licensed Product, or the use of the Licensed Product, sold in such country, or covering the Manufacturing of such Licensed Product in the country in which such Licensed Product is Manufactured. Upon termination of the royalty obligations of Millennium under this Section 4.1(e) with respect to a Licensed Product in a country, the license grants to Millennium in Section 3.1 shall become fully paid-up exclusive licenses with respect to such Licensed Product in such country and Net Sales of such Licensed Product in such country shall be excluded from the royalty calculations set forth in Section 4.1(b) (including the thresholds and ceilings).

(f) [**]. If, following the [**] anniversary of January 1st in the Calendar Year in which the First Commercial Sale of a Licensed Product occurred, product(s) that contain or comprise one or more Antibodies (collectively, "ANTIBODY PRODUCTS") are sold [**]) and [**] of such Antibody Product(s) represent [**] percent ([**]%) of the aggregate sales in United States dollars of all Antibody Products, including Licensed Products, in all of the Major Markets as reported by IMS America, Ltd. ("IMS") or any comparable reporting agency in a Calendar Year ([**]), and if Millennium's and its Affiliates' and sublicensees' (but excluding Non-United States Sublicensees) Net Sales is less [**]Dollars ($[**]) for such Calendar Year, Millennium's royalty obligations under Section 4.1(b) shall be adjusted for such Calendar Year as follows:

(A) With respect to that portion of worldwide Net Sales by Millennium and its Affiliates and sublicensees (but excluding sales by Non-United States Sublicensees) that is less than [**] Dollars ($[**]), Millennium's milestones and royalty obligations under Section 4.1(a) and 4.1(b) shall be reduced by [**]percent ([**]%); and

(B) With respect to that portion of worldwide Net Sales by Millennium and its Affiliates and sublicensees (but excluding sales by Non-United States Sublicensees) that equals or exceeds [**] Dollars ($[**]) but is less than [**] Dollars ($[**]), Millennium's milestones and royalty obligations under Section 4.1(a) and 4.1(b) shall be reduced by [**] percent ([**]%).

By way of clarification, there shall be no adjustment pursuant to this Section if Net Sales by Millennium and its Affiliates and sublicensees (but excluding sales by Non-United States Sublicensees) equals or exceeds [**] Dollars ($[**]).

(g) ROYALTY PAYMENTS. Running royalties shall be calculated on an annual basis but shall be payable on a quarterly basis, within [**] after the end of each Calendar Quarter, based upon the Net Sales during such Calendar Quarter, commencing with the Calendar Quarter in which the First Commercial Sale of a Licensed Product is made, provided that after the [**] anniversary of January 1st of the Calendar Year in which the First Commercial Sale of a Licensed Product occurred, the royalty rate and payment schedule for each Calendar Quarter and Calendar Year shall be adjusted as follows:

(i) The royalty rate for purposes of payments for the first three (3) Calendar Quarters of a Calendar Year shall be based on [**] the previous Calendar Year.

(ii) The royalty rate for each Calendar Year shall be based on the actual level of Net Sales [**] for such Calendar Year, and any payments owed by Millennium in addition to those made in the first three (3) Calendar Quarters for each such Calendar Year shall be made by the later of (A) [**] after the end of such Calendar Year, and (B) [**] after the publication of an IMS report or other comparable report of aggregate sales in United States dollars of all Antibody Products in all of the Major Markets for such Calendar Year.

(iii) In the event that the amount of royalties paid by Millennium in the first three (3) Calendar Quarters of a Calendar Year exceed the actual royalties owed for such Calendar Year, Millennium shall have the right to offset such excess payments against any royalty payments owed for the last Calendar Quarter in such Calendar Year and any other payments owed to BZL under this Agreement.

(iv) If, in the last Calendar Year in which royalties are due under this Agreement, Millennium reasonably determines that royalties paid on a quarterly basis may exceed the actual royalties owed for such Calendar Year, Millennium shall have the right to deposit the estimated excess of such royalty payments for such Calendar Year in an interest-bearing escrow account, with the costs and expenses of such escrow account shared equally (50%) by the Parties, until the actual royalties are calculated for such Calendar Year, after which such royalties shall be paid as provided in clause (ii) above and any remainder shall be returned to Millennium. The Parties agree that interest shall follow principal.

Royalties shall be calculated in accordance with GAAP and with the terms of this Article IV. Only one royalty payment will be due on Net Sales even though the Manufacture, sale or use of a Licensed Product may be covered by more than one BZL Patent or BZL Know-How in a country.

(h) ROYALTY STATEMENTS. Each royalty payment hereunder shall be accompanied by a statement showing (i) Invoiced Sales and Net Sales,

(ii) the number of units of each Licensed Product sold by the paying Party on a country-by-country basis during the applicable Calendar Quarter, and (iii) the amount of royalties due on such Net Sales.

(i) INTEREST ON OVERDUE PAYMENTS. Each Party shall pay to the other interest on any royalty, milestone or other payments due and payable in the event that such payments are not made within the applicable time periods set forth in this Agreement at the prime rate plus 2% per annum, as published in THE WALL STREET JOURNAL, Eastern United States Edition, on the last business day preceding the date such payment was originally due.

(j) DIAGNOSTIC PRODUCTS. Notwithstanding anything to the contrary in this Agreement, no royalty, milestone or other payments under this Agreement shall be owed by or on behalf of Millennium or its Affiliates or sublicensees with respect to the Exploitation of Diagnostic Products except as provided in the next succeeding sentence. The Parties shall [**] net profits, the calculation of which shall be agreed to by the Parties in good faith, or any net royalties and milestones from sublicensees, received by Millennium or its Affiliates from the sale of Diagnostic Products. Millennium's payment obligations under this Section shall terminate, on a country-by-country basis, with respect to each Diagnostic Product on the later of (i) [**] years after the First Commercial Sale in such country of such Diagnostic Product, and (ii) the expiration date in such country of the last to expire of any issued BZL Patent or Joint Patent that includes at least one Valid Claim covering the Diagnostic Product, or the use of the Diagnostic Product, sold in such country or covering the Manufacturing of such Diagnostic Product in the country in which such Diagnostic Product is Manufactured. Upon termination of the royalty obligations of Millennium under this Section with respect to a Diagnostic Product in a country, the license grants to Millennium in Section 3.1 shall become fully paid-up exclusive licenses with respect to such Diagnostic Product in such country.

4.2 RECORDS RETENTION; AUDIT.

(a) RECORD RETENTION. Until the third anniversary of the end of the Calendar Year in which a Licensed Product or Diagnostic Product is sold, Millennium shall keep (and shall ensure that its Affiliates and sublicensees shall keep) records of such sales in sufficient detail to confirm the accuracy of the royalty calculations hereunder.

(b) AUDIT. Upon the written request of BZL and not more than once in each Calendar Year, Millennium shall permit an independent certified public accounting firm of nationally recognized standing selected by BZL, and reasonably acceptable to Millennium, at BZL's expense, to have access during normal business hours, and upon reasonable prior written notice,

to such of the records of Millennium and its Affiliates and sublicensees as may be reasonably necessary to verify the accuracy of the royalty reports hereunder for any Calendar Year ending not more than twenty-four (24) months prior to the date of such request; PROVIDED, HOWEVER, that if such sublicensees object to such an audit by BZL, Millennium shall have the right to conduct such audit of such sublicensees at BZL's sole cost and expense and Millennium shall provide BZL with a written certification disclosing the results of such audit, which certification shall be attested to by an officer of Millennium. The accounting firm shall disclose to Millennium and BZL whether the royalty reports are correct or incorrect and the specific details concerning its calculations and any discrepancies. No other information shall be provided to BZL. Any failure by BZL to exercise its right under

this Section 4.2(b) with respect to a Calendar Year within the time period allotted therefor, shall constitute a waiver by BZL of its right to later object to any payments made by Millennium under this Agreement during such Calendar Year.

(c) PAYMENT OF ADDITIONAL ROYALTIES. If such accounting firm correctly concludes that additional royalties were owed during such period, Millennium shall pay the additional royalties, with interest from the date originally due at the prime rate plus 2% per annum, as published in THE WALL STREET JOURNAL, Eastern United States Edition, on the last business day preceding such date, within sixty (60) days after the date on which such accounting firm's written report is delivered to Millennium. If, and only if, the amount of the underpayment is greater than five percent (5%) of the total amount owed, then Millennium shall reimburse BZL for all costs related to such audit.

(d) CONFIDENTIALITY. BZL shall treat all information subject to review under this Section 4.2 in accordance with the confidentiality provisions of Article VII and shall cause its accounting firm to enter into a reasonably acceptable confidentiality agreement with Millennium obligating such firm to retain all such financial information in confidence pursuant to such confidentiality agreement.

4.3 MODE OF PAYMENT. All payments to BZL or Millennium under this Agreement shall be made by deposit of United States Dollars in the requisite amount to such bank account as the receiving Party may from time to time designate by notice to the paying Party. Payments shall be free and clear of any taxes (other than withholding and other taxes imposed on the receiving Party), fees or charges, to the extent applicable. With respect to sales outside the United States, payments shall be calculated based on currency exchange rates for the Calendar Quarter for which remittance is made for royalties as set forth below. For each Calendar Quarter and each currency, such exchange rate shall equal the

arithmetic average of the exchange rates (obtained as described below) for the last business day of each month during such Calendar Quarter; each daily exchange rate shall be obtained from THE WALL STREET JOURNAL, Eastern United States Edition, or, if not so available, as otherwise agreed by the Parties.

ARTICLE V
REPORTS

5.1 COMPLAINTS. BZL shall maintain a record of any and all complaints it receives with respect to the Licensed Products or Diagnostic Products. BZL shall notify Millennium in reasonable detail of any complaint received by BZL or any of its Affiliates within forty-eight (48) hours after the event, and in any event in sufficient time to allow Millennium and its Affiliates and sublicensees to comply with any and all regulatory and other requirements imposed upon it in any Jurisdiction in which the Licensed Products or Diagnostic Products are being marketed or tested in clinical trials.

5.2 ADVERSE EVENT REPORTING. BZL shall provide Millennium with all information in its Control necessary or desirable for Millennium to comply with all Applicable Law with respect to the Licensed Products or Diagnostic Products; PROVIDED, HOWEVER, that BZL shall provide Millennium with all information in its Control necessary or desirable for Millennium to comply with all Applicable Law with respect to the Radiolabel Products prior to the Clinical Decision

Point with respect thereto. In furtherance thereof, BZL shall (a) develop appropriate adverse experience reporting procedures; (b) provide to Millennium any material information on the Licensed Products or Diagnostic Products from pre-clinical or clinical laboratory, animal toxicology and pharmacology studies, as well as serious or unexpected adverse experience reports from clinical trials and commercial experiences with the Licensed Products or Diagnostic Products; and (c) report and provide such information to Millennium in such a manner and time so as to enable Millennium to comply with all Applicable Law in countries for which Regulatory Approval is or will be sought. Notwithstanding the foregoing, prior to BZL assigning the Existing IND or Other BZL IND to Millennium pursuant to Section 3.3(b), Millennium shall provide BZL with all information in its Control necessary or desirable for BZL to comply with all Applicable Law with respect to the Existing IND or Other BZL IND.

5.3 PRODUCT RECALL.

(a) NOTIFICATION AND RECALL. In the event that any Regulatory Authority issues or requests a recall or takes similar action in connection with a Licensed Product or Diagnostic Product, or in the event Millennium determines that an event, incident or circumstance has occurred that may result in the need for a recall or market withdrawal, the Party notified of such recall or similar action, or Millennium if it desires

such recall or similar action, shall, within twenty-four (24) hours, advise the other Party thereof by telephone or facsimile. Millennium shall decide whether to conduct a recall (except in the case of a government-mandated recall) and the manner in which any such recall shall be conducted.

(b) RECALL EXPENSES. Millennium shall bear the expenses of any recall of a Licensed Product or Diagnostic Product; PROVIDED, HOWEVER, that BZL shall bear the expense of a recall to the extent that such recall resulted from Antibody supplied prior to the Lonza Transfer Date or Radiolabel Product supplied prior to the Radiolabel Manufacturing Transfer Date, BZL's or its Affiliates' breach of its obligations hereunder or the gross negligence or willful misconduct of BZL or its Affiliates. Such expenses of recall shall include expenses for notification, destruction or return of the recalled Licensed Product or Diagnostic Product and any refund to consumers of amounts paid for the recalled Licensed Product or Diagnostic Product.

ARTICLE VI
INTELLECTUAL PROPERTY RIGHTS

6.1 INTELLECTUAL PROPERTY OWNERSHIP.

(a) OWNERSHIP OF SOLE INVENTIONS. Subject to Section 6.1(b) and the license grants under Article III, each Party shall own and retain all right, title and interest in and to any and all: (i) Information and Inventions that are conceived, discovered, developed or otherwise made, as necessary to establish authorship, inventorship or ownership under Applicable Law, by or on behalf of such Party (or its Affiliates or its licensees or sublicensees (other than the other Party and its Affiliates)), whether or not patented or patentable, and any and all Patent and other intellectual property rights with respect thereto, except to the extent that any such Information and Inventions, or any Patent or

other intellectual property rights with respect thereto, are Joint Inventions, Joint Patents or Joint Know-How; and (ii) other Information and Inventions, and Patent and other intellectual property rights that are Controlled (other than pursuant to the license grants set forth in Article III) by such Party, its Affiliates or its licensees or sublicensees (other than the other Party and its Affiliates).

(b) OWNERSHIP OF JOINT INVENTIONS, JOINT PATENTS AND JOINT KNOW-HOW. Subject to the license grants under Article III, Millennium or its Affiliates, as applicable, together with BZL or its Affiliates, as applicable, shall each own an equal, undivided interest in (i) any Joint Inventions, and (ii) all Joint Patents and Joint Know-How. Each Party and any of its Affiliates shall have the right to Exploit and to

grant licenses to Third Parties to Exploit any Joint Invention, Joint Patent or Joint Know-How without the consent of the other Party, provided that such Exploitation is not in violation of or in a manner inconsistent with the license grants in Article III.

(c) OWNERSHIP OF PRODUCT TRADEMARKS. Millennium shall own and retain all right, title and interest in and to any and all Trademarks with respect to the Licensed Product(s) and Diagnostic Product(s) except as set forth in Section 8.4(a)(i).

(d) OWNERSHIP OF REGULATORY DOCUMENTATION. Subject to the license grants in Article III, as between the Parties, Millennium shall own and retain all right, title and interest in and to any and all Regulatory Documentation, including Regulatory Approvals, with respect to the Licensed Products or Diagnostic Products and any data contained or referenced therein; except as set forth in Section 8.4(a)(i); PROVIDED, HOWEVER, that BZL shall own and retain all right, title and interest in and to the Existing IND or Other BZL INDs until such time as they are assigned to Millennium pursuant to Section 3.3(b).

6.2 PROSECUTION OF PATENTS AND TRADEMARKS.

(a) BZL PATENTS. Subject to Sections 6.2(d) and 6.2(e), as between the Parties, Millennium shall be responsible, at its sole cost and expense, for obtaining, prosecuting and maintaining throughout the world the BZL Patents, provided that Millennium shall only be responsible for costs and expenses arising after the Effective Date. BZL shall (i) be responsible for the costs and expenses arising prior to the Effective Date for obtaining, prosecuting and maintaining throughout the world the BZL Patents, including as of the Effective Date, any unreimbursed expenses of Cornell Research Foundation, Inc., and (ii) indemnify and hold harmless Millennium and its Affiliates from any Losses with respect thereto pursuant to Article IX. In this regard, Millennium shall use Commercially Reasonable Efforts to file, prosecute and maintain Patent applications to secure claims in the BZL Patents that cover Licensed Products or Diagnostic Products or their use (except to the extent that a Third Party licensor has retained the right to do so, in which case BZL shall use Commercially Reasonable Efforts to cause such Third Party licensor to do so). BZL covenants that within two (2) weeks of the Effective Date, BZL shall provide Cornell Research Foundation, Inc. and its patent counsel with copies of all patent prosecution and other patent correspondence and other documents produced by its patent counsel since transfer of prosecution

activities from Nixon Peabody. Millennium shall use Commercially Reasonable Efforts, at its sole cost and expense, to obtain, prosecute and maintain any Patents owned by Millennium claiming Licensed Products or Diagnostic Products.

(b) ELECTION NOT TO PROSECUTE. If Millennium elects not (i) to pursue the filing, prosecution or maintenance of a BZL Patent or any claim therein in a particular country, or (ii) to take any other action with respect to a BZL Patent or any claim therein in a particular country that is necessary or useful to establish or preserve rights thereto, then in each such case Millennium shall so notify BZL promptly in writing and in reasonable time to enable BZL to meet any deadlines by which an action must be taken to establish or preserve any such rights in such BZL Patent or any such claim therein, as applicable, in such country. Upon receipt of each such notice by Millennium or if, at any time, Millennium fails to initiate any such action after a request by BZL that it do so (and thereafter use Commercially Reasonable Efforts to timely pursue such action), BZL shall, subject to that certain Letter Amendment dated April 4, 2001 to the Exclusive License Agreement, dated as of April 1, 1997, between Cornell Research Foundation, Inc., Ludwig Institute for Cancer Research and BZL, have the right, but not the obligation, to pursue the filing or registration, or support the continued prosecution or maintenance, of such BZL Patent or any claim therein at its expense in such country. If BZL elects to pursue such filing or registration, as the case may be, or continue such support, then BZL shall notify Millennium of such election.

(c) JOINT PATENTS. Millennium shall have the sole right to obtain, prosecute and maintain the Joint Patents throughout the world. Millennium shall have the sole right to determine in which countries to obtain, prosecute and maintain the Joint Patents. Millennium and BZL shall, and shall cause their respective Affiliates, as applicable, to assist and cooperate with one another in, and share equally the cost and expense of, filing, prosecuting and maintaining the Joint Patents. Notwithstanding the above, either Party may decline to pay its share of costs for filing, prosecuting and maintaining any Joint Patent(s) in a particular country or particular countries, in which case the declining Party shall assign, and shall cause its Affiliates to assign, to the other Party all or their rights, titles and interests in and to any such Joint Patent(s) in the relevant country or countries whereupon such Joint Patent(s) shall become Millennium Patent(s) or BZL Patent(s) in such country or countries, as the case may be.

(d) COOPERATION. Millennium shall regularly provide BZL with copies of all patent applications for the BZL Patents and the Joint Patents and trademark registrations filed hereunder and other material submissions and correspondence with any patent or trademark authorities, as applicable, in sufficient time to allow for review and comment by BZL. In addition, Millennium shall provide BZL and its counsel with an opportunity to consult with Millennium and its counsel regarding the filing and contents of any application, amendment, registration, submission, response or correspondence with any patent or trademark authorities. Each Party shall, at the other Party's request, assist and cooperate in the filing, registration and prosecution of any application, amendment, registration, submission, response or

correspondence with respect to any Patents and Trademarks related to the Licensed Products or Diagnostic Products. Millennium shall grant BZL's patent attorney a limited power of attorney to

inspect the files with respect to the BZL Patents and the Joint Patents in the office of the Patent and Trademark Office.

6.3 ENFORCEMENT OF PATENTS AND TRADEMARKS.

(a) RIGHTS AND PROCEDURES. If either Party determines that any BZL Patent or Joint Patent is being infringed by a Third Party's activities and that such infringement could affect the exercise by Millennium of its rights and obligations under this Agreement, it shall notify the other Party in writing and provide it with any evidence of such infringement that is reasonably available. Millennium shall have the first right, but not the obligation, to attempt to remove any such infringement by commercially appropriate steps, including filing an infringement suit or taking other similar action. If required by law in order for Millennium to prosecute such suit, BZL shall join such suit as a Party (and to the extent that BZL has licensed its rights from a Third Party, BZL shall use Commercially Reasonable Efforts to cause such Third Party to do so). In the event Millennium fails within [**]days following notice of such infringement, or earlier notifies BZL in writing of its intent not, to take steps to remove any infringement, BZL shall have the right to do so at BZL's expense; PROVIDED, HOWEVER, that if Millennium has commenced negotiations with an alleged infringer for discontinuance of such infringement within such [**] day period, Millennium shall have an additional [**] days to conclude its negotiations before BZL may bring suit for such infringement. The Party not enforcing the applicable Patent shall provide reasonable assistance to the other Party, including providing access to relevant documents and other evidence, making its employees available at reasonable business hours, and joining the action to the extent necessary to allow the enforcing Party to maintain the action.

(b) COSTS AND EXPENSES. Any amounts recovered by either Party pursuant to Section 6.3(a), whether by settlement or judgment, shall be used to reimburse the Parties for their reasonable costs and expenses in making such recovery (which amounts shall be allocated pro rata if insufficient to cover the totality of such expenses), with any remainder being retained by or paid to Millennium and being deemed "Net Sales" for which Millennium shall pay BZL a royalty under Section 4.1(b); PROVIDED, HOWEVER, if BZL initiates an infringement suit in accordance with Section 6.3(a) after the third anniversary of the First Commercial Sale with respect to Antibody Products that constitute Competition, any amounts attributable to such Competition that are recovered after reimbursing the Parties' costs and expenses shall be shared by BZL and Millennium with BZL receiving [**] percent ([**]%)

and Millennium receiving [**] percent ([**]%) of such remainder. Notwithstanding the foregoing, in the event Millennium grants an IP License to a Third Party pursuant to Section 3.4 to any of its rights under the BZL Patents, the Parties shall [**] in any milestone or royalty payments or license fees made by such Third Party to Millennium in connection with such license remaining after Millennium has been reimbursed for its reasonable costs and expenses in connection with the settlement and negotiation of such IP License and in connection with any related dispute, proceeding or negotiations. In the event that a Party, in an action permitted by Section 6.3(a), fails to recover an amount, whether by settlement or judgment, in excess of reasonable costs and expenses, including

attorneys' fees and costs of litigation, incurred by the Parties and their respective Affiliates and sublicensees in connection with such action, Millennium and BZL shall share all such costs and expenses equally. Millennium shall have the right to offset any amounts owed by BZL under this Section 6.3(b) but not paid against any payments owed by Millennium under this Agreement.

