

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 1997

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: 0-19311

IDEC PHARMACEUTICALS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware

33-0112644

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

11011 Torreyana Road, San Diego, CA 92121
(Address of principal executive offices) (Zip code)

(619) 550-8500
(Registrant's telephone number, including area code)

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

Yes No

As of July 31, 1997, the Registrant had 18,826,904 shares of its common stock, \$.001 par value, issued and outstanding.

IDEC PHARMACEUTICALS CORPORATION
FORM 10-Q -- QUARTERLY REPORT
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1997

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PART I -- FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

IDEC PHARMACEUTICALS CORPORATION AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 30, 1997	December 31, 1996
	-----	-----
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,624	\$ 25,337
Securities available-for-sale	51,086	53,390
Current portion of note receivable	868	804
Contract research revenue receivables	3,585	3,635
Due from related party	2,887	1,532
Inventories	6,587	4,384
Prepaid expenses and other current assets	1,696	2,533
	-----	-----
Total current assets	78,333	91,615
Property and equipment, net	23,442	21,453
Note receivable, less current portion	--	445
Deposits and other assets	390	316
	-----	-----
	\$ 102,165	\$ 113,829
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of notes payable	\$ 3,588	\$ 3,830
Accounts payable	2,322	3,106
Accrued expenses and other liabilities	10,339	6,751

Total current liabilities	----- 16,249	----- 13,687
Notes payable, less current portion	3,495	5,015
Other long-term liabilities	1,821	1,513
Due to related party	1,000	1,000
Stockholders' equity:		
Convertible preferred stock, \$.001 par value	--	--
Common stock, \$.001 par value	19	18
Additional paid-in capital	177,614	176,448
Unrealized losses on securities available-for-sale	(115)	(37)
Accumulated deficit	(97,918)	(83,815)
Total stockholders' equity	----- 79,600	----- 92,614
	----- \$ 102,165	----- \$ 113,829
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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IDEC PHARMACEUTICALS CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data) (unaudited)

	Three months ended June 30,		Six months ended June 30,	
	1997	1996	1997	1996
Revenues:				
Revenue from unconsolidated joint business	\$ 1,878	\$ --	\$ 1,878	\$ --
Contract research revenues	2,524	3,064	5,188	6,000
License fees	1,000	2,500	5,000	9,500
Sales	--	1,505	--	1,505
	-----	-----	-----	-----
	5,402	7,069	12,066	17,005
Operating expenses:				
Manufacturing expenses	5,214	1,384	5,214	1,384
Research and development	10,292	7,078	17,766	12,719
Selling, general and administrative	2,498	1,607	4,706	3,461
	-----	-----	-----	-----
	18,004	10,069	27,686	17,564
Loss from operations	(12,602)	(3,000)	(15,620)	(559)
Interest income (expense), net	731	(490)	1,517	(1,084)
	-----	-----	-----	-----
Net loss	\$ (11,871)	\$ (3,490)	\$ (14,103)	\$ (1,643)
	=====	=====	=====	=====
Net loss per share common share	\$ (0.63)	\$ (0.22)	\$ (0.76)	\$ (0.11)
	=====	=====	=====	=====
Shares used in computing net loss per common share	18,724	15,687	18,461	15,419
	=====	=====	=====	=====

See accompanying notes to condensed consolidated financial statements.

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IDEC PHARMACEUTICALS CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

(unaudited)

	Six months ended June 30,	
	1997	1996
Cash flows from operating activities:		
Net cash used in operating activities	\$ (11,523)	\$ (320)
Cash flows from investing activities:		
Purchase of property and equipment	(3,841)	(779)
Purchase of securities available-for-sale	(24,084)	(13,747)
Sales and maturities of securities available-for-sale	26,311	4,816
Net cash used in investing activities	(1,614)	(9,710)
Cash flows from financing activities:		
Proceeds from issuance of common stock	1,185	47,318
Proceeds from issuance of preferred stock	--	12,500
Proceeds from notes payable	--	1,109
Payments on notes payable	(1,761)	(1,721)
Net cash provided by (used in) financing activities	(576)	59,206
Net increase (decrease) in cash and cash equivalents	(13,713)	49,176
Cash and cash equivalents, beginning of period	25,337	18,828
Cash and cash equivalents, end of period	\$ 11,624	\$ 68,004

See accompanying notes to condensed consolidated financial statements.