(c) RETAINED RIGHTS AND JOINT PATENTS. Except as otherwise provided by the provisions of Section 6.3(a), each Party shall retain the sole right to enforce its rights under any Patents (other than the Joint Patents) and to any Trademarks against all infringers at its sole cost and expense. In the event of any infringement of any Joint Patent that does not affect the exercise by Millennium of its rights and obligations under this Agreement, the Parties shall meet to discuss how to proceed with respect to such infringement. If the Parties are not able to agree on a course of action, either Party may assert such Joint Patent and initiate an action with respect to such infringement, provided that such Party has given the other Party the opportunity to join in such assertion and action and to share equally in any expenses and recoveries in connection therewith. The Party not enforcing such Joint Patent shall provide reasonable assistance to the other Party, including providing access to relevant documents and other evidence, making its employees available at reasonable business hours, and joining the action to the extent necessary to allow the enforcing Party to maintain the action.

6.4 INFRINGEMENT OF THIRD PARTY RIGHTS.

(a) THIRD PARTY LICENSES. If (i) in the opinion of Millennium, one or more Patents have issued to, or other trade secret or intellectual property rights are owned or controlled by, a Third Party in any country such that Millennium cannot Exploit the Licensed Products or Diagnostic Products in such country without infringing such Patent, trade secret or intellectual property right, or (ii) as a result of any claim made against Millennium or any of its Affiliates or sublicensees

alleging that the Exploitation of Licensed Products or Diagnostic Products by Millennium, its Affiliates or any of its sublicensees infringes or misappropriates any such Patent or any other intellectual property right in any country, a judgment is entered by a court of competent jurisdiction from which no appeal is taken within the time permitted for appeal, such that Millennium cannot Exploit the Licensed Products or Diagnostic Products in such country without infringing such Patent or other proprietary rights (each, a "TRIGGERING EVENT"), then, in either case, Millennium shall have the sole right to negotiate and obtain a license from such Third Party under such Patent or other intellectual property rights as necessary for Millennium and its Affiliates and sublicensees to Exploit the Licensed Products or Diagnostic Products in such country. Millennium shall be solely responsible for any and all payments due under any such license. By way of clarification, BZL shall be solely responsible for any milestone, royalty or other payments owed under or in connection with any In-License Agreement.

(b) THIRD PARTY LITIGATION. In the event that a Third Party institutes a patent, trade secret, trademark or other infringement suit against Millennium or its Affiliates or sublicensees during the term of this Agreement, alleging that the Exploitation of a

Licensed Product or a Diagnostic Product infringes one or more patent, trade secret or other intellectual property rights held by such Third Party (an "INFRINGEMENT SUIT"), then Millennium shall have the sole right, at its sole cost and expense, to assume direction and control of the defense of claims arising therefrom (including the right to settle such claims at its sole discretion).

(c) COOPERATION. In the event that a Third Party institutes a Patent, Trademark, trade secret or other infringement suit against Millennium or its Affiliates or sublicensees during the term of this Agreement, BZL shall, and shall cause its Affiliates to, use its best efforts to cause any Third Parties owning BZL Patents licensed to BZL, to use all reasonable efforts to assist and cooperate with Millennium in connection with the defense of such suit.

(d) RETAINED RIGHTS. Nothing in this Section 6.4 shall prevent either Party, at its own expense, from obtaining any license or other rights from Third Parties it deems appropriate in order to permit the full and unhindered exercise of its rights under this Agreement.

ARTICLE VII
CONFIDENTIALITY AND NONDISCLOSURE

7.1 CONFIDENTIALITY OBLIGATIONS.

(a) GENERAL OBLIGATIONS. At all times during the term of this Agreement and for a period of [**] years following termination or expiration hereof, each Party shall, and shall cause its officers, directors, employees and agents to, keep completely confidential and not publish or otherwise disclose and not use, directly or indirectly, for any purpose, any Confidential Information furnished or otherwise made known to it, directly or indirectly, by the other Party, except to the extent such disclosure or use is expressly permitted by the terms of this Agreement or is reasonably necessary for the performance of this Agreement.

(b) BZL OBLIGATIONS. BZL recognizes that by reason of Millennium's status as an exclusive licensee pursuant to the grant under Section 3.1, Millennium has an interest in BZL's retention in confidence of certain information of BZL. Accordingly, BZL shall, and shall cause its officers, directors, employees and agents to, keep completely confidential, and not publish or otherwise disclose, and not use directly or indirectly for any purpose, any information relating to the Licensed Products or Diagnostic Products, the Regulatory Documentation, including the Regulatory Approvals, or the development, sales or marketing plans for the Licensed Products or Diagnostic Products or any Manufacturing Process for the Licensed Products or Diagnostic Products (the "MILLENNIUM INFORMATION"), except to the extent (i) the Millennium Information is in the public domain through no fault of BZL, its Affiliates or any of their respective officers, directors, employees and agents, (ii) such disclosure or use would be permitted under Section 7.2, or (iii) such disclosure or use is otherwise expressly permitted by the terms of this Agreement or is reasonably necessary for the performance of this Agreement. For clarification, the disclosure by BZL to

Millennium or by Millennium to BZL of Millennium Information shall not cause such information to cease to be subject to the confidentiality provisions of this Section 7.1(b).

7.2 PERMITTED DISCLOSURES. Each Party may disclose Confidential Information to the extent that such disclosure is:

(a) Made in response to a valid order of a court of competent jurisdiction or other supra-national, federal, national, regional, state, provincial or local governmental or regulatory body of competent jurisdiction; PROVIDED, HOWEVER, that the receiving Party shall first have given notice to the disclosing Party and given the disclosing Party a reasonable opportunity to quash such order and to obtain a protective order requiring that the Confidential Information and documents that are the subject of such order be held in confidence by such court or agency or, if disclosed, be used only for the purposes for which the order was issued; and PROVIDED FURTHER that if a disclosure order is

not quashed or a protective order is not obtained, the Confidential Information disclosed in response to such court or governmental order shall be limited to that information which is legally required to be disclosed in response to such court or governmental order;

(b) Otherwise required by law, in the opinion of legal counsel to the receiving Party as expressed in an opinion letter in form and substance reasonably satisfactory to the disclosing Party, which shall be provided to the disclosing Party at least two (2) business days prior to the receiving Party's disclosure of the Confidential Information pursuant to this Section 7.2(b);

(c) Made by the receiving Party to the Regulatory Authorities or Patent authorities as required in connection with any filing, application or request for Regulatory Approval, Patent approval or other intellectual property protection; PROVIDED, HOWEVER, that reasonable measures shall be taken to assure confidential treatment of such information to the extent available;

(d) Made by Millennium or its Affiliates or sublicensees to Third Parties as may be necessary or useful in connection with the Exploitation of any Licensed Product or Diagnostic Product, including subcontracting and sublicensing transactions in connection therewith;

(e) Upon a Reversion Termination, made by BZL or its Affiliates to Third Parties in connection with the Exploitation of any Licensed Product or Diagnostic Product, as applicable, including permissible subcontracting and sublicensing transactions in connection therewith; or

(f) Upon an IP Reversion Termination in a country, made by BZL or its Affiliates to Third Parties in connection with the Exploitation of any Licensed Product or Diagnostic Product, as applicable, solely in such country, including permissible subcontracting and sublicensing transactions in connection therewith.

7.3 CONFIDENTIAL INFORMATION.

(a) DEFINED. "CONFIDENTIAL INFORMATION" shall mean all information and know-how and any tangible embodiments thereof provided by such Party to the other Party either in connection with the discussions and negotiations pertaining to this Agreement or in the course of performing this Agreement, including the terms of this Agreement; data; knowledge; practices; processes; ideas; research plans; engineering designs and drawings; research data; manufacturing processes and techniques; scientific, manufacturing, marketing and business plans; and financial and personnel matters relating to the disclosing Party or to its present or future products, sales, suppliers, customers,

employees, investors or business.

(b) EXCLUSIONS. Notwithstanding the foregoing, Confidential Information shall not include any information that:

(i) is or hereafter becomes part of the public domain by public use, publication, general knowledge or the like through no wrongful act, fault or negligence on the part of receiving Party;

(ii) can be demonstrated by documentation or other competent proof to have been in the receiving Party's possession prior to disclosure by the disclosing Party;

(iii) is subsequently received by the receiving Party from a Third Party who is not bound by any obligation of confidentiality with respect to said information;

(iv) is generally made available to Third Parties by disclosing Party without restriction on disclosure; or

(v) is independently developed by or for the receiving Party without reference to the disclosing Party's Confidential Information.

Specific aspects or details of Confidential Information shall not be deemed to be within the public domain or in the possession of the receiving Party merely because the Confidential Information is embraced by more general information in the public domain or in the possession of the receiving Party. Further, any combination of Confidential Information shall not be considered in the public domain or in the possession of the receiving Party merely because individual elements of such Confidential Information are in the public domain or in the possession of the receiving Party unless the combination and its principles are in the public domain or in the possession of the receiving Party.

7.4 USE OF NAME. Neither Party shall mention or otherwise use the name, insignia, symbol, trademark, trade name or logotype of the other Party (or any abbreviation or adaptation thereof) in any publication, press release, promotional material or other form of publicity without the prior written approval of such other Party in each instance. The restrictions imposed by this Section shall not prohibit either Party from making any disclosure identifying the other Party that is required by Applicable Law. Further, Millennium and its Affiliates and sublicensees shall have the right to use the name of BZL and its Affiliates to the extent necessary in connection

with the Exploitation of Licensed Products or Diagnostic Products, including subcontracting and sublicensing transactions in connection therewith.

7.5 PRESS RELEASES. Press releases or other similar public communication by either Party relating to this Agreement shall be approved in advance by the

other Party, which approval shall not be unreasonably withheld or delayed, except for those communications required by Applicable Law (which shall be governed by Section 7.2(b)), disclosures of information for which consent has previously been obtained, information that has been previously disclosed publicly or as otherwise set forth in this Agreement.

ARTICLE VIII
TERM AND TERMINATION

8.1 TERM. This Agreement shall commence upon the Effective Date and shall continue until terminated in accordance with this Article VIII.

8.2 TERMINATION OF THIS AGREEMENT FOR MATERIAL BREACH. Any material failure by a Party to comply with any of its material obligations contained herein or any material breach by a Party of any representation, warranty or covenant set forth in Article X, shall entitle the Party not in default to give to the Party in default notice specifying the nature of the default, requiring the defaulting Party to make good or otherwise cure such default, and stating its intention to terminate if such default is not cured. If such default is not cured within [**] [**] in the case of a default relating to payment of money or [**] in the case of any other default (the "CURE PERIOD") after the receipt of such notice (or, if such default cannot be cured within such Cure Period, if the Party in default does not commence actions to cure such default within [**] after the receipt of such notice and thereafter use Commercially Reasonable Efforts to continue such actions), the Party not in default shall be entitled, without prejudice to any of its other rights conferred on it by this Agreement, and in addition to any other remedies available to it by law or in equity, to terminate this Agreement in its entirety; PROVIDED, HOWEVER, that in the event that Millennium is the Party in default and the default is with respect to Millennium's failure to comply with its obligation to use Commercially Reasonable Efforts as required under Section 2.3 with respect to a Licensed Product in a particular Major Market, BZL shall have the right to terminate this Agreement only after it complies with Section 2.4 and only with respect to such Major Market and not in its entirety; and PROVIDED FURTHER that any right to terminate under this Section 8.2 shall be stayed in the event that, during any Cure Period, the Party alleged to have been in default shall have initiated dispute resolution in accordance with Section 11.6 with respect to the alleged default, which stay shall last so long as the initiating Party diligently and in good faith cooperates in the prompt resolution of such dispute resolution proceedings. Any breach by Dr. Neil Bander of that certain letter agreement between Millennium and Dr. Bander, dated April 4, 2001, shall be deemed to be a material breach of this Agreement and Millennium shall have the right to terminate this Agreement in accordance with this Section 8.2 subject to the right to cure set forth above. Notwithstanding the foregoing, in the event of a material breach by Millennium of its obligations under this Agreement with respect to the Diagnostic Product, BZL shall only have the right to terminate this Agreement with respect to the Diagnostic Product and not with respect to the Licensed Product.

8.3 TERMINATION BY MILLENNIUM.

(a) AT WILL. Millennium shall have the right in its sole discretion to terminate this Agreement with respect to the Licensed Product and/or the Diagnostic Product, for any reason or for no reason, at any time, upon [**] prior written notice to BZL.

(b) FOR CAUSE. Millennium shall also have the right to terminate this Agreement with respect to the Licensed Product and/or the Diagnostic Product upon written notice to BZL if at any time Millennium determines, in its sole discretion, (i) that the safety or efficacy of a Licensed Product or a Diagnostic Product, as applicable, does not support its Exploitation, or (ii) that medical, scientific or technical considerations could adversely affect the Exploitation of such Licensed Product or Diagnostic Product, as applicable.

(c) INFRINGEMENT OF THIRD PARTY RIGHTS.

(i) If a Triggering Event occurs with respect to a country, Millennium shall have the right upon written notice to BZL to terminate this Agreement with respect to the Licensed Product and/or the Diagnostic Product, as applicable, in such country if at any time (A) Millennium is unable to obtain such a license, or (B) Millennium in good faith believes that negotiation with a Third Party pursuant to Section 6.4(a) with respect to such country is not likely to result in a commercially reasonable agreement; PROVIDED, HOWEVER, that Millennium shall have the right to terminate this Agreement with respect to all of Europe if such country is in Europe and Millennium shall have the right to terminate this Agreement in its entirety if such country is or is in a Major Market.

(ii) If a Third Party institutes an Infringement Suit with respect to a Licensed Product and/or a Diagnostic Product in country, Millennium shall have the right upon written notice to BZL to terminate this Agreement with respect to such product in such country if (A) within [**] of filing, such Infringement Suit is not settled, dismissed or otherwise disposed of on terms reasonably acceptable to Millennium, or (B) Millennium in good faith believes that the outcome of such Infringement Suit is not likely to be favorable; PROVIDED, HOWEVER, that Millennium shall have the right to terminate this Agreement with respect to all of Europe if such country is in Europe and Millennium shall have the right to terminate this Agreement in its entirety if such country is or is in a Major Market.

8.4 CONSEQUENCES OF TERMINATION.

(a) RETURN OF MATERIAL; TERMINATION OF RIGHTS.

(i) Upon termination of this Agreement by Millennium pursuant to Sections 8.3(a) or 8.3(b) or BZL pursuant to Section 8.2 with respect to the Licensed Product and/or the Diagnostic Product, as applicable, in the entire Territory (each, a "REVERSION TERMINATION"):

(A) Each Party shall return all data, files, records and other documents containing or comprising such other Party's Information and Inventions or other Confidential Information and to which such Party does not retain rights hereunder (except one copy of which may be retained for archival purposes);

(B) If BZL so requests in writing within [**]after notice of a Reversion Termination, Millennium shall use Commercially Reasonable Efforts to assign to BZL or its designee the Lonza Agreement, the Radiolabel Manufacturing Agreement, and other Third Party agreements only with respect to the manufacture of Licensed Product (other than an Immunotoxin Product) or Diagnostic Product, as applicable, or any intermediate thereof, as well as any quantities of Licensed Products (other than Immunotoxin Product) or Diagnostic Products, as applicable, in Millennium's control, provided that (1) BZL shall bear any and all costs and expenses of such transfer and shall reimburse Millennium for the cost of any such Licensed Product or Diagnostic Product, as applicable, (2) BZL shall assume, insofar as they relate to the time period beginning on and including the day following the date of such assignments, any and all of Millennium's and its Affiliates' and sublicensees' financial and other obligations under such agreements and shall reimburse Millennium for any and all license fees, milestone, royalties or other payments made by Millennium under such agreements with respect to any such Licensed Products or Diagnostic Products, and (3) BZL shall indemnify and hold harmless Millennium and its Affiliates and sublicensees from any Losses with respect to any breach of any such agreement by BZL or its Affiliates or its sublicensees or any use of any such Licensed Products or Diagnostic Products, as applicable, or intermediates pursuant to Article IX;

(C) If BZL notifies Millennium in writing within [**] after notice of a Reversion Termination for the Licensed Product that it wishes to obtain rights to the immunotoxin that is included in the Immunotoxin Product, Millennium shall sublicense Millennium's rights to such immunotoxin under the Cytotoxin Agreement to BZL for use in connection with the Antibody that is included in the lead Immunotoxin Product that is being developed or commercialized as of the effective date of such termination and any Improvements to such Antibody made by BZL or its Affiliates or sublicensees, provided that (1) BZL shall bear any and all costs and expenses of such sublicense and shall reimburse Millennium for the cost of any such Licensed Product, (2) BZL shall assume, insofar as they relate to the time period beginning on and including the day following the effective date of such sublicense, any and all of Millennium's and its Affiliates' and sublicensees' financial and other obligations under the

Cytotoxin Agreement and shall reimburse Millennium for any and all license fees, milestone, royalties or other payments made by Millennium under the Cytotoxin Agreement with respect to any Licensed Products, and (3) BZL shall indemnify and hold harmless Millennium and its Affiliates and sublicensees from any Losses with respect to any breach by BZL or its Affiliates or its sublicensees of any such agreement or BZL's performance thereunder pursuant to Article IX;

(D) If BZL so requests in writing within [**] after notice of a Reversion Termination with respect to the Licensed Product or the Diagnostic Product, Millennium and its Affiliates shall grant to BZL and its Affiliates a nonexclusive, royalty-bearing license in the Territory, with the right to grant sublicenses, under Millennium's and its Affiliates' rights, titles and interests in and to any Patents owned or Controlled by

Millennium that are Improvements to the BZL Patents and any Patents owned or Controlled by Millennium that cover the Manufacture or use of the lead (and only the lead) Licensed Product or Diagnostic Product, as applicable, as was being developed or commercialized by Millennium or its Affiliates as of the effective date of such termination (as distinguished from the general Exploitation of the Antibodies) to develop and commercialize only such lead Licensed Product or Diagnostic Product for all purposes, and to develop and commercialize Improvements to such Licensed Product or Diagnostic Product made by BZL or its Affiliates or sublicensees, provided that such Improvements are Licensed Products or Diagnostic Products, as applicable, and in each case only for so long as BZL or its Affiliates or its sublicensees are using Commercially Reasonable Efforts to develop and commercialize such Licensed Product, Diagnostic Product or Improvement, as applicable, and provided that BZL shall indemnify and hold harmless Millennium and its Affiliates and sublicensees from any Losses with respect to such license pursuant to Article IX, and provided that BZL does hereby, and shall cause its Affiliates and sublicensees to, grant to Millennium and its Affiliates and sublicensees, a nonexclusive, perpetual, irrevocable, worldwide, royalty-free license, with the right to grant sublicenses, under BZL's and its Affiliates' and sublicensees' rights, titles and interests in and to any Patents or Information and Inventions with respect to such Improvements that are Improvements to the Patents owned or Controlled by Millennium or the inventions claimed therein; PROVIDED, HOWEVER, that to the extent that any such Patents are licensed by Millennium or its Affiliates from a Third Party, BZL shall, in addition to any royalty obligations to Millennium under Section 8.4(a)(i)(I), (x) bear any and all costs and expenses of such sublicense, (y) assume, insofar as they relate to the time period beginning on and including the day following the effective date of such sublicense, any and all of Millennium's and its Affiliates' and sublicensees' financial and other obligations under such Third Party agreement with respect to any Licensed Products, Diagnostic Products and Improvements, and shall reimburse Millennium for any and all license fees, milestone, royalties or other payments made by Millennium under such agreement with respect to any Licensed Products, Diagnostic Products or Improvements, and (z) indemnify and hold harmless Millennium and its Affiliates and sublicensees from any Losses with respect to

any breach by BZL or its Affiliates or its sublicensees of any such Third Party agreement or sublicense or BZL's performance thereunder pursuant to Article IX;

(E) If BZL so requests in writing within [**] after notice of a Reversion Termination with respect to the Licensed Product or the Diagnostic Product, Millennium and its Affiliates shall assign to BZL and its Affiliates the Regulatory Documentation to Exploit Licensed Products or Diagnostic Products, as applicable, for all purposes, provided that BZL shall indemnify and hold harmless Millennium and its Affiliates and sublicensees from any Losses with respect to the use of such Regulatory Documentation pursuant to Article IX;

(F) If Millennium has commercialized a Licensed Product or Diagnostic Product prior to a Reversion Termination with respect thereto, and BZL so requests in writing within [**] after notice thereof, Millennium shall assign to BZL any Trademarks owned by Millennium or its Affiliates that are used solely to market such Licensed Product or Diagnostic Product, as applicable, provided that BZL shall indemnify and hold harmless Millennium and its Affiliates and sublicensees from any Losses with respect to any the use of such Trademarks pursuant to Article IX;

(G) All licenses and other rights granted by each Party to the other under Article III with respect to the Licensed Product or Diagnostic Product, as applicable, shall terminate;

(H) Upon a Reversion Termination, Millennium hereby assigns and transfers to BZL all of its respective rights, titles and interests in and to the NDA Agreement. BZL hereby agrees that it shall assume, insofar as they relate to the time period beginning on and including the day following the date of such assignment, all the obligations and liabilities of Millennium under the NDA Agreement;

(I) In consideration for the foregoing license grants and assignments, BZL shall pay to Millennium:

(1) the following royalties on Net Sales of any Licensed Products Exploited by or on behalf of BZL, its Affiliates or sublicensees based on the phase of development that was underway for the first Immunotoxin Product or Radiolabel Product at the effective date of a Reversion Termination:

TERMINATION PHASE	ROYALTY
Prior to [**] Product	[**]%
After [**] Product [**]	[**]%
At the [**] Clinical Trials [**] Clinical Trials	[**]%
After [**]	[**]%

By way of clarification, once the first Immunotoxin Product or Radiolabel Product achieves a royalty threshold, all subsequent Immunotoxin Products or Radiolabel Products, as applicable, shall be subject to such royalty obligation, with the royalty rate for Immunotoxin Products based on the phase of development for Immunotoxin Products and the royalty rate for Radiolabel Products based on the phase of development for Radiolabel Products, and

(2) the following portion of any net profits, the calculation of which shall be agreed to by the Parties in good faith, or royalties and milestone payment from sublicensees, received by BZL or its Affiliates from the sale of Diagnostic Products based on the phase of development that was underway for the first Immunotoxin Product at the effective date of a Reversion Termination, unless Millennium elects to proceed with a Radiolabel Product in lieu of an Immunotoxin Product, in which case such portions shall be based on the first Radiolabel Product:

TERMINATION PHASE OF IMMUNOTOXIN PRODUCT OR, IN THE ALTERNATIVE, RADIOLABEL PRODUCT	PORTION
Prior to [**]	[**]%
After [**]	[**]%
After [**]	[**]%

By way of clarification, once the first Immunotoxin Product or Radiolabel Product, as applicable, achieves a phase of development, all Diagnostic Products shall be subject to the applicable sharing obligation.

(ii) Upon termination of this Agreement by Millennium pursuant to Section 8.3(c) with respect to the Licensed Product and/or Diagnostic Product, as applicable, in one or more countries (an "IP REVERSION TERMINATION"):

(A) Each Party shall return all data, files, records and other documents containing or comprising such other Party's Information and Inventions or other Confidential Information with respect to such country or countries and to which such Party does not retain rights hereunder (except one copy of which may be retained for archival purposes);

(B) If BZL so requests in writing within [**]after notice of an IP Reversion Termination with respect to such country or countries, Millennium and its Affiliates shall grant to BZL and its Affiliates a nonexclusive, royalty-bearing license in such country or countries, with the right to grant sublicenses, under Millennium's and its Affiliates' rights, titles and interests in and to any Patents owned or Controlled by Millennium that are Improvements to the BZL Patents and any Patents owned or Controlled by Millennium that cover the Manufacture or use of the lead (and only the lead)

Licensed Product or Diagnostic Product, as applicable, as was being developed or commercialized by Millennium or its Affiliates in such country or countries as of the effective date of such termination (as distinguished from the general Exploitation of the Antibodies) to develop and commercialize only such lead Licensed Product or Diagnostic Product for all purposes, and to develop and commercialize Improvements to such Licensed Product or Diagnostic Product made by BZL or its Affiliates or sublicensees, provided that such Improvements are Licensed Products or Diagnostic Products, as applicable, and in each case only in such country or countries and only for so long as BZL or its Affiliates or its sublicensees are using Commercially Reasonable Efforts to develop and commercialize such Licensed Product or Diagnostic Product, as applicable, in such country or countries and provided that BZL shall indemnify and hold harmless Millennium and its Affiliates and sublicensees from any Losses with respect to such license pursuant to Article IX, and provided that BZL does hereby, and shall cause its Affiliates and sublicensees to, grant to Millennium and its Affiliates and sublicensees a nonexclusive, perpetual, irrevocable, worldwide, royalty-free license, with the right to grant sublicenses, under BZL's and its Affiliates' and sublicensees' rights, titles and interests in and to any Patents or Information and Inventions with respect to such Improvements that are Improvements to the Patents owned or Controlled by Millennium or the inventions claimed therein, PROVIDED, HOWEVER, that to the extent that any such Patents are licensed from a Third Party, BZL shall, in addition to any royalty obligations to Millennium under Section 8.4(a)(ii)(G), (x) bear any and all costs and expenses of such sublicense in such country or countries, (y) assume, insofar as they relate to the time period beginning on and including the day following the effective date of such sublicense, any and all of Millennium's and its Affiliates' and sublicensees' financial and other obligations under such Third Party agreement with respect to Licensed Products, Diagnostic Products and Improvements with respect to such country or countries, and shall reimburse Millennium for any and all license fees, milestone, royalties or other payments made by Millennium under such Third Party agreement with respect to any Licensed Products, Diagnostic

Products or Improvements that relate to such country or countries, and (z) indemnify and hold harmless Millennium and its Affiliates and sublicensees from any Losses with respect to any breach by BZL or its Affiliates or its sublicensees of any such sublicense or Third Party agreement or BZL's performance thereunder pursuant to Article IX;

(C) If BZL so requests in writing within [**] after notice of an IP Reversion Termination with respect to such country or countries and if Millennium is Manufacturing such Licensed Product or Diagnostic Product, as applicable, at such time, and if after meeting the requirements of Millennium, its Affiliates and other sublicensees, Millennium has excess production capability, Millennium and its Affiliates shall Manufacture and supply BZL with a reasonable amount of Licensed Product or Diagnostic Product, as applicable, in such country or countries on commercially reasonable terms, for two (2) years or

such other time period as the Parties may agree to enable BZL to obtain an alternate supplier; PROVIDED, HOWEVER, that Millennium shall have no such supply obligation if it reasonably believes that such supply would cause Millennium to infringe or contributorily infringe or induce another to infringe any Patents, trade secrets or intellectual property rights of others and, in any event, BZL shall indemnify and hold harmless Millennium and its Affiliates and sublicensees from any Losses with respect to any such infringement pursuant to Article IX;

(D) If BZL so requests in writing within [**] after notice of an IP Reversion Termination with respect to such country or countries, Millennium and its Affiliates shall grant to BZL and its Affiliates an exclusive (including with regard to Millennium and its Affiliates), royalty-bearing, license in such country or countries, with the right to grant sublicenses, to use and reference the Regulatory Documentation to Exploit Licensed Products or Diagnostic Products, as applicable, for all purposes solely in such country or countries, provided that BZL shall indemnify and hold harmless Millennium and its Affiliates and sublicensees from any Losses with respect to the use of such Regulatory Documentation pursuant to Article IX;

(E) If Millennium has commercialized a Licensed Product or Diagnostic Product in a country prior to an IP Reversion Termination in such country, and BZL so requests in writing within [**] after notice thereof, Millennium and its Affiliates shall grant to BZL and its Affiliates an exclusive (including with regard to Millennium and its Affiliates), royalty-bearing, license in such country, with the right to grant sublicenses, to use any Trademarks owned by Millennium or its Affiliates that are used in such country solely to market such Licensed Product or Diagnostic Product, as applicable, in such country solely for purposes of marketing such Licensed Product or Diagnostic Product, as applicable, in such country, provided that BZL shall indemnify and hold harmless Millennium and its Affiliates and sublicensees from any Losses with respect to any the use of such Trademarks pursuant to Article IX;

(F) All licenses and other rights granted by each Party to the other under Article III with respect to the Licensed Product or Diagnostic Product, as applicable, in such country or countries shall terminate;

(G) In consideration for the foregoing license grants and assignments, BZL shall pay to Millennium:

(1) the following royalties on Net Sales of any Licensed Products Exploited by or on behalf of BZL, its Affiliates or sublicensees in such country or countries based on the phase of development that was underway for the first Immunotoxin Product or Radiolabel Product at the effective date of an IP Reversion Termination:

TERMINATION PHASE	ROYALTY
Prior to [**] Product	[**]%
After [**] Product [**]	[**]%
At the [**] Clinical Trials [**] Clinical Trials	[**]%
After [**]	[**]%

By way of clarification, once the first Immunotoxin Product or Radiolabel Product achieves a royalty threshold, all subsequent Immunotoxin Products or Radiolabel Products, as applicable, shall be subject to such royalty obligation, with the royalty rate for Immunotoxin Products based on the phase of development for Immunotoxin Products and the royalty rate for Radiolabel Products based on the phase of development for Radiolabel Products.

(2) the following portion of any net profits, the calculation of which shall be agreed to by the Parties in good faith, or royalties and milestone payment from sublicensees, received by BZL or its Affiliates from the sale of Diagnostic Products in such country or countries based on the phase of development that was underway for the first Immunotoxin Product at the effective date of an IP Reversion Termination, unless Millennium elects to proceed with a Radiolabel Product in lieu of an Immunotoxin Product, in which case such percentages shall be based on the first Radiolabel Product:

TERMINATION PHASE OF IMMUNOTOXIN PRODUCT OR, IN THE ALTERNATIVE, RADIOLABEL PRODUCT	PORTION
Prior to [**]	[**]%
After the [**]	[**]%
After [**]	[**]%

By way of clarification, once the first Immunotoxin Product or Diagnostic Product, as applicable, achieves a phase of development, all Diagnostic Products shall be subject to the applicable sharing obligation.

(H) Any Net Sales with respect to such country or countries shall be excluded from the royalty calculations set forth in Section 4.1(c) with respect to any remaining countries within the Territory; PROVIDED, HOWEVER, that if BZL or any of its Affiliates or sublicensees sells a Licensed Product or Diagnostic Product, as applicable, outside

the Territory, then, to the extent permitted by law, each Party (A) shall, and shall cause its Affiliates and sublicensees to, Manufacture, distribute, market, promote, offer for sale and sell Licensed Products or Diagnostic Products, as applicable, and intermediates thereof only in those countries in which it is permitted to do so under this Agreement, and (B) shall not, and shall not permit its Affiliates and permitted sublicensees to, distribute, market, promote, offer

for sale or sell Licensed Products or Diagnostic Products, as applicable, or intermediates thereof directly or indirectly (1) to any Person outside such countries, or (2) to any Person inside such countries that such Party has reason to believe (Y) might directly or indirectly distribute, market, promote, offer for sale or sell Licensed Products or Diagnostic Products, as applicable, or intermediates thereof outside such countries or assist another Person to do so, or (X) has directly or indirectly distributed, marketed, promoted, offered for sale or sold Licensed Products or Diagnostic Products, as applicable, or intermediates thereof outside such countries or assisted another Person to do so; and

(iii) Upon termination of this Agreement by Millennium pursuant to Section 8.2, (A) BZL shall return all data, files, records and other materials in its possession or control relating to the Licensed Products or Diagnostic Products or containing or comprising Millennium's Information and Inventions or other Confidential Information (including Millennium Information, as applicable) (except one copy of which may be retained for archival purposes), (B) all licenses and other rights granted by Millennium to BZL under Articles III and V shall terminate, (C) at Millennium's election, all licenses and other rights granted by BZL and its Affiliates to Millennium and its Affiliates under Article III shall continue in perpetuity subject to the milestone and royalty obligations set forth under Article IV, (D) Millennium shall have the right, in its sole discretion, to grant to Third Parties sublicenses under the licenses granted in Sections 3.1 in the Territory without the consent of BZL, and (E) any amounts recovered by Millennium, whether by settlement or judgment, may be offset against any amounts owed to BZL pursuant to this Agreement.

(b) REMEDIES. The rights and remedies in Section 8.4(a)(i), 8.4(a)(ii) and 8.4(a)(iii) shall be cumulative and in addition to any other rights or remedies that may be available to Millennium. Except in the event of Millennium's failure to make any milestone or royalty payments or reimbursement payments due and payable to BZL hereunder and except as set forth in Section 11.10, the rights and remedies in Section 8.4(a)(i) and 8.4(a)(ii) shall be BZL's sole and complete remedy in the event of a Reversion Termination or an IP Reversion Termination; PROVIDED, HOWEVER, that in the event that Millennium terminates pursuant to Section 8.3(a) prior to the Clinical Decision Point for the Immunotoxin Product or BZL terminates for a breach by Millennium prior to the Clinical Decision Point for the Immunotoxin Product, BZL shall have the right to sue to recover any damages that it proves, provided that in no event shall BZL's recovery exceed the greater of (i) [**], and (ii) the sum of (A) $[**] (B) the [**] in connection with the Development Activities (including [**] through the effective date of such termination); and PROVIDED FURTHER that BZL shall have no right to recover any amount under this Section (1) if Millennium materially complied with the Development Plan for the relevant period that was agreed to by the Parties, or (2) if Millennium's costs and expenses for the relevant period equal or exceed those set forth

in a Development Budget for such period that was agreed to by the Parties, or (3) if any such failure was a result of, or any such termination was a result of, a force majeure event or any act or omission of BZL or NDA.

(c) FURTHER ASSURANCES. Upon a termination pursuant to this Article VIII, each Party shall duly execute and deliver, or cause to be duly executed and delivered, such instruments and shall do and cause to be done such acts and things, including the filing of such assignments, agreements, documents and instruments, as may be necessary under, or as the other Party may reasonably request in connection with, or to carry out more effectively the purpose of, or to better assure and confirm unto the Parties their respective rights under this Article VIII.

8.5 ACCRUED RIGHTS; SURVIVING OBLIGATIONS.

(a) ACCRUED RIGHTS. Termination or expiration of this Agreement for any reason shall be without prejudice to any rights that shall have accrued to the benefit of a Party prior to such termination or expiration. Such termination or expiration shall not relieve a Party from obligations that are expressly indicated to survive the termination or expiration of this Agreement.

(b) SURVIVAL. Without limiting the foregoing, Sections 2.1(f), 2.1(i) (with respect to obligations arising prior to expiration or termination), 3.5, 5.1 (in the event of termination by Millennium for BZL's breach of this Agreement), 5.2 (in the event of termination by Millennium for BZL's breach of this Agreement), 5.3 (with respect to Licensed Product supplied by Millennium prior to such termination), 6.1, 6.2(a) (in the event of termination by Millennium for BZL's breach of this Agreement), 6.2(b) (in the event of termination by Millennium for BZL's breach of this Agreement), 6.2(c), 6.2(d), 8.4, 8.5, 8.6, 10.4 and Articles IV, VII, IX and XI of this Agreement shall survive the termination or expiration of this Agreement for any reason.

(c) WORK-IN-PROGRESS. Upon termination of this Agreement with respect to one or more countries by BZL pursuant to Section 8.2, Millennium shall be entitled, during the following [**], to finish any work-in-progress and to sell any inventory of the Licensed Product(s) or Diagnostic Product(s) that remains on hand as of the date of the termination, so long as Millennium pays BZL the royalties applicable to said subsequent sales in accordance with the terms and conditions set forth in this Agreement.

8.6 RIGHTS IN BANKRUPTCY. All rights and licenses granted under or pursuant to this Agreement by Millennium or BZL are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code, licenses of

right to "intellectual property" as defined under Section 101 of the United States Bankruptcy Code. The Parties agree that the Parties, as licensees of such rights under this Agreement, shall retain and may fully exercise all of their rights and elections under the United States Bankruptcy Code. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against either Party under the United States Bankruptcy Code, the Party hereto that is not a Party to such proceeding shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such

intellectual property and all embodiments of such intellectual property, which, if not already in the non-subject Party's possession, shall be promptly delivered to it (a) upon any such commencement of a bankruptcy proceeding upon the non-subject Party's written request therefor, unless the Party subject to such proceeding continues to perform all of its obligations under this Agreement or (b) if not delivered under (a) above, following the rejection of this Agreement by or on behalf of the Party subject to such proceeding upon written request therefor by the non-subject Party.

ARTICLE IX
INDEMNITY

9.1 INDEMNIFICATION OF MILLENNIUM. BZL shall indemnify Millennium, its Affiliates and their respective directors, officers, employees and agents, and defend and save each of them harmless, from and against any and all losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) in connection with any and all suits, investigations, claims or demands by Third Parties (collectively, "LOSSES") arising from or occurring as a result of (a) (i) the breach by BZL of this Agreement, (ii) the gross negligence or willful misconduct on the part of BZL or its Affiliates in performing their obligations under this Agreement, (iii) any defect in the supply and Manufacture of any component of the Radiolabel Product or the inventory of Antibody supplied by BZL pursuant to Section 2.1(g), (iv) any actions or omissions of BZL or its Affiliates prior to the Effective Date, or (v) any Exploitation of Licensed Products or Diagnostic Products by BZL or its Affiliates or sublicensees after a termination by Millennium pursuant to Article VIII, except for those Losses for which Millennium has an obligation to indemnify BZL pursuant to Section 9.2, as to which Losses each Party shall indemnify the other to the extent of their respective liability for the Losses, and (b) upon a Reversion Termination or an IP Reversion Termination, product liability or personal injury claims regarding testing, production, Manufacture, promotion, import, sale or use by any person of a Licensed Product or Diagnostic Product which is Manufactured or sold by BZL or an Affiliate or sublicensee of BZL.

9.2 INDEMNIFICATION OF BZL. Millennium shall indemnify BZL, its Affiliates and their respective directors, officers, employees and agents, and defend and save each of them harmless, from and against any and all Losses arising from or occurring as a result of (a) the breach by Millennium of this Agreement or (b) the gross negligence or willful misconduct on the part of Millennium or its

Affiliates in performing their obligations under this Agreement, or (c) product liability or personal injury claims regarding testing, production, Manufacture, promotion, import, sale or use by any person of a Licensed Product or Diagnostic Product (except for any defect in the supply and Manufacture of any component of the Radiolabel Product or the inventory of Antibody supplied by BZL pursuant to Section 2.1(g)) which is Manufactured or sold by Millennium or an Affiliate or sublicensee of Millennium, except for those Losses for which BZL has an obligation to indemnify Millennium and its Affiliates pursuant to Section 9.1, as to which Losses each Party shall indemnify the other to the extent of their respective liability for the Losses.

9.3 INDEMNIFICATION PROCEDURE.

(a) NOTICE OF CLAIM. The indemnified Party shall give the indemnifying Party prompt written notice (an "INDEMNIFICATION CLAIM NOTICE") of any Losses or discovery of fact upon which such indemnified Party intends to base a request for indemnification under Section 9.1 or Section 9.2, but in no event shall the indemnifying Party be liable for any Losses that result from any delay in providing such notice. Each Indemnification Claim Notice must contain a description of the claim and the nature and amount of such Loss (to the extent that the nature and amount of such Loss is known at such time). The indemnified Party shall furnish promptly to the indemnifying Party copies of all papers and official documents received in respect of any Losses. All indemnification claims in respect of a Party, its Affiliates or their respective directors, officers, employees and agents shall be made solely by such Party to this Agreement (the "INDEMNIFIED PARTY").

(b) THIRD PARTY CLAIMS. The obligations of an indemnifying Party under this Article IX with respect to Losses that are subject to indemnification as provided for in Sections 9.1 or 9.2 (a "THIRD PARTY CLAIM") shall be governed by and be contingent upon the following additional terms and conditions:

(i) CONTROL OF DEFENSE. At its option, the indemnifying Party may assume the defense of any Third Party Claim by giving written notice to the Indemnified Party within [**] after the indemnifying Party's receipt of an Indemnification Claim Notice. The assumption of the defense of a Third Party Claim by the indemnifying Party shall not be construed as an acknowledgment that the indemnifying Party is liable to indemnify any indemnified Party in respect of the Third Party Claim, nor shall it constitute a waiver by the indemnifying Party of any defenses it may assert against any indemnified Party's claim for indemnification. Upon assuming the defense of a Third Party Claim, the indemnifying Party may appoint as lead counsel in the defense of the Third Party Claim any legal counsel reasonably selected by the indemnifying Party. In the event the indemnifying Party assumes the defense of a Third Party

Claim, the Indemnified Party shall immediately deliver to the indemnifying Party all original notices and documents (including court papers) received by any indemnified Party in connection with the Third Party Claim. Should the indemnifying Party assume the defense of a Third Party Claim, the indemnifying Party shall not be liable to the Indemnified Party or any other indemnified Party for any legal expenses subsequently incurred by such indemnified Party in connection with the analysis, defense or settlement of the Third Party Claim, unless such lead counsel determines that it cannot, consistent with professional ethics, represent both Parties, in which case the indemnifying Party shall be responsible for separate counsel for the indemnified Party in accordance with this Section. In the event that it is ultimately determined that the indemnifying Party is not obligated to indemnify, defend or hold harmless an indemnified Party from and against the Third Party Claim, the Indemnified Party shall reimburse the indemnifying Party for any and all costs and expenses (including attorneys' fees and costs of suit) and

any Losses incurred by the indemnifying Party in its defense of the Third Party Claim with respect to such indemnified Party.

(ii) RIGHT TO PARTICIPATE IN DEFENSE. Without limiting Section 9.3(b)(i), any indemnified Party shall be entitled to participate in, but not control, the defense of such Third Party Claim and to employ counsel of its choice for such purpose; PROVIDED, HOWEVER, that such employment shall be at the indemnified Party's own expense unless (A) the employment thereof has been specifically authorized by the indemnifying Party in writing or (B) the indemnifying Party has failed to assume the defense and employ counsel in accordance with Section 9.3(b)(i) (in which case the Indemnified Party shall control the defense).