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IDEC PHARMACEUTICALS CORPORATION AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information at June 30, 1997, and for the three- and six-month periods ended June 30, 1997 and 1996, is unaudited. In the opinion of management, these condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results for the interim periods presented. Interim results are not necessarily indicative of results for a full year. These financial statements should be read in conjunction with IDEC Pharmaceuticals Corporation's (the "Company") Annual Report to Shareholders incorporated by reference in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, which was filed with the United States Securities and Exchange Commission on March 31, 1997.

New Accounting Standard

On March 3, 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 "Earnings per Share" ("Statement No. 128"). Statement No. 128 supersedes Accounting Principles Board Opinion No. 15 ("APB No. 15") and replaces "primary" and "fully diluted" earnings per share ("EPS") under APB No. 15 with "basic" and "diluted" EPS. Unlike primary EPS, basic EPS excludes the dilutive effects of options, warrants and other convertible securities. Diluted EPS reflects the potential dilution of securities that could share in the earnings of an entity, similar to fully diluted EPS. Statement No. 128 is effective for years ending after December 15, 1997. The Company is currently evaluating the impact of the implementation of Statement No. 128.

Reclassification

The prior year balances in preferred stock, common stock and additional

paid-in capital have been reclassified to effect the change in par value to \$.001 per share resulting from stockholder approval on May 22, 1997, of a change in the state of incorporation of the Company from the State of California to the State of Delaware.

NOTE 2. RELATED PARTY ARRANGEMENTS

In March 1995, the Company and Genentech, Inc. ("Genentech") entered into a collaborative agreement for the clinical development and commercialization of the Company's anti-CD20 monoclonal antibody, Rituxan(TM) (formerly IDEC-C2B8), for the treatment of non-Hodgkin's B-cell lymphomas. In February 1996, the parties extended this collaboration to include two radioconjugates, IDEC-Y2B8 and IDEC-In2B8, also for the treatment of B-cell lymphomas. Concurrent with the collaborative agreement, the Company and Genentech also entered into an expression technology license agreement for a proprietary gene expression technology developed by the Company and a preferred stock purchase agreement providing for certain equity investments in the Company by Genentech. Under the terms of these agreements, the Company may receive payments totaling \$57,000,000, subject to the attainment of certain milestone events. Genentech may terminate this agreement for any reason. For the six months ended June 30, 1997, the Company recognized \$1,500,000, in license fees under these agreements.

In addition, the Company and Genentech will co-promote Rituxan and IDEC-Y2B8 in the United States and the Company and Genentech's sublicensee will co-promote Rituxan in Canada under a joint business arrangement, with the Company receiving a share of the profits. Additionally, the Company has an obligation to supply Rituxan for the first two years after regulatory approval of Rituxan with an option to continue supplying Rituxan thereafter. Included in inventory at June 30, 1997, is \$3,577,000 in finished goods inventory that will be sold to Genentech. Included in revenue from unconsolidated joint business for the three and six months ended June 30, 1997 is \$1,878,000 for bulk Rituxan sold to Genentech.

Under the terms of separate agreements with Genentech, commercialization of Rituxan outside the United States will be the responsibility of F. Hoffmann-La Roche Ltd, one of the world's largest pharmaceuticals firms, except in Japan where Zenyaku Kogyo Co., Ltd. ("Zenyaku") will be responsible for development, marketing and sales. The Company will receive royalties on sales outside the U.S. and Canada. Additionally, the Company will receive royalties on sales of any Genentech products manufactured using the Company's proprietary gene expression system.

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

OVERVIEW

IDEC Pharmaceuticals Corporation (the "Company") is primarily engaged in the research and development of targeted immunotherapies for the treatment of cancer and autoimmune and inflammatory diseases. To date, the Company has not received any revenues from the commercial sale of its products. The Company has funded its operations primarily through the sale of equity securities as well as through contract research and license fee revenues received in connection with collaborative arrangements entered into with the Company's strategic partners.