(iii) SETTLEMENT. With respect to any Losses relating solely to the payment of money damages in connection with a Third Party Claim and that will not result in the Indemnified Party's becoming subject to injunctive or other relief or otherwise adversely affect the business of the Indemnified Party in any manner, and as to which the indemnifying Party shall have acknowledged in writing the obligation to indemnify the Indemnified Party hereunder, the indemnifying Party shall have the sole right to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Loss, on such terms as the indemnifying Party, in its sole discretion, shall deem appropriate. With respect to all other Losses in connection with Third Party Claims, where the indemnifying Party has assumed the defense of the Third Party Claim in accordance with Section 9.3(b)(i), the indemnifying Party shall have authority to consent to the entry of any judgment,

enter into any settlement or otherwise dispose of such Loss provided it obtains the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed). The indemnifying Party shall not be liable for any settlement or other disposition of a Loss by an indemnified Party that is reached without the written consent of the indemnifying Party. Regardless of whether the indemnifying Party chooses to defend or prosecute any Third Party Claim, no indemnified Party shall admit any liability with respect to, or settle, compromise or discharge, any Third Party Claim without the prior written consent of the indemnifying Party.

(iv) COOPERATION. Regardless of whether the indemnifying Party chooses to defend or prosecute any Third Party Claim, the Indemnified Party shall, and shall cause each other indemnified Party to, cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, provide such witnesses and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested in connection therewith. Such cooperation shall include access during normal business hours afforded to indemnifying Party to, and reasonable retention by the Indemnified Party of, records and information that are reasonably relevant to such Third Party Claim, and making indemnified Parties and other employees and agents available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder, and the indemnifying Party shall reimburse the Indemnified Party for all its reasonable out-of-pocket expenses in connection therewith.

(v) EXPENSES. Except as provided above, the costs and expenses, including fees and disbursements of counsel, incurred by the Indemnified Party in connection with any claim shall be reimbursed on a Calendar Quarter basis by the indemnifying Party, without prejudice to the indemnifying Party's right to contest the Indemnified Party's right to indemnification and subject to refund in the event the indemnifying Party is ultimately held not to be obligated to indemnify the Indemnified Party.

9.4 LIMITATION ON DAMAGES. EXCEPT (x) IN CIRCUMSTANCES OF GROSS NEGLIGENCE OR INTENTIONAL MISCONDUCT, (y) WITH RESPECT TO THE INDEMNIFICATION OBLIGATIONS PURSUANT TO SECTION 9.1 OR 9.2, OR (z) AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, NONE OF MILLENNIUM, BZL OR ANY OF THEIR RESPECTIVE AFFILIATES SHALL BE LIABLE FOR SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING FOR LOST PROFITS, MILESTONES OR ROYALTIES), WHETHER IN CONTRACT, WARRANTY, NEGLIGENCE, TORT, STRICT LIABILITY OR OTHERWISE, ARISING OUT OF (a) THE

DEVELOPMENT, MANUFACTURE, USE OR SALE OF ANY LICENSED PRODUCT OR DIAGNOSTIC PRODUCT OR ANTIBODY DEVELOPED, MANUFACTURED OR MARKETED HEREUNDER, OR (b) ANY BREACH OF OR FAILURE TO PERFORM ANY OF THE PROVISIONS OF THIS AGREEMENT; PROVIDED, HOWEVER, that the foregoing limitations shall not apply to any liability of BZL or its affiliates resulting from tHE TERMINATION OF THIS aGREEMENT BY MILLENNIUM PURSUANT TO SECTION 8.2.

9.5 INSURANCE. Each Party shall have and maintain such type and amounts of liability insurance covering the Manufacture, supply, use and sale of the Licensed Product(s) or Diagnostic Product(s) as is normal and customary in the pharmaceutical industry generally for Parties similarly situated, and shall upon request provide the other Party with a copy of its policies of insurance in that regard, along with any amendments and revisions thereto. Notwithstanding the foregoing, at a minimum, BZL shall maintain until the third anniversary of the Clinical Decision Point with respect to each Licensed Product and during any period in which BZL has indemnification obligations to Millennium, (a) commercial general liability insurance covering bodily injury and third party property damage with minimum limits of One Million U.S. Dollars ($1,000,000) per occurrence and Two Million U.S. Dollars ($2,000,000) general aggregate, (b) products liability/completed operations coverage with minimum limits of Five Million U.S. Dollars ($5,000,000) each occurrence and Five Million U.S. Dollars ($5,000,000) general aggregate, and (c) an all-risks fire and extended coverage insurance on a "replacement cost" basis covering real and personal property and including business income coverage sufficient to assure continuing operations in the event of a major casualty. Each of the above policies of insurance (x) shall cover claims arising out of the performance of this Agreement that are made within a period of not less than three (3) years after its expiration or earlier termination and during any period in which BZL has indemnification obligations to Millennium, and (y) shall be primary to any liability insurance carried by Millennium, which insurance shall be excess and non-contributory for claims and losses arising out of the performance of this Agreement. The general and product liability policies shall be specifically endorsed to list Millennium as an additional insured. In addition, BZL shall maintain worker's compensation insurance as required by all applicable laws and employer's liability coverage of

not less than Five Hundred Thousand U.S. Dollars ($500,000). Prior to the commencement of this Agreement and upon each renewal of each policy, BZL shall provide Millennium with a certificate of insurance evidencing the insurance coverage required under this Section 9.5, which certificate shall provide at least thirty (30) days notice of cancellation or termination of such insurance coverage. Such policies shall remain in effect throughout the term of this Agreement and during any period in which BZL has indemnification obligations to Millennium and shall not be canceled without the prior written authorization of Millennium or until BZL's obligations hereunder (including indemnification obligations) have terminated. Maintenance of such insurance coverage shall not relieve BZL of any responsibility under this Agreement for damages in excess of insurance limits or otherwise. Should BZL at any time or for any reason fail to

obtain the insurance required herein, or should such insurance be canceled or materially modified, Millennium shall have the right to procure the same and the cost thereof shall be deducted from any compensation then due or thereafter to become due to BZL.

ARTICLE X
REPRESENTATIONS, WARRANTIES AND COVENANTS

10.1 REPRESENTATIONS, WARRANTIES AND COVENANTS. Each Party hereby represents, warrants and covenants to the other Party as of the Effective Date as follows:

(a) Such Party (i) has the power and authority and the legal right to enter into this Agreement and perform its obligations hereunder, and (ii) has taken all necessary action on its part required to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement has been duly executed and delivered on behalf of such Party and constitutes a legal, valid and binding obligation of such Party and is enforceable against it in accordance with its terms subject to the effects of bankruptcy, insolvency or other laws of general application affecting the enforcement of creditor rights and judicial principles affecting the availability of specific performance and general principles of equity, whether enforceability is considered a proceeding at law or equity.

(b) Except as set forth in Schedule 10.1(b), such Party is not aware of any pending or threatened litigation (and has not received any communication and has no information in its possession) that alleges or implies that such Party's activities related to this Agreement have violated, or that by conducting the activities as contemplated herein such Party would violate, any of the intellectual property rights of any other Person.

(c) All necessary consents, approvals and authorizations of all regulatory and governmental authorities and other Persons required to be obtained by such Party in connection with the execution and delivery of this Agreement and the performance of its obligations hereunder have been obtained.

(d) The execution and delivery of this Agreement and the performance of such Party's obligations hereunder (i) do not conflict with or violate any requirement of applicable law or regulation or any provision of the articles of incorporation or organization, bylaws, limited liability company operating agreement or any similar instrument of such Party, as applicable, in any material way, and (ii) do not conflict with, violate, or

breach or constitute a default or require any consent under, any

contractual obligation or court or administrative order by which such Party is bound.

10.2 ADDITIONAL REPRESENTATIONS, WARRANTIES AND COVENANTS OF MILLENNIUM.

(a) Millennium represents, warrants and covenants to BZL that Millennium (i) is a corporation duly organized and in good standing under the laws of the State of Delaware, and (ii) has full power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as it is contemplated to be conducted by this Agreement.

(b) Millennium has an exclusive option to obtain an exclusive license to make, use and sell products that contain an Antibody conjugated to maytansine compounds (the "CYTOTOXIN AGREEMENT"), and except for certain payments owed to the licensor thereunder, such rights are not subject to any encumbrance, lien or claim of ownership by any Third Party. During the term of this Agreement, Millennium shall promptly provide BZL with notice of any alleged, threatened, or actual breach of the Cytotoxin Agreement. As of the date hereof, none of Millennium, its Affiliates and, to the best of their knowledge, any Third Party is in breach of the Cytotoxin Agreement. Millennium covenants to BZL that Millennium shall exercise the option for the Immunotoxin Product set forth in the Cytotoxin Agreement prior to initiating Phase I studies for the Immunotoxin Product.

(c) Neither Millennium nor any of its Affiliates has been debarred or is subject to debarment and neither Millennium nor any of its Affiliates will use in any capacity, in connection with the services to be performed under this Agreement, any Person who has been debarred pursuant to Section 306 of the Federal Food, Drug, and Cosmetic Act, or who is the subject of a conviction described in such section. Millennium agrees to inform BZL in writing immediately if it or any Person who is performing services hereunder is debarred or is the subject of a conviction described in Section 306, or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to the best of Millennium's knowledge, is threatened, relating to the debarment or conviction of Millennium or any Person performing services hereunder.

(d) Except as permitted hereunder, at no time shall Millennium or its Affiliates, directly or indirectly, expressly or by implication, by action or omission or otherwise assign, transfer, or convey any right, title or interest in or to the BZL Patents, the BZL Know-How, the Joint Patents or the Joint Know-How that is inconsistent with the grants, assignments and other rights reserved to BZL and its Affiliates under this Agreement.

(e) Millennium shall use its Commercially Reasonable Efforts to obtain from each of its Affiliates, sublicensees, employees and agents, and from the employees and agents of its Affiliates, sublicensees and

agents, who are performing the Development Activities, involved in the Manufacture of the Licensed Product(s) or Diagnostic Product(s) or are otherwise participating in the Exploitation of the Licensed Products or Diagnostic Products or who otherwise have access to Confidential Information of BZL, rights to any and all Information and Inventions that relate to the Licensed Products or

Diagnostic Products, such that BZL shall, by virtue of this Agreement, receive from Millennium, without payments beyond those required under this Agreement, the licenses and other rights granted to BZL and its Affiliates hereunder.

10.3 ADDITIONAL REPRESENTATIONS, WARRANTIES AND COVENANTS OF BZL. BZL represents, warrants and covenants to Millennium that:

(a) BZL is a limited liability company duly organized, validly existing and in good standing under the laws of the State of New York, and has full power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as it is contemplated to be conducted by this Agreement.

(b) The Regulatory Documentation that BZL has provided to Millennium prior to the Effective Date is true, complete and correct in all material respects. BZL has made (and will make) available to Millennium all Regulatory Documentation, BZL Know-How and any other data, clinical studies, pre-clinical studies and other Information and Inventions in its or its Affiliates possession or Control regarding or related to any Licensed Products or Diagnostic Products and all such Regulatory Documentation, BZL Know-How and other Information and Inventions are (and, if made available after the Effective Date, will be) true, complete and correct in all material respects. As of the Effective Date, BZL has prepared, maintained and retained all Regulatory Documentation that is known to BZL to be required to be maintained or reported pursuant to and in accordance with good laboratory and clinical practices and Applicable Law and all such information is true, complete and correct in all material respects and what it purports to be. Schedule 10.3(b) is a complete list of all agreements, other than confidentiality agreements and the stock option agreements with New Drug Associates, Inc., Doug Watson and Ivan Selin, entered into by BZL or BZL Biologics, Inc. on or prior to the Effective Date and BZL has provided Millennium with true, complete and correct copies of all such agreements and any amendments thereto prior to the Effective Date. BZL shall notify Millennium of any breach by it or any Third Party of any confidentiality agreement entered into by BZL or BZL Biologics, Inc. and shall, at the request and expense (for reasonable and direct out-of-pocket costs actually incurred, including reasonable attorney's fees and disbursements) of Millennium, enforce its rights under such confidentiality agreements. Neither BZL nor BZL Biologics, Inc. has

transferred or encumbered any of BZL's intellectual property rights under any such confidentiality agreements.

(c) Prior to the Effective Date, BZL has provided Millennium with a written report that describes in detail all material adverse information with respect to the safety and efficacy of the Licensed Products or Diagnostic Products known to BZL and its Affiliates as of the Effective Date and such report is true, complete and correct in all material respects as of the Effective Date. Except as set forth in such written report, neither BZL nor any of its Affiliates, to their knowledge, is aware of any scientific or technical facts or circumstances that they believe would adversely affect the scientific, therapeutic or commercial potential of the Licensed Products or Diagnostic Products.

(d) BZL has conducted those activities listed on Schedule 10.3(d) in accordance with the terms thereof and completed such activities with respect to the Licensed Product(s) or Diagnostic Product(s) in accordance with good laboratory and clinical practices and Applicable Law. BZL has conducted, and has caused its contractors and consultants to conduct, any and all pre-clinical and clinical studies related to the Licensed Products or Diagnostic Products in accordance with good laboratory and clinical practices, to the extent required, and in material compliance with all Applicable Law. Except as set forth in the written report provided to Millennium pursuant to Section 10.3(c), neither BZL nor any of its Affiliates is, to the best of their knowledge, aware of anything that it believes would adversely effect the acceptance, or the subsequent approval, by any Regulatory Authority of any filing, application or request for Regulatory Approval.

(e) Neither BZL nor any of its Affiliates has been debarred or is subject to debarment and neither BZL nor any of its Affiliates will use in any capacity, in connection with the services to be performed under this Agreement, any Person who has been debarred pursuant to Section 306 of the Federal Food, Drug, and Cosmetic Act, or who is the subject of a conviction described in such section. BZL agrees to inform Millennium in writing immediately if it or any Person who is performing services hereunder is debarred or is the subject of a conviction described in Section 306, or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to the best of BZL's knowledge, is threatened, relating to the debarment or conviction of BZL or any Person performing services hereunder.

(f) BZL is the sole and exclusive owner of all right, title and interest in and to the Patents listed on Schedule 10.3(f) (the "OWNED BZL PATENTS") and, except as provided in Schedule 10.3(f), such rights are

not subject to any encumbrance, lien or claim of ownership by any Third Party. BZL is the sole and exclusive licensee of and Controls all right, title and interest in and to the Patents listed on Schedule 10.3(f) (the "LICENSED BZL PATENTS") and, except as provided in Schedule 10.3(f), such rights are not subject to any encumbrance, lien or claim of ownership by any Third Party. True, complete and correct copies of all license agreements regarding the Licensed BZL Patents (the "IN-LICENSE AGREEMENTS"), as amended to the date hereof, have been provided to Millennium. BZL shall be solely responsible for any royalty, milestone or other payments owed in connection with the In-License Agreements. The Owned BZL Patents and the Licensed BZL Patents constitute all of the BZL Patents as of the Effective Date. During the term of this Agreement, BZL shall not encumber or diminish the rights granted to Millennium hereunder with respect to the BZL Patents, including by not (i) committing any acts or permitting the occurrence of any omissions that would cause the breach or termination of any In-License Agreement, or (ii) amending or otherwise modifying, or permitting to be amended or modified, any In-License Agreement. During the term of this Agreement, BZL shall not assign any of its rights, titles or interest in or to any In-License Agreement to a Third Party. BZL shall promptly provide Millennium with notice of any alleged, threatened, or actual breach of any In-License Agreement. As of the date hereof, none of BZL, its Affiliates and, to the best of their knowledge, any Third Party is in breach of any In-License Agreement. BZL Biologics, Inc. has assigned to BZL all of its rights, titles and interests in and to PSMA and any and all Antibodies, Licensed Products or Diagnostic

Products, Regulatory Documentation and other Information and Inventions with respect to the foregoing, as well as any Patent or other intellectual property rights with respect thereto.

(g) BZL hereby represents and warrants that (a) true, complete and correct copies of the Exclusive License Agreement dated April 1, 1997 among Cornell Research Foundation ("CRF") and Ludwig Institute for Cancer Research ("Ludwig") (the "Cornell License Agreement"), the Agreement dated May 14, 1997 between BZL and Cornell University (the "Sponsored Research Agreement"), and the Amended and Restated Consulting Agreement dated February 1997 between BZL and Dr. Neil Bander (the "Consulting Agreement") have been provided to Millennium by BZL, (b) there are no patentable inventions pertaining to Antibodies made by Dr. Neil Bander, or any other researchers or employees of Cornell University that have or have had access to the Antibody covered by the BZL Patents, since April 1, 1997 other than those covered by the claims of the patent applications and patents listed on Schedule 10.3(f) to this Agreement, and (c) there are no biological materials or technical information (including preclinical and clinical data) developed by Dr. Neil Bander,

or any other researchers or employees of Cornell University that have or have had access to the Antibody covered by the BZL Patents, since April 1, 1997 that would be unavailable to Millennium from CRF because of restrictions or obligations imposed by Third Parties or because such biological materials or technical information was developed by researchers or employees of Cornell University working on projects that were not supervised or directed by Dr. Neil Bander.

(h) Prior to the Effective Date, BZL has provided Millennium with a written report that describes in detail all information regarding the proprietary status of PSMA, the intellectual property rights Controlled by BZL and its Affiliates with respect to PSMA, and any potential restrictions (contractual, patent or otherwise) that it believes would limit or otherwise affect Millennium's right to fully Exploit the Licensed Products or Diagnostic Products with respect thereto, and such report is true, complete and correct as of the Effective Date.

(i) The BZL Patents and the BZL Know-How existing as of the Effective Date are subsisting and, to BZL's knowledge, no BZL Patent or BZL Know-How is invalid or unenforceable, in whole or in part. To BZL's knowledge, the conception, development and reduction to practice of the Regulatory Documentation, the BZL Patents and BZL Know-How existing as of the Effective Date have not constituted or involved the misappropriation of trade secrets or other rights or property of any Third Party. Except as set forth in Schedule 10.1(b), there are no claims, judgments or settlements against or amounts with respect thereto owed by BZL or any of its Affiliates relating to the Regulatory Documentation, the BZL Patents, the BZL Know-How or the Licensed Products or Diagnostic Products. Except as set forth in Section 10.1(b), no claim or litigation has been brought or threatened by any Person alleging, and BZL, to the best of its knowledge, is not aware of any likely claim, whether or not asserted, that (i) the BZL Patents or the BZL Know-How are invalid or unenforceable or (ii) the Regulatory Documentation, the BZL Patents or the BZL Know-How or the disclosing, copying, making, assigning, licensing or Exploiting of the Regulatory Documentation, the BZL

Patents, BZL Know-How, or products and services embodying the Regulatory Documentation, the BZL Patents or the BZL Know-How, including the Exploitation of any Licensed Products or Diagnostic Products, violates, infringes or otherwise conflicts or interferes with any intellectual property or proprietary right of any Third Party.

(j) Except for the license grants and assignments in Section 3.1 and 3.3, neither BZL nor any of its Affiliates has, directly or indirectly, expressly or by implication, by action or omission or otherwise (i) assigned, transferred, conveyed or otherwise encumbered any right, title or interest in or to the Regulatory Documentation, the BZL

Patents or the BZL Know-How, (ii) granted any license or other right, title or interest in or to the Regulatory Documentation, the BZL Patents or the BZL Know-How in any manner, or (iii) agreed to or is otherwise bound by any covenant not to sue for any infringement, misuse or otherwise with respect to the Regulatory Documentation, the BZL Patents or the BZL Know-How.

(k) Except to the extent expressly permitted hereunder with respect to a Reversion Termination or an IP Reversion Termination, at no time shall BZL or its Affiliates, directly or indirectly, expressly or by implication, by action or omission or otherwise (i) assign, transfer, convey or otherwise encumber any right, title or interest in or to the BZL Patents, the BZL Know-How, the Joint Patents or the Joint Know-How (ii) grant any license or other right, title or interest in or to the BZL Patents, the BZL Know-How, the Joint Patents or the Joint Know-How in any manner, or (iii) agree to or otherwise become bound by any covenant not to sue for any infringement, misuse or other action or inaction with respect to the BZL Patents, the BZL Know-How, the Joint Patents or the Joint Know-How, in each case that is inconsistent with the grants, assignments and other rights reserved to Millennium and its Affiliates under this Agreement.

(l) BZL shall obtain from each of its Affiliates, sublicensees, employees and agents, and from the employees and agents of its Affiliates, sublicensees and agents, who are performing the Development Activities, involved in the Manufacture of the Licensed Product(s) or Diagnostic Product(s) or are otherwise participating in the Exploitation of the Licensed Products or Diagnostic Products or who otherwise have access to any Millennium Information or other Confidential Information of Millennium, rights to any and all Information and Inventions that relate to the Licensed Products or Diagnostic Products, such that Millennium shall, by virtue of this Agreement, receive from BZL, without payments beyond those required by Article IV, the licenses and other rights granted to Millennium and its Affiliates hereunder.

(m) Except as set forth in Schedule 10.3, to the best of BZL's and its Affiliate's knowledge, there is no actual or threatened infringement by a Third Party of the Regulatory Documentation, the BZL Patents or the BZL Know-How.

(n) BZL and its Affiliates shall perform any Development Assistance and its other activities under this Agreement in good scientific manner and in compliance in all material respects with all Applicable Law.

10.4 DISCLAIMER OF WARRANTIES. EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH IN SECTIONS 10.1, 10.2 AND 10.3, Millennium AND BZL MAKE NO REPRESENTATIONS AND GRANT NO WARRANTIES, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW,

BY STATUTE OR OTHERWISE, AND Millennium AND BZL EACH SPECIFICALLY DISCLAIM ANY OTHER WARRANTIES, WHETHER WRITTEN OR ORAL, OR EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE OR ANY WARRANTY AS TO THE VALIDITY OF ANY PATENTS OR THE NON-INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES. Each Party acknowledges and agrees that the exploitation of the Licensed Products or Diagnostic Products requires the use of experimental technology and neither Party guarantees that any Licensed Product or Diagnostic Product can be successfully developed and commercialized as contemplated in this agreement.