The Company has incurred increasing annual operating expenses and, as the Company prepares for product commercialization, it expects such trends to continue. The Company has incurred annual operating losses since its inception in 1985, and the transition of the Company to profitability will be dependent upon the timing of regulatory approval and the commercial success of Rituxan(TM) (formerly IDEC-C2B8). As of June 30, 1997, the Company had an accumulated deficit of \$97.9 million.

RESULTS OF OPERATIONS

Revenue from unconsolidated joint business consist of bulk Rituxan sales to Genentech, Inc. ("Genentech"), the Company's development partner.

Contract research revenues for the three and six months ended June 30, 1997 totaled \$2.5 million and \$5.2 million, respectively, compared to \$3.1 million and \$6.0 million for the comparable periods in 1996. The decrease in contract research revenues for the three and six months ended June 30, 1997 is primarily due to the expiration in December 1996 of a collaborative and license agreement with Mitsubishi Chemical Corporation.

License fees for the three and six months ended June 30, 1997 totaled \$1.0 million and \$5.0 million, respectively, compared to \$2.5 million and \$9.5 million for the comparable periods in 1996. License fees for the six months ended June 30, 1997 consist of a license fee received from Boehringer Ingelheim

GmbH for the license of the Company's proprietary gene expression technology for the manufacture of recombinant proteins ("gene expression technology"). License fees for the six months ended June 30, 1996, resulted from the achievement of a \$2.5 million patent milestone under the Company's collaboration with Genentech, \$4.5 million received for the license to Chugai Pharmaceutical Co., Ltd. of the Company's gene expression technology, \$1.5 million from Genentech for the expansion of its collaboration with the Company to include two radioconjugates, IDEC-Y2B8 and IDEC-In2B8 for the treatment and imaging, respectively, of B-cell lymphomas and \$1.0 million from Seikagaku Corporation ("Seikagaku") for the achievement of a product development milestone event. The Company continues to pursue other collaborative and license arrangements; however, no assurance can be given that discussions in this regard will result in any such arrangements or that the Company will receive significant revenues from any such collaborative or license arrangements.

Sales for the six months ended June 30, 1996 were a result of the Company completing a contract manufacturing arrangement.

Manufacturing expenses totaled \$5.2 million for the three and six months ended June 30, 1997, compared to \$1.4 million for the comparable periods in 1996. Manufacturing expenses for 1997 consist of manufacturing costs related to production of bulk Rituxan sold to Genentech and includes approximately \$2.0 million of costs associated with the start-up of the Company's manufacturing facility. Manufacturing expenses for 1996 were a result of the Company completing a contract manufacturing arrangement. The Company expects to continue incurring substantial additional manufacturing expenses as the Company continues to build Rituxan inventory in anticipation of marketing clearance from the United States Food and Drug Administration.

Research and development expenses totaled \$10.3 million and \$17.8 million for the three and six months ended June 30, 1997, respectively, compared to \$7.1 million and \$12.7 million for the comparable periods in 1996. Research and development expenses for the three and six months ended June 30, 1997 increased primarily due to an accrual of a \$3.0 million up-front licensing fee to Pharmacia & Upjohn for exclusive rights to 9-aminocamptothecin, a broad spectrum anti-cancer agent, and \$2.0 million of contract manufacturing costs representing about two-thirds of the production costs, for IDEC-Y2B8 in preparation for Phase III trials. These one-

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time charges were partially offset by the utilization of the Company's manufacturing facility for bulk production of Rituxan inventory in 1997 compared to research and development manufacturing production in 1996 of clinical material used for clinical trials. The Company expects to continue incurring substantial additional research and development costs in the future, due to expansion or addition of research and development programs; technology inlicensing costs and regulatory-related costs; preclinical and clinical testing of the Company's various products under development; and production scale-up and manufacturing of products used in clinical trials.

General and administrative expenses totaled \$2.5 million and \$4.7 million for the three and six months ended June 30, 1997, compared to \$1.6 million and \$3.5 million for the comparable periods in 1996. General and administrative expenses increased in 1997 due to higher personnel costs to support expanded manufacturing operations and initial costs incurred for the creation of a marketing and sales organization. General and administrative costs necessary to support expanded manufacturing capacity, expanded clinical trials, research and development and the creation of a marketing and sales organization are expected to increase in the foreseeable future.