ARTICLE XI
MISCELLANEOUS

11.1 FORCE MAJEURE. Neither Party shall be held liable or responsible to the other Party or be deemed to have defaulted under or breached this Agreement for failure or delay in fulfilling or performing any term of this Agreement when such failure or delay is caused by or results from causes beyond the reasonable control of the non-performing Party, including fires, floods, embargoes, shortages, epidemics, quarantines, war, acts of war (whether war be declared or not), insurrections, riots, civil commotion, strikes, lockouts or other labor disturbances, acts of God or acts, omissions or delays in acting by any governmental authority. Millennium shall not be held liable or responsible to BZL or be deemed to have defaulted under or breached this Agreement for failure or delay in fulfilling or performing any term of this Agreement when such failure or delay is caused by or results from New Drug Associates, Inc.'s performance under the NDA Agreement or any actions or omissions of NDA. The non-performing Party shall notify the other Party of such force majeure within ten (10) days after such occurrence by giving written notice to the other Party stating the nature of the event, its anticipated duration, and any action being taken to avoid or minimize its effect. The suspension of performance shall be of no greater scope and no longer duration than is necessary and the non-performing Party shall use Commercially Reasonable Efforts to remedy its inability to perform.

11.2 ASSIGNMENT. Without the prior written consent of the other Party hereto, neither Party shall sell, transfer, assign, delegate, pledge or otherwise dispose of, whether voluntarily, involuntarily, by operation of law or otherwise, this Agreement or any of its rights or duties hereunder; PROVIDED, HOWEVER, that either Party may, subject to that certain Transfer Restrictions Agreement, entered into as of the date hereof, among BZL Biologics, Inc., Millennium, BZL and the other Persons listed on Exhibit A thereto, without such consent, assign this Agreement and its rights and obligations hereunder to an Affiliate, the purchaser of all or substantially all of its assets related to the Licensed Product(s) or Diagnostic Product(s) or its business, or to its successor entity or acquirer in the event of a merger, consolidation or change in control of such Party. Any attempted assignment or delegation in violation of the preceding sentence shall be void and of no effect. All validly assigned and delegated rights and obligations of the Parties

hereunder shall be binding upon and inure to the benefit of and be enforceable by and against the successors and permitted assigns of Millennium or BZL, as the case may be. In the event either Party seeks and obtains the other Party's consent to assign or delegate its rights or obligations to another Party, the assignee or transferee shall assume all obligations of its assignor or transferor under this Agreement.

11.3 SEVERABILITY. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any Party under this Agreement will not be materially and adversely affected thereby, (a) such provision shall be fully severable, (b) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom, and (d) in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and reasonably acceptable to the Parties herein. To the fullest extent permitted by applicable law, each Party hereby waives any provision of law that would render any provision hereof prohibited or unenforceable in any respect.

11.4 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without reference to the rules of conflict of laws thereof.

11.5 NOTICES. All notices or other communications that are required or permitted hereunder shall be in writing and delivered personally, sent by telecopier (and promptly confirmed by personal delivery, certified mail or overnight courier as provided herein), sent by nationally-recognized overnight courier providing evidence of delivery or sent by certified mail, postage prepaid, return receipt requested, addressed as follows:

If to BZL, to:

BZL Biologics, LLC
c/o Neil Bander
Cornell Medical School
New York Presbyterian Hospital
525 East 68th Street
E-300, Box 23
New York, NY 10021
Telecopier: (212) 746-8941

with a copy to:

Barry W. Silverstein, Esq.
Muchnick, Golieb, Golieb, P.C.

200 Park Avenue South
Suite 1700
New York, NY 10003
Telecopier: (212) 977-5133

And:

Jeffrey M. Wiesen, Esq.
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, MA 02111
Telecopier: (617) 542-2241

If to Millennium, to:

Millennium Pharmaceuticals, Inc.
75 Sidney Street
Cambridge, MA 02139
Attention: Chief Executive Officer
Telecopier: (617) 621-0264

with a copy to:

Millennium Pharmaceuticals, Inc.
75 Sidney Street
Cambridge, MA 02139
Attention: General Counsel
Telecopier: (617) 374-0074

or to such other address as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith. Any such communication shall be deemed to have been given (i) when delivered, if personally delivered or sent by telecopier on a business day, (ii) on the business day after dispatch, if sent by nationally-recognized overnight courier, and (iii) on the third business day following the date of mailing, if sent by certified mail. It is understood and agreed that this Section 11.5 is not intended to govern the day-to-day business communications necessary between the Parties in performing their duties, in due course, under the terms of this Agreement.

11.6 ARBITRATION.

(a) GENERAL. In the event of any dispute, controversy or claim arising out of or relating to this Agreement and not expressly provided for elsewhere herein, the Parties shall try to settle such disputes, controversies or claims amicably between themselves including referring such dispute, controversy or claim to the Chief Executive Officer of Millennium, or any other officer designated by such Chief Executive

Officer, and Dr. Neil Bander, or any officer of BZL designated by Dr. Bander. If the Parties are unable to so settle such dispute, controversy or claim, then unless there is another resolution mechanism set forth herein, any such dispute, controversy or claim arising out of or relating to any provision of this Agreement, or the interpretation, enforceability, performance, breach, termination or validity hereof, including the details of implementing this arbitration clause, shall be solely and finally settled by

arbitration in the manner specified in this Section 11.6, except to the extent such dispute, controversy or claim relates to intellectual property matters, in which case the Parties shall have the right to litigate such dispute. All arbitration proceedings shall be conducted in New York City, if such proceeding is brought by Millennium, or Boston, Massachusetts, if such proceeding is brought by BZL, or such other location as is mutually agreed to by the Parties. The arbitration proceedings shall be conducted under the procedural rules of the American Arbitration Association. The Party requesting arbitration shall serve upon the other Party a written demand for arbitration stating the substance of the controversy, dispute or claim, and the contention of the Party requesting arbitration. Within thirty (30) days after the demand, the Parties shall select three (3) mutually acceptable arbitrators. The arbitrators are to act as neutral arbitrators and shall have no past, present or anticipated future affiliation with the Parties or any relationship with the Parties that would, in the reasonable opinion of either Party, unduly influence the independence of an arbitrator. If the Parties are unable to agree upon three (3) mutually acceptable arbitrators, the Parties shall each designate one arbitrator, and those two shall designate a third, all of whom shall have no past, present or anticipated future affiliation with the Parties or any relationship with the Parties that would, in the reasonable opinion of either Party, unduly influence the independence of an arbitrator. The decision of the arbitrators shall be in writing setting forth the basis therefor. The arbitrators shall have no authority to award punitive damages. The Parties shall abide by the award rendered in such arbitration proceeding, and such award shall be final and binding upon both Parties and may be enforced and executed upon in any court having jurisdiction over the Party against whom enforcement of such award is sought. The Parties shall divide equally the administrative charges, arbitrators' fees and related expenses of arbitration, but each Party shall pay its own attorney's fees incurred in connection with such arbitration; PROVIDED, HOWEVER, if the arbitrators determine that one Party prevailed clearly and substantially over the other Party, then the non-prevailing Party shall also pay the prevailing Party's reasonable attorney's fees and expert witness costs and arbitration costs.

(b) INTERIM RELIEF. Notwithstanding anything herein to the contrary,

nothing in this Section shall preclude either Party from seeking interim or provisional relief, including a temporary restraining order, preliminary injunction or other interim equitable relief concerning a dispute, if necessary to protect the interests of such Party. This Section shall be specifically enforceable.

11.7 AFFILIATES AND SUBLICENSEES. Any and all rights of Millennium under this Agreement are intended, and shall be construed, to benefit such of its Affiliates and its permitted sublicensees as and to the extent Millennium may, from time to time, designate. Further, Millennium shall have the right to satisfy any or all of its obligations under this Agreement through one or more of its Affiliates or permitted sublicensees.

11.8 ENTIRE AGREEMENT; MODIFICATIONS. This Agreement sets forth and constitutes the entire agreement and understanding between the Parties with respect to the subject matter hereof and all prior agreements, understanding, promises and representations, whether written or oral, with respect thereto are superseded hereby. Each Party confirms that it is not relying on any

representations or warranties of the other Party except as specifically set forth herein. No amendment, modification, release or discharge hereof shall be binding upon the Parties unless in writing and duly executed by authorized representatives of both Parties.

11.9 RELATIONSHIP OF THE PARTIES. It is expressly agreed that BZL, on the one hand, and Millennium, on the other hand, shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency. Neither BZL, on the one hand, nor Millennium, on the other hand, shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other, without the prior written consent of the other Party to do so. All persons employed by a Party shall be employees or consultants of such Party and not of the other Party and all costs and obligations incurred by reason of any such employment shall be for the account and expense of such Party.

11.10 EQUITABLE RELIEF. Each Party acknowledges and agrees that the restrictions set forth in Section 3.5 and Articles VI and VII of this Agreement are reasonable and necessary to protect the legitimate interests of the other Party and that such other Party would not have entered into this Agreement in the absence of such restrictions, and that any violation or threatened violation of any provision of Section 3.5 or Article VI or VII will result in irreparable injury to such other Party. Each Party also acknowledges and agrees that in the event of a violation or threatened violation of any provision of Section 3.5 or Article VI or VII, the other Party shall be entitled to preliminary and permanent injunctive relief, without the necessity of proving irreparable injury or actual damages and without the necessity of having to post a bond, as well as to an equitable accounting of all earnings, profits and other benefits arising

from any such violation. The rights provided in the immediately preceding sentence shall be cumulative and in addition to any other rights or remedies that may be available to such other Party. Nothing in this Section 11.10 is intended, or should be construed, to limit such other Party's right to preliminary and permanent injunctive relief or any other remedy for a breach of any other provision of this Agreement.

11.11 WAIVER. Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. The waiver by either Party hereto of any right hereunder or of the failure to perform or of a breach by the other Party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by said other Party whether of a similar nature or otherwise.

11.12 COUNTERPARTS. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Copies of executed counterparts transmitted by telecopy, facsimile or other electronic transmission service shall be considered original executed counterparts for purposes of this Section, provided receipt of copies of such counterparts is confirmed.

11.13 NO BENEFIT TO THIRD PARTIES. The representations, warranties, covenants and agreements set forth in this Agreement, including the indemnification obligations set forth in Sections 9.1 and 9.2, are for the sole benefit of the Parties hereto and their successors and permitted assigns, and they shall not be construed as conferring any rights on any other Persons.

11.14 FURTHER ASSURANCE. Each Party shall duly execute and deliver, or cause to be duly executed and delivered, such further instruments and do and cause to be done such further acts and things, including the filing of such assignments, agreements, documents and instruments, as may be necessary or as the other Party may reasonably request in connection with this Agreement or to carry out more effectively the provisions and purposes hereof, or to better assure and confirm unto such other Party its rights and remedies under this Agreement.

11.15 REFERENCES. Unless otherwise specified, (a) references in this Agreement to any Article, Section, Schedule or Exhibit shall mean references to such Article, Section, Schedule or Exhibit of this Agreement, (b) references in any section to any clause are references to such clause of such section, and (c) references to any agreement, instrument or other document in this Agreement refer to such agreement, instrument or other document as originally executed or, if subsequently varied, replaced or supplemented from time to time, as so varied, replaced or supplemented and in effect at the relevant time of reference thereto.

11.16 CONSTRUCTION. Except where the context otherwise requires, wherever used, the singular shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders and the word "or" is used in the inclusive sense. The captions of this Agreement are for convenience of reference only and in no way define, describe, extend or limit the scope or intent of this Agreement or the intent of any provision contained in this Agreement. The term "including" as used herein shall mean including, without limiting the generality of any description preceding such term. The term "knowledge" or "best knowledge" shall mean, with respect to a Party, the knowledge that any officer, any director or any manager of such Party or any Affiliate of such Party (including, with respect to BZL, Dr. Neil Bander, Dennis Goldberg and Barry Silverstein), have or would have, without special investigation, if he or she had performed his or her services and duties in the ordinary course on behalf of such Party or Affiliate in a reasonably diligent manner. For purposes of this Agreement, "belief" and, with its correlative meaning, "believe" shall mean, with respect to the representation, warranty or covenant of a Person, what such Person actually believed or reasonably should have believed, based on information known to such person and information generally known or knowable, at the time such representation, warranty or covenant is made. The language of this Agreement shall be deemed to be the language mutually chosen by the Parties and no rule of strict construction shall be applied against either Party hereto. Any item disclosed in a schedule or report provided pursuant to this Agreement shall be deemed to have been disclosed for purposes of all schedules and reports provided pursuant to this Agreement, to the extent such disclosure is true, complete and correct and not misleading.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

MILLENNIUM PHARMACEUTICALS, INC.	BZL BIOLOGICS, LLC
	BY: BZL BIOLOGICS, INC.
By: /s/MARK LEVIN	By: /s/DENNIS GOLDBERG
Name: MARK LEVIN	Name: DENNIS GOLDBERG
Title: CHIEF EXECUTIVE OFFICER	Title: MANAGER

In consideration of the benefits to be derived by BZL Biologics, Inc., as the holder of the majority of interests in BZL, and as an inducement for Millennium to enter into this Agreement, BZL Biologics, Inc., does hereby expressly agree to be bound by Articles III and X of this Agreement.

BZL BIOLOGICS, INC.

By: /s/DENNIS GOLDBERG

Name: DENNIS GOLDBERG

Title: PRESIDENT & CEO

In consideration of the benefits to be derived by Dr. Neil Bander and as an inducement for Millennium to enter into this Agreement, Dr. Neil Bander does hereby expressly agree to be bound by the last sentence of Section 2.1(a)(i) and Section 2.1(h) of this Agreement.

DR. NEIL BANDER

/s/NEIL BANDER

Exhibit A

PRELIMINARY DEVELOPMENT PLAN

To be provided

Schedule 3.3(d)

MTAs

MATERIAL TRANSFER AGREEMENTS

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[**]* BZL agrees to use Commercially Reasonable Efforts to obtain, promptly after the Effective Date, the consent of [**] to the assignment by BZL of its and its Affiliates' rights, titles, and interests in and to the Material Transfer Agreement by and between BZL Biologics LLC and [**] to Millennium.

Schedule 10.3(b)

BZL AGREEMENTS

MATERIAL TRANSFER AGREEMENTS

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CONFIDENTIALITY AGREEMENTS

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CONSULTING AGREEMENTS

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[**]MANUFACTURING-RELATED AGREEMENTS[**]

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OTHER AGREEMENTS

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Execution Draft: 07/20/01

EXHIBIT 10.2

AGREEMENT BETWEEN OWNER AND CONTRACTOR

THIS AGREEMENT between Owner and Contractor (the "Agreement") is entered into as of the 4th day of May, 2001 by and between Millennium Pharmaceuticals, Inc. ("Owner") and Turner Construction Company ("Contractor").

WHEREAS, FC 35 Landsdowne, Inc. ("Landlord") and Owner as "tenant" are parties to a certain lease (the "Lease") of premises located at 35 Landsdowne Street, Cambridge, Massachusetts;

WHEREAS, pursuant to the Lease, Landlord is developing a corporate headquarters, office and laboratory building (the "Building") of which Tenant will be the sole tenant;

WHEREAS, Landlord has entered into a contract with Contractor dated January 12, 2001 (the "Landlord/Contractor Contract") (in the form attached hereto as Exhibit I) to provide construction services for the base building work at the Building (the "Base Building Work");

WHEREAS, Owner desires to engage the Contractor to provide construction services for the Project, described below, being work not included in the Base Building Work (the "Tenant Work");

WHEREAS, the Lease requires that Tenant's contract with the Contractor be in substantially the same form as the Landlord/Contractor Contract; and

WHEREAS, the parties intend that the terms of the Landlord/Contractor Contract be incorporated into this Agreement, except as modified by the terms below, which shall take precedence over and supercede any and all inconsistent provisions of the Landlord/Contractor Contract;

NOW, THEREFORE, Owner and Contractor agree as follows:

The parties agree to be bound by a contract on the terms and conditions of the Landlord/Contractor Contract, except as particular Sections and other items therein are modified as set forth below, each heading below referring to a Section or item of the Landlord/Contractor Contract to be modified.

Owner:	All references to Owner shall mean: Millennium Pharmaceuticals, Inc. 75 Sidney Street Cambridge, Massachusetts 02139 (herein called "Owner" or "Tenant")
Project:	The project governed by this Agreement shall be Tenant Work, including all interior systems, for office and laboratory space within cold core shell building located at 35 Landsdowne Street.
Section 4.1:	Delete "October 2, 2000" and replace with "February 12, 2001".

Section 4.2:	Delete "October 8, 2001" and replace with "August 15, 2002".
Section 5.1:	Delete "five hundred seventy-one thousand dollars ($571,000)" and replace with "one million three hundred six thousand dollars ($1,306,000)".
Section 5.2.1:	Delete "eighteen million two hundred fifty-eight thousand dollars ($18,258,000)" and replace with "forty one million seven hundred thousand dollars ($41,700,000)".
Section 7.3.1:	Delete "six hundred thousand dollars ($600,000)" and replace with "One million eight hundred and thirty-eight thousand dollars ($1,838,000)".

Section 7.4.1: Delete "more than $140,000" and replace with "costs". Delete "consent of" and replace with "agreement of the Contractor and"

Section 12.2: Delete "or as follows".

Article 14: After Paragraph 14.4.4, the following Sections are hereby inserted:

"14.5 During the course of the performance of the Work, Contractor may be given or observe certain trade secrets, technical know-how and other confidential information of Owner and its affiliates ("Confidential Information"). Contractor agrees: (i) to hold all such Confidential Information in confidence; (ii) not to disclose such Confidential Information to others; and (iii) not to use such Confidential Information for any purpose other than the performance of Work under this Agreement. Contractor agrees to limit dissemination of and access to such Confidential Information to those individuals in the Contractor's organization who have a need to know such Confidential Information for the above-described purpose. Should Contractor or any member of the Contractor's organization conceive any invention as a result of receiving or observing such information, Contractor agrees to assign or have assigned that invention to Owner. Contractor recognizes that Owner's facilities are private and Contractor will abide by Owner's security requirements and conditions for facilities access and usage and agrees that only those subjects, areas and programs designated by Owner as necessary to fulfill Owner's requirements will be accessed and/or perused by Contractor or any individuals in the Contractor's organization. In no event will any programs or information be copied or removed without Owner's express written approval. Owner reserves the right to review, inspect and/or search any individuals performing work under the Contractor's supervision, any equipment, and effects as Owner deems necessary to audit Contractor and Contractor's compliance herewith.

14.6 Contractor or any tier subcontractor shall neither hire any employee or officer of Owner while that employee or officer is an employee or officer of Owner, nor pay any salaries, commissions, fees or make any payments or rebates to any employee or officer of Owner, or to any designee of any such employee or officer, nor favor any employee or officer of Owner, or any designee of any such employee or officer with gifts or entertainment of significant cost or value, or with services or goods sold at less than full market value.

14.7 Contractor shall work with the Landlord and Owner to coordinate the management, administration and scheduling of the Base Building Work and the Tenant Work. Such cooperation shall include, without limitation, coordination of schedules, regular meetings, generally to be held weekly, during the construction period."

Section 16.1.2: Delete the phrase beginning "all as contained" and ending with "10/17/2000" and replace with "forming part of this Agreement and bound herewith, and subject to the modifications thereto set forth below".

Schedules B, C, D, E, F and G: Delete and replace with the attached Schedules B, C, D, E, F and G, respectively.

Exhibits A, B and C: Replace each time it appears "FC 35 Landsdowne, Inc." with "Millennium Pharmaceuticals, Inc."

Exhibits D and E: Although Landlord is not the "Owner" under this Agreement, the provisions of these Exhibits remain applicable. It is

acknowledged, however, that except as may be otherwise provided in the Lease, any and all discretion and rights under these Exhibits to be exercised by the Owner shall be exercised by Millennium Pharmaceuticals, Inc.

IN ADDITION TO THE FOREGOING, THE FOLLOWING MODIFICATIONS ARE MADE TO THE GENERAL CONDITIONS:

Section 1.2.12: After the phrase "performed by others" insert "or the Base Building Work".

Section 2.1.2.1: Delete "Peter Calkins and Allison Nichols, who shall each" and replace with "Paul Pratt, who shall".

Section 3.5.1: Delete underlined text.

Section 3.13.1: At the end of this Section, insert the following: "The Contractor shall remove all temporary construction offices, equipment and stored materials prior to April 1, 2002 to allow completion of site work by one or more other contractors. The Contractor shall coordinate construction access as required to perform the work under this Agreement, with the Landlord/Contractor Contract and other contractors. Effective April 1, 2002 the site shall be in

the control of the Landlord, and the Owner and Contractor anticipate the Contractor shall be provided reasonable access by the Landlord and/or the Owner around the perimeter of the Building so as to facilitate the execution of the Contract.

Section 4.4.2: Replace "Allison Nichols" with "Paul Pratt".

Section 4.4.3: Replace "Allison Nichols" with "Paul Pratt".

Replace "Peter Calkins" with "Paul Pratt".

Section 4.5.4: Replace "Peter Calkins" with "Paul Pratt".

Section 9.8.1: Add at end of sentence 1: "and (f) the Certificate of Occupancy has been issued by the City of Cambridge. The requirement set forth in clause (f) above shall be limited to only those matters that are in the control of the Contractor, or otherwise the responsibility of the Contractor.".

Section 13.2.1: At the end of this Section, insert the following: "Owner shall have the right to assign this Agreement, subject to the mutual agreement of the Contractor, which shall not be unreasonably withheld, to any entity controlling, controlled by or under common control with Owner, any entity that is the successor by merger to Owner or any entity acquiring all or substantially all of the Owner. Without limiting the foregoing, after Substantial Completion, the Owner's rights under this Agreement may be assigned to a successor to or assignee of Owner's interest as tenant under the Lease.

Section 13.3.1: Delete "Gayle B. Farris, with a copy to James Ratner, Forest City Rental Properties, 1100 Terminal Tower, Cleveland, OH 44115" and replace with "Paul Pratt, with a copy to Paul Bowie, Hanscomb Inc., 2067 Massachusetts Avenue, Cambridge MA, 02140, and to Joe Faber, Esq., at the Owner's address included at the beginning of the Agreement.

Exhibit B: Delete this Exhibit and replace with the attached Exhibit B.

Exhibit C: Delete this Exhibit and replace with the attached Exhibit C.

Exhibit F, section 12: Insert the following at the end of this Section:

"(8) Millennium Pharmaceuticals, Inc.
75 Sidney Street

Cambridge, MA 02139

(9) Hanscomb, Inc.
2067 Massachusetts Avenue
Cambridge, MA 02140"

Exhibit F,
section 13: Replace the name of the certificate holder set forth in this Section with Millennium Pharmaceuticals, Inc., 75 Sidney Street, Cambridge, MA 02139

Exhibit F,
section 15: Insert at the beginning of this paragraph, "The Landlord, on behalf of".

Insert at the end of this paragraph the following: "Such insurance shall cover the Base Building Work and the Tenant Work."

This Agreement is executed as a sealed instrument as of the date first above written.

OWNER:

Millennium Pharmaceuticals, Inc.

By: /S/ KEVIN P. STARR

Name: Kevin P. Starr
Title: Sr. V.P. and Chief Financial Officer

CONTRACTOR:

Turner Construction Company

By: /S/CHARLES T. BUUCK

Name: Charles T. Buuck
Title: V.P. & General Mgr.

<TABLE>
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SPEC SECTION	PACKAGE		GMP TOTAL
<S>	<C>	<C>	<C>
TRANSFER	Base Building Transfer (Scope + Base Bldg. TW Bulletins)		246,000
DIVISION 3	DIVISION 3 - CONCRETE		
03300	Concrete		108,000
03355	Concrete Sealer/Hardener	w/03300	

03550	Self Leveling Floor Finish Allowance		15,000
DIVISION 4	DIVISION 4 - MASONRY		
04200	Masonry		42,000
DIVISION 5	DIVISION 5 - METALS		
05100	Structural Steel	w/transfer	
05300	Metal Decking	w/05500	
05500	Miscellaneous Metal		407,000
DIVISION 6	DIVISION 6 - WOOD AND PLASTICS		
06100	Rough Carpentry	w/09250 & 06200	
06200	Finished Carpentry and Millwork		663,000
DIVISION 7	DIVISION 7 - THERMAL & MOISTURE PROTECTION		
07270	Fire Stop and Smoke Seals	w/trades	
07530	Roofing		8,000
07900	Interior Sealants		67,000
DIVISION 8	DIVISION 8 - DOORS & WINDOWS		
08100	Steel Doors and Frames		674,000
08200	Wood Doors	w/08100	
08300	Special Doors	w/08100	
08305	Access Doors	w/ trades	
08330	Overhead Coiling Doors		40,000
08340	Overhead Coiling Grilles	w/08330	
08345	Side Folding Grilles	w/08330	
08710	Finished Hardware (Base Bldg.)	w/08100	
08710	Finished Hardware (Tenant)	w/08100	
08850	Plate Glass Mirrors	w/08800	
08800	Glass and Glazing		121,000
DIVISION 9	DIVISION 9 - FINISHES		
09200	Gypsum Plastering	w/09250	
09215	Veneer Plaster System	w/09250	
09250	Gypsum Wall Board System		2,695,000
09290	Glass Reinforced Cement Fabrication	w/09250	
09300	Tile Work		219,000
09440	Epoxy Terrazzo		56,000
09450	Interior Stone Work	w/09300	
09510	Acoustical Ceilings		322,000
09520	Acoustical Panels		25,000

09650	Resilient Flooring		688,000
09680	Carpeting	w/09650	
09725	Seamless Epoxy Flooring		42,000
09900	Painting		287,000
09955	Upholstered Wall System	deleted per RFI #5	
DIVISION 10	DIVISION 10 - SPECIALTIES		
10000	Allowance to Install Owner Supplied Huddled Area Safety Items		3,000
10100	Markerboards		119,000
10160	Metal Toilet Compartments		45,000
10500	Metal Lockers	w/10160	
10520	Fire Extinguishers and Cabinets		6,000
10810	Toilet Accessories	w/10160	
10950	Building Specialties - Corner Guards Allowance		41,000
DIVISION 11	DIVISION 11 - EQUIPMENT		
11130	Projection Screens	w/10100	
11160	Loading Dock Equipment	NIC by Base Bldg.	
11400	Food Service Equipment		838,000
11601	Laboratory Fume Hoods	w/12345	
11604	Laboratory Fittings	w/12345	
11605	Laboratory Equipment Install Allowance		78,000
DIVISION 12	DIVISION 12 - FURNISHINGS		
12345	Laboratory Casework		2,860,000
12514	Vertical Blinds		
12515	Roller Shades		110,000
12670	Entrance Mats		2,000
12710	Fixed Seating		70,000
DIVISION 13	DIVISION 13 - SPECIAL CONSTRUCTION		
13038	Controlled Temp Rooms		145,000
DIVISION 14	DIVISION 14 - VERTICAL TRANSPORTATION		
14100	Elevators		690,000
14200	Geared Elevators	w/14100	
14400	Handicap Lift		18,000
DIVISION 15	DIVISION 15 - MECHANICAL		
15300	Fire Protection		698,000
15420	Plumbing		3,150,000
15600	HVAC		9,773,000
	AHU Pre-Purchase		1,438,000

15900	Building Control System		1,169,000
DIVISION 16	DIVISION 16 - ELECTRICAL		
16100	Electrical		7,025,000
16500	Archetechural Lighting Fixtures	w/16100	
16700	Tele / Data		839,000
18000	Commissioning	w/trades	
	SUBTOTAL		35,842,000
	PROJECT REQUIREMENTS		1,281,000
	CONSTRUCTION CONTINGENCY		1,075,000
	TRAILER RELOCATION ALLOWANCE		50,000
	SCHEDULE ADJUSTMENT		357,000
	HOIST/ELEVATOR OPERATOR		104,000
	GENERAL CONDITIONS		1,481,000
	FEE		1,306,000
	G. C. PAYMENT & PERFORMANCE BOND		204,000
	TOTAL CONSTRUCTION COSTS		41,700,000

</TABLE>

STANDARD FORM OF AGREEMENT BETWEEN
OWNER AND CONTRACTOR WHERE THE BASIS OF PAYMENT IS
THE COST OF THE WORK PLUS A FEE WITH OR
WITHOUT A GUARANTEED MAXIMUM PRICE

AIA DOCUMENT A111 - ELECTRONIC FORMAT

THIS DOCUMENT HAS IMPORTANT LEGAL CONSEQUENCES: CONSULTATION WITH AN ATTORNEY IS ENCOURAGED WITH RESPECT TO ITS COMPLETION OR MODIFICATION. AUTHENTICATION OF THIS ELECTRONICALLY DRAFTED AIA DOCUMENT MAY BE MADE BY USING AIA DOCUMENT D401.

The 1987 Edition of AIA Document A201, General Conditions of the Contract for Construction, is adopted in this document by reference. Do not use with other general conditions unless this document is modified. This document had been approved and endorsed by The Associated General Contractors of America.

AGREEMENT
made as of the 12th day of January in the year of Two Thousand and One, and is effective as of the 2nd day of October in the year of Two Thousand

BETWEEN the Owner:

(NAME AND ADDRESS)

FC 35 Landsdowne, Inc.
c/o Forest City Commercial Group, Inc.
38 Sidney Street
Cambridge, MA 02139

and the Contractor:
(NAME AND ADDRESS)

Turner Construction Company
2 Seaport Lane
Boston, MA 02110

the Project is:
(NAME AND ADDRESS)

Cold core shell for office, laboratory and manufacturing building located on a parcel at 35 Landsdowne Street, Cambridge, Massachusetts.

the Architect is:
(NAME AND ADDRESS)

Elkus/Manfredi Architects Ltd.
530 Atlantic Avenue
Boston, MA 02210

The Owner and Contractor agree as set forth below.

ARTICLE 1
THE CONTRACT DOCUMENTS

1.1 The Contract Documents consist of this Agreement, Conditions of the Contract (General, Supplementary and other Conditions), Drawings, Specifications, Addenda issued prior to execution of this Agreement, other documents listed in this Agreement and Modifications issued after execution of this Agreement; these form the Contract, and are as fully a part of the Contract as if attached to this Agreement or repeated herein. The Contract represents the entire and integrated agreement between the parties hereto and supersedes prior negotiations, representations or agreements, either written or oral. An enumeration of the Contract Documents, other than Modifications, appears in Article 16. If anything in the other Contract Documents is inconsistent with this Agreement, this Agreement shall govern.

ARTICLE 2
THE WORK OF THIS CONTRACT

2.1 The Contractor shall execute the entire Work described in the Contract Documents, except to the extent specifically indicated in the Contract Documents to be the responsibility of others.

ARTICLE 3
RELATIONSHIP OF THE PARTIES

3.1 The Contractor accepts the relationship of trust and confidence established by this Agreement and covenants with the Owner to cooperate with the Architect and utilize the Contractor's diligent and expert skill, efforts and judgment in furthering the interests of the Owner; to furnish efficient business administration and supervision; to make diligent and expert efforts to furnish at all times an adequate supply of workers and materials; and to perform the Work proficiently, diligently and in the most expeditious and economical manner consistent with the interests of the Owner. The Owner agrees to exercise diligent efforts to enable the Contractor to perform the Work proficiently, diligently and in the most expeditious manner by furnishing and approving in a timely way information required by the Contractor and making payments to the Contractor in accordance with requirements of the Contract Documents.

3.2 The Contractor acknowledges that the Owner's desired approach to the design and construction of the Project is for the Architect, the Owner and the Contractor to work cooperatively toward the express objectives of (a) designing a Project that can be constructed in accordance with the Construction Documents, without the need for significant changes or corrections during the construction phase, (b) designing and constructing a Project that, upon completion of the Work, will be complete, ready for operation and suitable for the Owner's intended use, (c) meeting the Owner's schedule for completion of the Project, and (d) meeting the Construction budget requirements. The Contractor shall endeavor, in the performance of the services covered by this Agreement, to act in a manner consistent with the Owner's desired approach and express objectives.

3.3 Nothing contained in Paragraph 3.2 shall require the Contractor to provide professional services which constitute the practice of architecture or engineering unless such services are specifically required by the Contract Documents for a portion of the Work or unless the Contractor needs to provide such services in order to carry out the Contractor's responsibilities for construction means, methods, techniques, sequences and procedures. If services which constitute the practice of architecture or engineering are specifically required by the Contract Documents for a portion of the Work or if the Contractor needs to provide such services in order to carry out the Contractor's responsibilities for construction means, methods, techniques, sequences and procedures, the Contractor shall cause such services or certifications to be provided by a properly licensed design professional, whose signature and seal shall appear on all drawings, calculations, specifications, certifications, Shop Drawings and other submittals prepared by such professional. Shop Drawings and other submittals related to the Work designed or certified by such professional, if prepared by others, shall bear such professional's written approval when submitted to the Architect.

ARTICLE 4
DATE OF COMMENCEMENT AND SUBSTANTIAL COMPLETION

4.1 The date of commencement is October 2, 2000.
(INSERT THE DATE OF COMMENCEMENT, IF IT DIFFERS FROM THE DATE OF THIS AGREEMENT OR, IF APPLICABLE, STATE THAT THE DATE WILL BE FIXED IN A NOTICE TO PROCEED.)

4.2 The Contractor shall achieve Substantial Completion of the entire Work not later than October 8, 2001.

(INSERT THE CALENDAR DATE OR NUMBER OF CALENDAR DAYS AFTER THE DATE OF COMMENCEMENT. ALSO INSERT ANY REQUIREMENTS FOR EARLIER SUBSTANTIAL COMPLETION OF CERTAIN PORTIONS OF THE WORK, IF NOT STATED ELSEWHERE IN THE CONTRACT DOCUMENTS.)

, subject to adjustments of this Contract Time as provided in the Contract Documents. (INSERT PROVISIONS, IF ANY, FOR LIQUIDATED DAMAGES RELATING TO FAILURE TO COMPLETE ON TIME.) The Construction Schedule for completion of the Work is attached as Exhibit B to the General Conditions of the Contract.

ARTICLE 5
CONTRACT SUM

5.1 The Owner shall pay the Contractor in current funds for the Contractor's performance of the Contract the Contract Sum consisting of the Cost of the Work as defined in Article 7 and the Contractor's Fee (STATE A LUMP SUM, PERCENTAGE OF COST OF THE WORK OR OTHER PROVISION FOR DETERMINING THE CONTRACTOR'S FEE, AND EXPLAIN HOW THE CONTRACTOR'S FEE IS TO BE ADJUSTED FOR CHANGES IN THE WORK.) in the lump sum amount of five hundred seventy-one thousand dollars ($571,000). For changes in the Work that increase the Cost of the Work by more than five hundred thousand dollars ($500,000) in the aggregate, the Contractor's compensation shall be increased by an amount equal to three percent (3%) of the amount of the direct increase in the Cost of the Work (I.E., the increase in the Cost of the Work excluding increases in Construction Manager's Fee). Notwithstanding anything to the contrary, there shall be no adjustment in the compensation

payable to the Contractor (a) related to the first five hundred thousand dollars ($500,000) of such direct increases in the Cost of the Work and (b) with respect to any increase in the Cost of Work arising from the actual cost of any allowance item exceeding the allowance cost of such item as reflected in the GMP Breakdown (as defined in Subparagraph 5.2.1.1).

5.2 GUARANTEED MAXIMUM PRICE (IF APPLICABLE)

5.2.1 The sum of the Cost of the Work and the Contractor's Fee is guaranteed by the Contractor not to exceed eighteen million two hundred fifty-eight thousand dollars ($18,258,000),, subject to additions and deductions by Change Order as provided in the Contract Documents. Such maximum sum is referred to in the Contract Documents as the Guaranteed Maximum Price. Costs which would cause the Guaranteed Maximum Price to be exceeded shall be paid by the Contractor without reimbursement by the Owner.

5.2.1.1 A detailed, line-item breakdown of the Guaranteed Maximum Price, including the Cost of the Work and the Contractor's Fee (the "GMP Breakdown"), is attached hereto and incorporated herein as Schedule B.

5.2.1.2 The Owner shall be entitled to the "Guaranteed Maximum Price Savings" (as such term is defined below). As of the date of final completion of the Work the amount, if any, by which (x) exceeds (y) shall be considered the "Guaranteed Maximum Price Savings," where (x) is the Guaranteed Maximum Price (as adjusted from time to time through Change Orders) and (y) is the sum of the actual Cost of the Work and the Contractor's Fee.

5.2.1.3 The Guaranteed Maximum Price is subject to the Qualifications and Assumptions attached hereto and made a part hereof as Schedule C.

5.2.1.4 The Drawings and Specifications upon which the Guaranteed Maximum Price is based are as listed and described in Schedule D attached hereto and made a part hereof.
(INSERT SPECIFIC PROVISIONS IF THE CONTRACTOR IS TO PARTICIPATE IN ANY SAVINGS.)

5.2.2 By executing this Agreement, the Contractor represents that the Drawings and Specifications listed in Schedule D describe the scope, construction requirements and design intent of the Work in sufficient detail to enable the Contractor to establish firmly the Guaranteed Maximum Price, subject to the Qualifications and Assumptions. The Contractor shall not be permitted to claim any adjustment in the Guaranteed Maximum Price in connection with Drawings and Specifications issued subsequent to the date of this Agreement, except in connection with Scope Changes as described in subparagraphs 5.2.2.1 though 5.2.2.3.

5.2.2.1 Subsequent to execution of this Agreement, the Architect will issue additional Drawings and Specifications for portions of the Work and will issue supplemental instructions, sketches and other materials intended to clarify the Drawings and Specifications and/or provide details regarding the construction or design of various parts of the Work (collectively, the "Supplemental Drawings and Specifications"). The Contractor shall review all Supplemental

Drawings and Specifications in detail and shall, within fifteen (15) days of receiving any Supplemental Drawings and Specifications, notify the Owner and the Architect of any error, inconsistency or discrepancy that the Contractor discovers between the Supplemental Drawings and Specifications and the Drawings and Specifications listed in Schedule D to this Agreement. Within such fifteen (15) day period the Contractor shall also notify the Owner in writing of any item which, in the Contractor's opinion, represents a Scope Change, as defined in subparagraph 5.2.2.2 below, setting forth, with particularity, the reasons the Contractor contents such item represents a Scope Change (such notice shall constitute a "Scope Change Request"). A Scope Change Request shall set forth the Contractor's preliminary estimates of the increased costs and the impacts on the Construction Schedule, if any, that the Contractor attributes to the Work covered by such Scope Change Request. Failure of the Contractor to notify the Owner of any item the Contractor considers a Scope Change within fifteen (15) days after the date of receipt by the Contractor of Supplemental Drawings and Specifications is hereby deemed to mean: (1) such Supplemental Drawings and Specifications is hereby deemed to mean: (1) such Supplemental Drawings and Specifications are consistent with the Drawings and Specifications listed in Schedule D to this Agreement; (2) no Scope Changes exist; and (3) the Contractor was willing and able to perform all of the Work for the Guaranteed Maximum Price and in accordance with all the requirements of the Contract Documents. The Contractor shall, within thirty (30) days of receipt of any Supplemental Drawings and Specifications that contain an item or items the Contractor considers to require a Scope Change, prepare and provide to the Owner a detailed breakdown of the proposed increase in the Guaranteed Maximum Price and the proposed changes to the Construction Schedule and Milestone Dates, if any related to such Scope Change.

5.2.2.2 A "Scope Change" is hereby deemed to mean Work described in the Supplemental Drawings and Specifications which is not reasonably inferable from the Drawings and Specifications listed in Schedule D to this Agreement and is either (i) materially inconsistent with the Qualifications and Assumptions or (ii) constitutes a change in the quantity, quality, programmatic requirements or other substantial deviation from the Drawings and Specifications listed in Schedule D to this Agreement.

5.2.2.3 If the Contractor timely submits a Scope Change Request to the Owner in accordance with the requirements of subparagraph 5.2.2.1, the Owner shall have one or more of the following options:

(1) within ten (10) days of receipt of the Scope Change Request, the Owner shall direct the Architect in writing, with a copy of such directive to the Contractor, to modify that aspect of the Supplemental Drawings and Specifications to which the Contractor objects. The Contractor shall cooperate with the Owner and the Architect during the modification effort and shall make recommendations appropriate to correct such portions of the Supplemental Drawings and Specifications. The Architect shall submit to the Contractor the revised Supplemental Drawings and Specifications as approved by the Owner. The Contractor shall promptly re-examine such revised Supplemental Drawings and Specifications as described in subparagraph 5.2.2.1;

(2) if, upon review of the Scope Change Request, the Owner (after consultation with the Architect) believes that the portion of the Work described therein does not constitute a Scope Change, the Owner shall so advise the Contractor within ten (10) days of receipt of the Scope Change Request. If such disagreement is not resolved, the Work subject to disagreement shall be identified in a schedule (the "Disputed Work Schedule"). The Owner and the Contractor shall endeavor in good faith to resolve items set forth in the Disputed Work Schedule expeditiously, confirming such resolution in Change Orders. Items in the Disputed Work Schedule that are not resolved by the Owner and the Contractor shall be subject to the dispute resolution procedures set forth in Article 4 of the General Conditions. During the pendency of such dispute resolution procedures, all items remaining in the Disputed Work Schedule shall be performed by the Contractor as required by the Contract Documents and a tentative adjustment shall be made to the Guaranteed Maximum Price in the amount of the undisputed portion of the Scope Change Request. No adjustment shall be made to the Guaranteed Maximum Price for disputed portions of the Scope Change Request. For each remaining item in the Disputed Work Schedule, the Contractor shall keep a specific, detailed accounting of the time and materials required to complete such item. Adjustments to the Construction Schedule shall not be permitted on a tentative basis;

(3) if, upon review of the Scope Change Request, the Owner agrees that all or a portion of the Work therein constitutes a Scope Change, and the Owner elects not to direct the Architect to modify the Supplemental Drawings and Specifications, the Owner and the Contractor shall enter into a written agreement providing for changes to the Guaranteed Maximum Price and Construction Schedule;

(4) if, with respect to any item in the Scope Change Request, the Owner does not, within the appropriate time limitations, (a) direct the Architect to modify the Supplemental Drawings and Specifications, (b) advise the Contractor in writing of disapproval of such item in the Scope Change Request, or (c) agree that such item represents a Scope Change, then the Scope Change request with respect to such item shall be deemed approved by the Owner and the Guaranteed Maximum Price and the Construction Schedule shall be modified as requested by the Contractor.

(STATE THE NUMBERS OR OTHER IDENTIFICATION OF ACCEPTED ALTERNATES, BUT ONLY IF A GUARANTEED MAXIMUM PRICE IS INSERTED IN SUBPARAGRAPH 5.2.1. IF DECISIONS ON OTHER ALTERNATES ARE TO BE MADE BY THE OWNER SUBSEQUENT TO THE EXECUTION OF THIS AGREEMENT, ATTACH A SCHEDULE OF SUCH OTHER ALTERNATES SHOWING THE AMOUNT FOR EACH AND THE DATE UNTIL WHICH THAT AMOUNT IS VALID.)

5.2.3 The amounts agreed to for allowances are as set forth in Schedule E attached hereto and made a part hereof.

(STATE UNIT PRICES ONLY IF A GUARANTEED MAXIMUM PRICE IS INSERTED IN SUBPARAGRAPH 5.2.1.)

ARTICLE 6
CHANGES IN THE WORK

6.1 CONTRACTS WITH A GUARANTEED MAXIMUM PRICE

6.1.1 Adjustments to the Guaranteed Maximum Price on account of changes in the Work may be determined by any of the methods listed in Subparagraph 7.3.3 of the General Conditions.

6.1.2 In calculating adjustments to subcontracts (except those awarded with the Owner's prior consent on the basis of cost plus a fee), the terms "cost" and "fee" as used in Clause 7.3.3.3 of the General Conditions and the terms "costs" and "a reasonable allowance for overhead and profit" as used in Subparagraph 7.3.6 of the General Conditions shall have the meanings assigned to them in the General Conditions and shall not be modified by Articles 5, 7 and 8 of this Agreement. Adjustments to subcontracts awarded with the Owner's prior consent on the basis of cost plus a fee shall be calculated in accordance with the terms of those subcontracts.

6.1.3 In calculating adjustments to this Contract, the terms "cost" and "costs" as used in the above-referenced provisions of the General Conditions shall mean the Cost of the Work as defined in Article 7 of this Agreement and the terms "fee" and "a reasonable allowance for overhead and profit" shall mean the Contractor's Fee as defined in Paragraph 5.1 of this Agreement.

6.2 CONTRACTS WITHOUT A GUARANTEED MAXIMUM PRICE

6.2.1 [Deleted].

6.3 ALL CONTRACTS

ARTICLE 7
COSTS TO BE REIMBURSED

7.1 The term Cost of the Work shall mean costs necessarily incurred by the Contractor in the proper performance of the Work. Such costs shall be at rates not higher than the standard paid at the place of the Project except with prior consent of the Owner. The Cost of the Work shall include only the items set forth in this Article 7.

7.1.1 LABOR COSTS

7.1.1.1 Wages of construction workers directly employed by the Contractor to perform the construction of the Work at the site or, with the Owner's Agreement, at off-site workshops.

7.1.1.2 Wages or salaries of the Contractor's supervisory and administrative personnel when stationed at the site with the Owner's agreement. (If it is intended that the wages or salaries of certain personnel stationed at the Contractor's principal or other offices shall be included in the Cost of the Work, identify in Article 14 the personnel to be included and whether for all or only part of their time.)

7.1.1.3 Wages and salaries of the Contractor's supervisory or administrative personnel engaged, at factories, workshops or on the road, in expediting the production or transportation of

materials or equipment required for the Work, but only for that portion of their time required for the Work.

7.1.1.4 Costs paid or incurred by the Contractor for taxes, insurance, contributions, assessments and benefits required by law or collective bargaining agreements and, for personnel not covered by such agreements, customary benefits such as sick leave, medical and health benefits, holidays, vacations and pensions, provided such costs are based on wages and salaries included in the Cost of the Work under Clauses 7.1.1.1 through 7.1.1.3.

7.1.2 SUBCONTRACT COSTS

Payments made by the Contractor to Subcontractors in accordance with the requirements of the subcontracts.

7.1.3 COSTS OF MATERIALS AND EQUIPMENT INCORPORATED IN THE COMPLETED CONSTRUCTION

7.1.3.1 Costs, including transportation, of materials and equipment incorporated or to be incorporated in the completed construction.

7.1.3.2 Costs of materials described in the preceding Clause 7.1.3.1 in excess of those actually installed but required to provide reasonable allowance for waste and for spoilage. Unused excess materials, if any, shall be handed over to the Owner at the completion of the Work or, at the Owner's option, shall be sold and any unsold materials disposed by the Contractor; amounts realized, if any, from such sales shall be credited to the Owner as a deduction from the Cost of the Work.

7.1.4 COSTS OF OTHER MATERIALS AND EQUIPMENT, TEMPORARY FACILITIES AND RELATED ITEMS

7.1.4.1 Costs, including transportation, installation, maintenance, dismantling and removal of materials, supplies, temporary facilities, machinery, equipment, and hand tools not customarily owned by the construction workers, which are provided by the Contractor at the site and fully consumed in the performance of the Work; and cost less salvage value on such items if not fully consumed, whether sold to others or retained by the Contractor. Cost for items previously used by the Contractor shall mean fair market value.

7.1.4.2 Rental charges for temporary facilities, machinery, equipment, and hand tools not customarily owned by the construction workers, which are provided by the Contractor at the site, whether rented from the Contractor or others, and costs of transportation, installation, minor repairs and replacements, dismantling and removal thereof. Rates and quantities of equipment rented shall be subject to the Owner's prior approval. Rental charges shall be consistent with those generally prevailing in the location of the Project. In no event shall the Contractor be entitled to reimbursement for any cumulative total of rental charges in connection with any

single piece of machinery or equipment in excess of eighty percent (80%) of its fair market value as of the date that such machinery or equipment is first put into service in connection with the Work. The Contractor shall pay any excess rental charges.

7.1.4.3 Costs of removal of debris from the site.

7.1.4.4 Costs of telegrams and long-distance telephone calls, postage and parcel delivery charges, telephone service at the site and reasonable petty cash expenses of the site office.

7.1.4.5 That portion of the reasonable travel and subsistence expenses of the Contractor's personnel incurred while travelling in discharge of duties connected with the Work.

7.1.5 MISCELLANEOUS COSTS

7.1.5.1 That portion directly attributable to this Contract of premiums for insurance and bonds, required by the Contract Documents.

7.1.5.2 Sales, use or similar taxes imposed by a governmental authority which are related to the Work and for which the Contractor is liable.

7.1.5.3 Fees and assessments for the building permit and for other permits, licenses and inspections for which the Contractor is required by the Contract Documents to pay.

7.1.5.4 Fees of testing laboratories for tests required by the Contract Documents, except those related to defective or nonconforming Work for which reimbursement is excluded by Subparagraph 13.5.3 of the General Conditions or other provisions of the Contract Documents and which do not fall within the scope of Subparagraphs 7.2.2 through 7.2.4 below.

7.1.5.5 Royalties and license fees paid for the use of a particular design, process or product required by the Contract Documents; the cost of defending suits or claims for infringement of patent rights arising from such requirement by the Contract Documents; payments made in accordance with legal judgments against the Contractor resulting from such suits or claims and payments of settlements made with the Owner's consent; provided, however, that such costs of legal defenses, judgment and settlements shall not be included in the calculation of the Contractor's Fee or of a Guaranteed Maximum Price, if any, and provided that such royalties, fees and costs are not excluded by the last sentence of Subparagraph 3.17.1 of the General Conditions or other provisions of the Contract Documents.

7.1.5.6 Deposits lost for causes other than the Contractor's fault or negligence.

7.1.6 OTHER COSTS

7.1.6.1 Other costs incurred in the performance of the Work if and to the extent approved in advance in writing by the Owner.

7.2 EMERGENCIES: REPAIRS TO DAMAGED, DEFECTIVE OR NONCONFORMING WORK

The Cost of Work shall also include costs described in Paragraph 7.1 which are incurred by the Contractor:

7.2.1 In taking action to prevent threatened damage, injury or loss in case of an emergency affecting the safety of persons and property, as provided in

Paragraph 10.3 of the General Conditions, unless such emergency results solely from the willful act or negligence of the Contractor or any person for whom the Contractor is responsible, including Subcontractors.

7.2.2 In repairing or correcting Work damaged or improperly executed by construction workers in the employ of the Contractor, provided such damage or improper execution did not result from the fault or negligence of the Contractor or the Contractor's foremen, engineers or superintendents, or other supervisory, administrative or managerial personnel of the Contractor.

7.2.3 In repairing damaged Work other than that described in Subparagraph 7.2.2, provided such damage did not result from the fault or negligence of the Contractor or the Contractor's personnel, and only to the extent that the cost of such repairs is not recoverable by the Contractor from others and the Contractor is not compensated therefor by insurance or otherwise.

7.2.4 In correcting defective or nonconforming Work performed or supplied by a Subcontractor or material supplier and not corrected by them, provided such defective or nonconforming Work did not result from the fault or neglect of the Contractor or the Contractor's personnel adequately to supervise and direct the Work of the Subcontractor or material supplier, and only to the extent that the cost of correcting the defective or nonconforming Work is not recoverable by the Contractor from the Subcontractor or material supplier.

7.3 GENERAL CONDITIONS

7.3.1 The term "General Conditions" shall mean, collectively, those properly reimbursable Cost of the Work items that are specified in Schedule F attached hereto. The General Conditions costs shall be the lump sum amount of six hundred thousand dollars ($600,000); provided, however, that in the event that changed in the Work cause the actual, proven jobsite costs for the General Conditions items listed in Schedule F other than labor costs as described in Subparagraph 7.1.1 to exceed the lump sum amount specified above, then the Contractor shall be entitled to receive such excess General Conditions cost to the extent attributable to changes in the Work, provided further, however, that there shall be no increase in the amount that the Contractor is entitled to receive for such excess General Conditions costs to the extent attributable to the first five hundred thousand dollars ($500,000) of direct increases in the Cost of the Work (excluding General Conditions and Contractor's Fee) arising from changes in the Work unless the Contractor demonstrates to the Owner's reasonable satisfaction that a material increase in the General Conditions costs was also attributable to the time during the stage of

construction when such changes in the Work were made. Notwithstanding anything to the contrary in any of the Contract Documents, the General Conditions costs shall be paid to the Contractor in monthly installments which, for any month, shall be calculated by dividing the remaining General Conditions amounts by the number of months from that month to the schedule date for Substantial Completion of all the Work.

7.4 GMP BREAKDOWN

7.4.1 The GMP Breakdown includes a "Contingency" line item in the amount noted thereon. Following the execution of this Agreement, the Contractor, with the participation of the Owner and the Architect, shall select Subcontractors and suppliers who shall provide labor, equipment and materials related to completion of the Work. As this "buyout" process is completed, the GMP Breakdown shall be revised and the actual costs associated with the line items in the GMP Breakdown attached hereto shall be incorporated into such GMP Breakdown. Any net savings between the estimated costs as reflected in the original GMP Breakdown

and the actual Subcontractor and supplier award amounts resulting from the buyout process shall be allocated to the "Contingency" line item. The Contingency shall be an amount available to reimburse the Contractor for unanticipated costs for any of the Cost of the Work items provided for in Article 7 (including the cost incurred by the Contractor in repairing or correcting defective or nonconforming Work to the extent otherwise permitted under Articles 7 and 8 hereof, subject to the provisions of Paragraph 7.4.2). The Contractor shall notify the Owner monthly in writing with its Applications for Payment of costs that the Contractor proposes be charged to the Contingency, together with an explanation of the reason such cost is to be incurred. Notwithstanding anything to the contrary, no more than $140,000 shall be charged to the Contingency for General Conditions items without the prior written consent of the Owner.

7.4.2 Notwithstanding anything to the contrary, the Contractor shall not apply any portion of the Contingency for costs incurred in repairing or correcting defective or nonconforming Work subsequent to final payment.

7.5 COSTS

7.5.1 Costs as defined herein shall be actual costs paid by the Contractor, less all discounts, rebates and salvages which shall be taken by the Contractor, subject to Article 9 of the Agreement.

7.5.2 Notwithstanding the breakdown or categorization of any costs to be reimbursed in this Article 7 or elsewhere in the Contract Documents, there shall be no duplication of payment in the event any particular items for which payment is requested can be characterized as falling into more than one of the types of compensable or reimbursable categories.

ARTICLE 8
COSTS NOT TO BE REIMBURSED

8.1 The Cost of the Work shall not include:

8.1.1 Salaries and other compensation of the Contractor's personnel stationed at the Contractor's principal office or offices other than the site office, except as specifically provided in Clauses 7.1.1.2 and 7.1.1.3 or as may be provided in Article 14.

8.1.2 Expenses of the Contractor's principal office and offices other than the site office.

8.1.3 Overhead and general expenses, except as may be expressly included in Article 7.

8.1.4 The Contractor's capital expenses, including interest on the Contractor's capital employed for the Work.

8.1.5 Rental costs of machinery and equipment, except as specifically provided in Clause 7.1.4.2.

8.1.6 Except as provided in Subparagraphs 7.2.2 through 7.2.4 and Paragraph 13.5 of this Agreement, costs due to the fault or negligence of the Contractor, Subcontractors, anyone directly or indirectly employed by any of them, or for whose acts any of them may be liable, including but not limited to costs for the correction of damaged, defective or nonconforming Work, disposal and replacement of materials and equipment incorrectly ordered or supplied, and making good damage to property not forming part of the Work.

8.1.7 Any cost not specifically and expressly described in Article 7.

8.1.8 Costs which would cause the Guaranteed Maximum Price, if any, to be exceeded.

ARTICLE 9
DISCOUNTS, REBATES AND REFUNDS

9.1 Cash discounts obtained on payments made by the Contractor shall accrue to the Owner if (1) before making the payment, the Contractor included them in an Application for Payment and received payment therefor from the Owner, or (2) the Owner has deposited funds with the Contractor with which to make payments, otherwise, cash discounts shall accrue to the Contractor. Trade discounts, rebates, refunds and amounts received from sales of surplus materials and equipment shall accrue to the Owner, and the Contractor shall make provisions so that they can be secured. The Contractor shall not obtain for its own benefit any discounts, rebates or refunds in connection with the Work prior to providing the Owner with seven (7) days prior written notice of the potential discount, rebate or refund and an opportunity to furnish funds necessary to obtain such discount, rebate or refund on behalf of the Owner in accordance with the requirements of this Paragraph 9.1.

9.2 Amounts which accrue to the Owner in accordance with the provisions of Paragraph 9.1 shall be credited to the Owner as a deduction from the Cost of the Work.

ARTICLE 10
SUBCONTRACTS AND OTHER AGREEMENTS

10.1 Those portions of the Work that the Contract or does not customarily perform with the Contractor's own personnel shall be performed under subcontracts or by other appropriate agreements with the Contractor. The Contractor shall obtain bids from Subcontractors and from suppliers of materials or equipment fabricated especially for the Work and shall deliver such bids to the Architect. The Owner will then determine, with the advice of the Contractor and subject to the reasonable objection of the Architect, which bids will be accepted. The Owner may designate specific persons or entities from whom the Contractor shall obtain bids; however, if a Guaranteed Maximum Price has been established, the Owner may not prohibit the Contractor from obtaining bids from others. The Contractor shall not be required to contract with anyone to whom the Contractor has reasonable objection.

10.2 If a Guaranteed Maximum Price has been established and a specific bidder among those whose bids are delivered by the Contractor to the Architect (1) is recommended to the Owner by the Contractor; (2) is qualified to perform that portion of the Work; and (3) has submitted a bid which conforms to the requirements of the Contract Documents without unreasonable reservations or exceptions, but the Owner requires that another bid be accepted; then the Contractor may require that a Change Order be issued to adjust the Guaranteed Maximum Price by the difference between the bid of the person or entity recommended to the Owner by the Contractor and the amount of the subcontract or other agreement actually signed with the person or entity designated by the Owner.

10.3 Subcontracts or other agreements shall conform to the payment provisions of Paragraphs 12.7 and 12.8, and shall not be awarded on the basis of cost plus a fee without the prior consent of the Owner.

10.4 The Contractor shall not perform any trade Work with the Contractor's own forces, or through an Affiliate (as hereinafter defined), except for the

trade Work specifically listed on Schedule G attached hereto and made a part hereof (the "Permitted Contractor Trade Work"). In no event shall the Cost of the Work attributable to any item of Permitted Contractor Trade Work exceed the amount therefor specified on Schedule G. Such agreement shall, without limitation, satisfy all requirements for Subcontracts as set forth in Paragraph 5.3.1 of the General Conditions. The term "Affiliate" is hereby deemed to mean any party or entity related to or affiliated with the Contractor or in which the Contractor has direct or indirect ownership or control, including, without limitation: (i) any entity owned in whole or in part by the Contractor; (ii) any party or entity with more than five percent (5.0%) interest in the Contractor; and (iii) any entity in which any officer, director, employee, partner or shareholder (or member of the family of any of the foregoing persons) of the Contractor or any entity owned by the Contractor has a direct or indirect interest.

ARTICLE 11
ACCOUNTING RECORDS

11.1 The Contractor shall keep full and detailed accounts and exercise such controls as may be necessary for proper financial management under this Contract; the accounting and control systems shall be satisfactory to the Owner. The Owner and the Owner's accountants shall be afforded access to the Contractor's records, books, correspondence, instructions, drawings, receipts, subcontracts, purchase orders, vouchers, memoranda and other data relating to this Contract, and the Contractor shall preserve these for a period of three years after final payment, or for such longer period as may be required by law.

11.2 Records to be available for audit shall include but not be limited to accounting records, written policies and procedures; contract and subcontract files (including proposals of successful and unsuccessful bidders, bid recaps, etc.); original estimates; estimating worksheets; correspondence invoices; change order files (including documentation covering negotiated settlements); backcharge logs and supporting documents; general ledger entries detailing cash and trade discounts earned, insurance rebates and dividends; and any other supporting evidence deemed necessary to substantiate charges. These records shall be open to inspection and subject to audit and/or reproduction to the extent necessary to adequately permit evaluation and verification of the Cost of the Work, and any invoices, change orders, payments or claims submitted by the contractor or vendor to any of his payees pursuant to the execution of the Agreement.

11.3 Such audits may require inspection and copying from time to time and at reasonable times and places of any and all information, materials and data of every kind and character, including without limitation, records, books, papers, documents, subscriptions, recordings, agreements, purchase orders, leases, contracts, commitments, arrangements, notes, daily diaries, superintendent's reports, drawings, receipts, vouchers and memoranda, and any and all other agreements, sources of information and matters that have any bearing on or pertain to any records subject to audit. This material shall also include, but not be limited to, those records necessary to evaluate and verify direct and indirect costs (including overhead allocations).

11.4 Access shall be afforded to all of the Contractor's records, and the auditor shall be allowed to interview any of the Contractor's employees, for a period of three years after final payment or longer if required by law.

11.5 Access shall be provided to the Contractor's facilities and all necessary records for the purpose of an audit, and adequate and appropriate work space will be provided in order to conduct audits in compliance with this article.

11.6 If an audit or examination of the Contractor's records discloses overcharges (of any nature) by the Contractor, then, at the Owner's option, either the Contractor shall immediately reimburse the Owner for such overcharge or the Owner may deduct the amount of such overcharges from amounts otherwise owed by the Owner to the Contractor.

ARTICLE 12
PROGRESS PAYMENTS

12.1 Based upon Applications for Payment, including all supporting documentation submitted to the Architect by the Contractor and Certificates for Payment issued by the Architect, the Owner shall make progress payments on account of the Contract Sum to the Contractor as provided below and elsewhere in the Contract Documents. The Contractor's Applications for Payment shall be submitted on AIA Document G702 together with AIA Document G703.

12.2 The period covered by each Application for Payment shall be one calendar month ending on the last day of the month, or as follows:

12.3 Provided an Application for Payment together with all required supporting documentation properly prepared and submitted is received by the Architect not later than the first day of a month, the Owner shall make payment to the Contractor not later than the second to last day of such month. If an Application for Payment is received by the Architect after the application date fixed above, payment shall be made by the Owner not later than forty-five (45) days after the Architect receives the Application for Payment.

12.4 With each Application for Payment the Contractor shall submit payrolls, petty cash accounts, receipted invoices or invoices with check vouchers attached, and any other evidence required by the Owner or Architect to demonstrate that cash disbursements already made by the Contractor on account of the Cost of the Work equal or exceed (1) progress payments already received by the Contractor; less (2) that portion of those payments attributable to the Contractor's Fee; plus (3) payrolls for the period covered by the present Application for Payment; plus (4) retainage provided in Subparagraph 12.5.4, if any, applicable to prior progress payments. In addition to other required items, each Application for Payment shall be accompanied by the following all in form and substance satisfactory to the Owner.

(1) A duly executed and acknowledged Contractor's Sworn Statement, in the form attached hereto as Exhibit A, showing all suppliers who have provided supplies and/or materials to the Project and Subcontractors with whom the Contractor has entered into subcontracts, the amounts of such subcontracts, the amount requested for any Subcontractor in the Application for Payment and the amount to be paid to the Contractor from such progress payment;

(2) A duly executed Waiver of Mechanics' and Materialmen's Lines from the Contractor in the form attached hereto as Exhibit B;

(3) Duly executed Waivers of Mechanics' and Materialmen's Lines, in the form attached hereto as Exhibit C, from all Subcontractors and suppliers;

(4) Applications for payment from each Subcontractor on AIA Document G702 together with AIA Document G703;

until the date of expiration as noted below.

(5) A revised Construction Schedule, updated to reflect actual conditions in accordance with subparagraph 3.10.4 of the General Conditions; and

(6) Such other information, documentation and materials as the Owner or the Architect may require.

12.5 CONTRACTS WITH A GUARANTEED MAXIMUM PRICE

12.5.1 Each Application for Payment shall be based upon the most recent schedule of values submitted by the Contractor in accordance with the Contract Documents. The schedule of values shall allocate the entire Guaranteed Maximum Price among the various portions of the Work, except that the Contractor's Fee shall be shown as a single separate item. The schedule of values shall be prepared in such form and supported by such data to substantiate its accuracy as the Architect may required. This schedule, unless objected to by the Architect, shall be used as a basis for reviewing the Contractor's Applications for Payment.

12.5.2 Applications for Payment shall show the percentage completion of each portion of the Work as of the end of the period covered by the Application for Payment. The percentage completion shall be the lesser of (1) the percentage of that portion of the Work which has actually been completed or (2) the percentage obtained by dividing (a) the expense which has actually been incurred by the Contractor on account of that portion of the Work for which the Contractor has made or intends to make actual payment prior to the next Application for Payment by (b) the share of the Guaranteed Maximum Price allocated to that portion of the Work in the schedule of values.

12.5.3 Subject to other provisions of the Contract Documents, the amount of each progress payment shall be computed as follows:

12.5.3.1 Take that portion of the Guaranteed Maximum Price properly allocable to completed Work as determined by multiplying the percentage completion of each portion of the Work by the share of the Guaranteed Maximum Price allocated to that portion of the Work in the schedule of values. Pending final determination of cost to the Owner of changes in the Work, amounts not in dispute may be included as provided in Subparagraph 7.3.7 of the General Conditions, even though the Guaranteed Maximum Price has not yet been adjusted by Change Order. Except with respect to General Conditions items, amounts payable in accordance with this Subparagraph 12.5.3.1 shall be reduced by retainage in the amount of ten percent (10.0%). Retainage shall not be withheld from amounts payable to the Construction manager for General Conditions items. Notwithstanding the foregoing, at the Owner's discretion and subject to the approval of the Owner's construction lender, no additional retainage will be withheld from amounts payable under this subparagraph after such time as the total Cost of the Work completed, as reflected in Applications for Payment certified by the Architect, equals fifty percent (50%) of the Guaranteed Maximum Price.

12.5.3.2 Add that portion of the Guaranteed Maximum Price properly allocable to materials and equipment delivered and suitably stored at the site for subsequent incorporation in the Work or, if approved in advance by the Owner and permitted by the Owner's construction lender, suitably stored off the site at a location agreed upon in writing. Amounts payable in accordance with this Subparagraph

12.5.3.2 shall be reduced by retainage of ten percent (10.0%). Notwithstanding the foregoing, at the Owner's discretion and subject to the approval of the Owner's construction lender, no additional retainage will be withheld from amounts payable under this subparagraph after such time as the total Cost of the Work completed, as reflected in Applications for Payment certified by the Architect, equals fifty percent (50%) of the Guaranteed Maximum Price.

12.5.3.3 Add the Contractor's Fee, less retainage of ten percent (10.0%). The Contractor's Fee shall be computed upon the Cost of Work described in the two preceding Clauses at the rate stated in Paragraph 5.1 or, if the Contractor's Fee is stated as a fixed sum in that Paragraph, shall be an amount which bears the same ratio to that fixed-sum Fee as the Cost of the Work in the two preceding Clauses bears to a reasonable estimate of the probable Cost of the Work upon its completion. Notwithstanding the foregoing, at the Owner's discretion and subject to the approval of the Owner's construction lender, no additional retainage will be withheld from amounts payable under this subparagraph after such time as the total Cost of the Work completed, as reflected in Applications for Payment certified by the Architect, equals fifty percent (50%) of the Guaranteed Maximum Price.

12.5.3.4 Subtract the aggregate of previous payments made by the Owner.

12.5.3.5 Subtract the shortfall, if any, indicated by the Contractor in the documentation required by Paragraph 12.4 to substantiate prior Applications for Payment, or resulting from errors subsequently discovered by the Owner's accountants in such documentation.

12.5.3.6 Subtract amounts, if any, for which the Architect has withheld or nullified a Certificate for Payment as provided in Paragraph 9.5 of the General Conditions.

12.5.4 Additional retainage, if any, shall be as follows:
(If it is intended to retain additional amounts from progress payments to the Contractor beyond (1) the retainage from the Contractor's Fee provided in Clause 12.5.3.3, (2) the retainage from Subcontractors provided in Paragraph 12.7 below, and (3) the retainage, if any, provided by other provisions of the Contract, insert provision for such additional retainage here. Such provision, if made, should also describe any arrangement for limiting or reducing the amount retained after the Work reaches a certain state of completion.)

12.6 CONTRACTS WITHOUT A GUARANTEED MAXIMUM PRICE

12.7 Except with the Owner's prior approval, payments to Subcontractors included in the Contractor's Applications for Payment shall not exceed an amount for each Subcontractor calculated as follows:

12.7.1 Take that portion of the Subcontract Sum properly allocable to completed Work as determined by multiplying the percentage completion of each portion of the Subcontractor's Work by the share of the total Subcontract Sum allocated to that portion in the Subcontractor's

schedule of values, less retainage of ten percent (10.0%). Pending final determination of amounts to be paid to the Subcontractor for changes in the Work, amounts not in dispute may be included as provided in Subparagraph 7.3.7 of the General Conditions even though the Subcontract Sum has not yet been adjusted by Change Order. Notwithstanding the foregoing, the Owner's discretion and subject to the approval of the Owner's construction lender in each instance, after such time as the total Cost of the Work completed, as reflected in Applications for Payment certified by the Architect, equals fifty percent (50%) of the Guaranteed Maximum Price: (1) no additional retainage shall be withheld from amounts payable to a Subcontractor after such time as the Cost of the Work

allocable to Subcontractor's Work completed, as reflected in Applications for Payment certified by the Architect, equals fifty percent (50%) of the Subcontract Sum; and (2) the entire retainage allocable to such Subcontractor's Work shall be released when such Subcontractor fully performs such Subcontractor's Work.

12.7.2 Add that portion of the Subcontract Sum properly allocable to materials and equipment delivered and suitably stored at the site for subsequent incorporation in the Work or, if approved in advance by the Owner, suitable stored off the site at a location agreed upon in writing, less retainage of ten percent (10%).

12.7.3 Subcontract the aggregate of previous payments made by the Contractor to the Subcontractor.

12.7.4 Subtract amounts, if any, for which the Architect has withheld or nullified a Certificate for Payment by the Owner to the Contractor for reasons which are the fault of the Subcontractor.

12.8 Except with the Owner's prior approval, the Contractor shall not make advance payments to suppliers for materials or equipment which have not be delivered and stored at the site.

12.9 In taking action on the Contractor's Applications for Payment, the Architect shall be entitled to rely on the accuracy and completeness of the information furnished by the Contractor and shall not be deemed to represent that the Architect has made a detailed examination, audit or arithmetic verification of the documentation submitted in accordance with Paragraph 12.4 or other supporting data; that the Architect has made exhaustive or continuous on-site inspections or that the Architect has made examinations to ascertain how or for what purposes the Contractor has used amounts previously paid on account of the Contract. Such examinations, audits and verifications, if required by the Owner, will be performed by the Owner's accountants acting in the sole interest of the Owner.

12.10 Upon achievement of Substantial Completion of the Work, the Owner shall release all retainage to the Contractor except an amount equal to two hundred percent (200%) of the value of incomplete or defective Work as identified in the Punchlist.

ARTICLE 13
FINAL PAYMENT

13.1 Final payment shall be made by the Owner to the Contractor when (1) the Contract has been fully performed by the Contractor except for the Contractor's responsibility to correct defective or nonconforming Work, as provided in Subparagraph 12.2.2 of the General Conditions, and to satisfy other requirements, if any, which necessarily survive final payment; (2) a final Application for Payment and a final accounting for the Cost of the Work and all supporting documentation have been submitted by the Contractor and reviewed by the Owner's accountants; and (3) a final Certificate for Payment has then been issued by the Architect; such final payment shall be made by the Owner not more than 30 days after the issuance of the Architect's final Certificate for Payment, or as follows:

13.2 The amount of the final payment shall be calculated as follows:

13.2.1 Take the sum of the Cost of the Work substantiated by the Contractor's final accounting and the Contractor's Fee; but not more than the Guaranteed Maximum Price, if any.

13.2.2 Subtract amounts, if any, for which the Architect withholds, in whole or in part, a final Certificate for Payment as provided in Subparagraph 9.5.1 of the General Conditions or other provisions of the Contract Documents.

13.2.3 Subtract the aggregate of previous payments made by the Owner.

If the aggregate of previous payments made by the Owner exceeds the amount due the Contractor, the Contractor shall reimburse the difference to the Owner.

13.3 The Owner's accountants will review and report in writing on the Contractor's final accounting within 30 days after delivery of the final accounting to the Architect by the Contractor. Based upon such Cost of the Work as the Owner's accountants report to be substantiated by the Contractor's final accounting, and provided the other conditions of Paragraph 13.1 have been met, the Architect will, within seven days after receipt of the written report of the Owner's accountants, either issue to the Owner a final Certificate for Payment with a copy to the Contractor, or notify the Contractor and Owner in writing of the Architect's reasons for withholding a certificate as provided in Subparagraph 9.5.1 of the General Conditions. The time periods stated in this Paragraph 13.3 supersede those stated in Subparagraph 9.4.1 of the General Conditions.

13.4 If the Owner's accountants report the Cost of the Work as substantiated by the Contractor's final accounting to be less than claimed by the Contractor, the Contractor shall be entitled to demand arbitration of the disputed amount without a further decision of the Architect. Such demand for arbitration shall be made by the Contractor within 30 days after the Contractor's receipt of a copy of the Architect's final Certificate for Payment; failure to demand arbitration within this 30-day period shall result in the substantiated amount reported by the

Owner's accountants becoming binding on the Contractor. Pending a final resolution by arbitration, the Owner shall pay the Contractor the amount certified in the Architect's final Certificate for Payment.

13.5 If, subsequent to final payment and at the Owner's request, the Contractor incurs costs described in Article 7 and not excluded by Article 8 to correct defective or nonconforming Work, the Owner shall reimburse the Contractor such costs and the Contractor's Fee applicable thereto on the same basis as if such costs had been incurred prior to final payment, but not in excess of the Guaranteed Maximum Price, if any. If the Contractor has participated in savings as provided in Paragraph 5.2, the amount of such savings shall be recalculated and appropriate credit given to the Owner in determining the net amount to be paid by the Owner to the Contractor.

ARTICLE 14
MISCELLANEOUS PROVISIONS

14.1 Where reference is made in this Agreement to a provision of the General Conditions or another Contract Document, the reference refers to that provision as amended or supplemented by other provisions of the Contract Documents.

14.2 Payments due and unpaid under the Contract shall bear interest from the date payment is due at the rate equal to the "prime rate" as published in THE WALL STREET JOURNAL on the date such payment was due or, if THE WALL STREET JOURNAL was not published on such date, the corresponding rate in the next issue of THE WALL STREET JOURNAL published after the due date.

(USURY LAWS AND REQUIREMENTS UNDER THE FEDERAL TRUTH IN LENDING ACT, SIMILAR STATE AND LOCAL CONSUMER CREDIT LAWS AND OTHER REGULATIONS AT THE OWNER'S AND CONTRACTOR'S PRINCIPAL PLACES OF BUSINESS, THE LOCATION OF THE PROJECT AND

ELSEWHERE MAY AFFECT THE VALIDITY OF THIS PROVISION. LEGAL ADVICE SHOULD BE OBTAINED WITH RESPECT TO DELETIONS OR MODIFICATIONS, AND ALSO REGARDING REQUIREMENTS SUCH AS WRITTEN DISCLOSURES OR WAIVERS.)

14.3 Other provisions:

14.3.1 The Contractor represents and warrants the following to the Owner (in addition to any other representations and warranties contained in the Contract Documents) as a material inducement to the Owner to execute this Agreement, which representations and warranties shall survive the execution and delivery of this Agreement, any termination of this Agreement and the final completion of the Work;

(1) the Contractor is financially solvent, able to pay all debts as they mature and possessed of sufficient working capital to complete the Work and perform all obligations hereunder;

(2) the Contractor is able to furnish the plant, tools, materials, supplies, equipment and labor required to complete the Work and perform its obligations hereunder and has sufficient experience and competence to do so;

(3) the Contractor is authorized to do business in the Commonwealth of Massachusetts and is properly licensed by all necessary governmental and public and quasi-public authorities having jurisdiction over the Contractor and over the Work and the Project;

(4) the Contractor's execution of this Agreement and performance thereof is within the Contractor's duly authorized powers;

(5) the Contractor's duly authorized representative has visited the site of the Project and is familiar with the local conditions under which the Work is to be performed and has correlated observations with the requirements of the Contract Documents; and

(6) the Contractor possesses a high level of experience and expertise in the business administration, construction, construction management and superintendence of projects of the size, complexity and nature of this particular Project and will perform the Work with the care, skill and diligence of such a contractor.

14.3.2 The Contractor acknowledges that the Owner may finance the Work with funds provided and/or administered by a construction lender (the "Lender"). The Contractor agrees to use its best efforts to comply with the requirements of the Lender which bear upon the performance of the Work. The Contractor shall also:

(1) make the site of the Work available at reasonable times for inspection by the Lender or the Lender's representatives;

(2) consent to and execute all documents reasonably requested by the Owner in connection with the assignment of this Agreement and the Drawings and Specifications to the Lender for collateral purposes; and

(3) promptly furnish the Owner with information, documents and materials that the Owner may reasonably request from time to time in order to comply with the requirements of the Lender.

14.3.3 Reference is hereby made to the Forest City Development Contractor Project Procedures Manual attached as Exhibit D hereto (the "Procedures Manual"). The Contractor acknowledges that the Procedures Manual forms a part of this Agreement and agrees to comply with the terms and provisions thereof. In

the event of any conflict between the terms and provisions of the Procedures Manual and the other terms of this Agreement, such terms and provisions shall be interpreted so as to require the most substantial and comprehensive performance of the Work and better quality or greater quantity of Work.

14.3.4 Reference is hereby made to the Construction Management Plan dated September 11, 2000, a copy of which is attached as Exhibit E hereto (as amended from time to time, the "Construction Management Plan"). The Contractor acknowledges that the Construction Management Plan forms a part of this Agreement and agrees to comply with the terms and

provisions thereof to the extent applicable to the Work. In the event of any conflict between the terms and provisions of the Construction Management Plan and the other terms of this Agreement, such terms and provisions shall be interpreted so as to require the most substantial and comprehensive performance of the Work and better quality and greater quantity of Work.

ARTICLE 15
TERMINATION OR SUSPENSION

15.1 The Contract may be terminated by the Contractor as provided in Article 14 of the General Conditions, however, the amount to be paid to the Contractor under Subparagraph 14.1.2 of the General Conditions shall not exceed the amount the Contractor would be entitled to receive under Paragraph 15.3 below, except that unless such termination is based on the reasons set forth in 14.1.1.1 or 14.1.1.2, the Contractor's Fee shall be calculated as if the Work had been fully completed by the Contractor, including a reasonable estimate of the Cost of the Work for Work not actually completed.

15.2 If a Guaranteed Maximum Price is established in Article 5, the Contract may be terminated by the Owner for cause as provided in Article 14 of the General Conditions; however, the amount, if any, to be paid to the Contractor under Subparagraph 14.2.4 of the General Conditions shall not cause the Guaranteed Maximum Price to be exceeded, nor shall it exceed the amount the Contractor would be entitled to receive under Paragraph 15.3 below.

15.3 If no Guaranteed Maximum Price is established in Article 5, the Contract may be terminated by the Owner for cause as provided in Article 14 of the General Conditions; however, the Owner shall then pay the Contractor an amount calculated as follows:

15.3.1 Take the Cost of the Work incurred by the Contractor to the date of termination.

15.3.2 Add the Contractor's Fee computed upon the Cost of the Work to the date of termination at the rate stated in Paragraph 5.1 or, if the Contractor's Fee is stated as a fixed sum in that Paragraph, an amount which bears the same ratio to that fixed-sum Fee as the Cost of the Work at the time of termination bears to a reasonable estimate of the probable Cost of the Work upon its completion.

15.3.3 Subtract the aggregate of previous payments made by the Owner. The Owner shall also pay the Contractor fair compensation, either by purchase or rental at the election of the Owner, for any equipment owned by the Contractor which the Owner elects to retain and which is not otherwise included in the Cost of the Work under Subparagraph 15.3.1. To the extent that the Owner elects to take legal assignment of subcontracts and purchase orders (including rental agreements), the Contractor shall, as a condition of receiving the payments referred to in this Article 15, execute and deliver all such papers and take such steps, including the legal assignment of such subcontracts and other contractual rights of the Contractor, as the Owner may require for the purpose

of fully vesting in the Owner the rights and benefits of the Contractor under such subcontracts or purchase orders. Unless the termination is for cause, the Contractor

may require the Owner, as a condition of assigning any subcontracts or purchase orders requested by the Owner, to agree to pay all sums owed the Subcontractor(s) or supplier(s) whose agreements are being assigned for (i) Work previously performed to the extent that such sums are due and owing and that the Contractor has not already received progress payments designated for payment of such Work and (ii) for services thereafter rendered and materials thereafter furnished in accordance with the terms of such subcontracts or purchase orders.

15.4 The Work may be suspended by the Owner as provided in Article 14 of the General Conditions; in such case, the Guaranteed Maximum Price, if any, shall be increased as provided in Subparagraph 14.3.2 of the General Conditions except that the term "cost of performance of the Contract" in that Subparagraph shall be understood to mean the Cost of the Work and the term "profit" shall be understood to mean the Contractor's Fee as described in Paragraphs 5.1 and 6.3 of this Agreement.

ARTICLE 16
ENUMERATION OF CONTRACT DOCUMENTS

16.1 The Contract Documents, except for Modifications issued after execution of this Agreement, are enumerated as follows:

16.1.1 The Agreement is this executed Standard Form of Agreement Between Owner and Contractor, AIA Document A111, 1987 Edition.

16.1.2 The General Conditions are the General Conditions of the Contract for Construction, AIA Document A201, 1987 Edition with modifications incorporated, all as contained in the document prepared using the AIA Electronic Format software and entitled "User Document: FC65LANDA201.DOC--10/17/2000."

16.1.3 [Deleted].

DOCUMENT	TITLE	PAGES

16.1.4 The Specifications are as described in Schedule D attached hereto and made a part hereof. (EITHER LIST THE SPECIFICATIONS HERE OR REFER TO AN EXHIBIT ATTACHED TO THIS AGREEMENT.)

SECTION	TITLE	PAGES

16.1.5 The Drawings are as described in Schedule D attached hereto and made a part hereof. (EITHER LIST THE DRAWINGS HERE OR REFER TO AN EXHIBIT ATTACHED TO THIS AGREEMENT.)

NUMBER	TITLE	DATE

16.1.6 The Addenda, if any, are as follows:

AIA DOCUMENT A111 - OWNER-CONTRACTOR AGREEMENT - TENTH EDITION - AIA - COPYRIGHT 1987 - THE AMERICAN INSTITUTE OF ARCHITECTS, 1735 NEW YORK AVENUE N.W., WASHINGTON D.C. 20006-5292. Unlicensed photocopying violates U.S. copyright laws and is subject to legal prosecution. This document was electronically produced with permission of the AIA and can be reproduced without violation until the date of expiration as noted below.

Electronic Format A111-1987

NUMBER	DATE	PAGES
NONE		

Portions of Addenda relating to bidding requirements are not part of the Contract Documents unless the bidding requirements are also enumerated in this Article 16.

16.1.7 Other Documents, if any, forming part of the Contract Documents are as follows: (LIST HERE ANY ADDITIONAL DOCUMENTS WHICH ARE INTENDED TO FORM PART OF THE CONTRACT DOCUMENTS. THE GENERAL CONDITIONS PROVIDE THAT BIDDING REQUIREMENTS SUCH AS ADVERTISEMENT OR INVITATION TO BID, INSTRUCTIONS TO BIDDERS, SAMPLE FORMS AND THE CONTRACTOR'S BID ARE NOT PART OF THE CONTRACT DOCUMENTS UNLESS ENUMERATED IN THIS AGREEMENT. THEY SHOULD BE LISTED HERE ONLY IF INTENDED TO BE PART OF THE CONTRACT DOCUMENTS.)

The following Schedules and Exhibits form part of the Contract Documents*:

Schedule A -	Intentionally Omitted
Schedule B -	Guaranteed Maximum Price Breakdown
Schedule C -	GMP Qualifications and Assumptions
Schedule D -	List of GMP Drawings and Specifications
Schedule E -	Allowance Items and Alternates
Schedule F -	General Conditions Costs
Schedule G -	Contractor's Permitted Trade Work
Exhibit A -	Contractor's Sworn Statement
Exhibit B -	Contractor's Lien Waiver Form
Exhibit C -	Subcontractor/Supplier Lien Waiver Form
Exhibit D -	Procedures Manual
Exhibit E -	Construction Management Plan

This Agreement is entered into as of the day and year first written above and is executed in at least three original copies of which one is to be delivered to the Contractor, one to the Architect for use in the administration of the Contract, and the remainder to the Owner.

OWNER (SIGNATURE)

(PRINTED NAME AND TITLE)

CONTRACTOR

(PRINTED NAME AND TITLE)

(SIGNATURE)

* Schedules and Exhibits to be provided upon request.