Net interest income totaled \$0.7 million and \$1.5 million for the three and six months ended June 30, 1997, respectively, compared to net interest expense of \$0.5 million and \$1.1 million during the comparable periods in 1996. The increase in net interest income in 1997 from net interest expense in 1996 is due to higher balances in cash, cash equivalents and securities available-for-sale, a decrease in noncash interest charges for common stock warrants issued in connection with certain debt financings and a decrease in interest expense due to lower balances in notes payable.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations and capital expenditures since inception principally through the sale of equity securities, license fees, contract research revenues, lease financing transactions and interest income. The Company expects to finance its current and planned operating requirements principally through cash on hand and with funds from existing collaborative agreements and contracts which the Company believes will be sufficient to meet its near-term operating requirements. Existing agreements and contracts, however, could be canceled by the contracting parties. In addition, the Company may pursue additional capital through a combination of new collaborative

agreements, strategic alliances and equity and debt financings. However, no assurance can be provided that additional capital will be obtained through these sources on favorable terms or at all. Should the Company not enter into any such arrangements, the Company anticipates its cash, cash equivalents and securities available-for-sale, together with the existing agreements and contracts, will be sufficient to finance the Company's currently anticipated needs for operating and capital expenditures through early commercialization of its first product. If adequate funds are not available from additional sources of financing, or if the commercialization of Rituxan is delayed, the Company's business could be adversely affected.

The Company's working capital and capital requirements will depend upon numerous factors, including the progress of the Company's preclinical and clinical testing; manufacturing; research and development programs; timing and cost of obtaining regulatory approvals; levels of resources that the Company devotes to the development of manufacturing and marketing capabilities; technological advances; status of competitors; and the ability of the Company to establish collaborative arrangements with other organizations.

Until required for operations, the Company's policy under established guidelines is to keep its cash reserves in bank deposits, certificates of deposit, commercial paper, corporate notes, United States government instruments and other readily marketable debt instruments, all of which are investment-grade quality.

At June 30, 1997, the Company had \$62.7 million in cash, cash equivalents and securities available-for-sale compared to cash, cash equivalents and securities available-for-sale of \$78.7 million at December 31, 1996. Sources of cash, cash equivalents and securities available-for-sale at June 30, 1997 include \$1.2 million from the issuance of common stock under employee stock option and employee stock purchase plans. Uses of cash, cash equivalents and securities available-for-sale during the six months ended June 30, 1997 include \$11.5 million used in operations, \$3.8 million used to purchase capital equipment and \$1.8 million used to pay notes payable.

During the second quarter the Company completed the acquisition of worldwide rights from Pharmacia & Upjohn to 9-aminocamptothecin, a broad spectrum anti-cancer agent. Under the terms of the agreement, the Company will reimburse Pharmacia & Upjohn for a portion of their development costs by making an initial payment of \$3.0 million during the third quarter of 1997. Terms of the agreement require the Company to pay additional license fees upon the achievement of certain development milestone events. No royalties are payable to Pharmacia & Upjohn under

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the agreement. The acquisition costs for these technology rights are included in research and development expenses in the condensed consolidated financial statements as of June 30, 1997.

In July 1997, the Company received a \$3.0 million loan commitment to finance planned equipment purchases. Although no assurances can be provided that such loan will result, the Company anticipates finalizing the terms of this loan in the third quarter of 1997.

In August 1995, the Company completed receipt of funding under a \$10.0 million lease financing agreement to finance both equipment and facility improvements. Terms of the financing agreement require final principal payments of \$1.1 million and \$0.4 million in July 1998 and January 1999, respectively.

This quarterly report contains predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties. While this outlook represents our current judgment on the future direction of the business, such risks and uncertainties could cause actual results to differ materially from any future performance suggested above. The Company undertakes no obligation to release publicly the results of any revisions to these forward-looking statements to reflect events or circumstances arising after the date hereof other than as required by the Securities Exchange Act of 1934, as amended.

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RISK FACTORS

Lengthy Regulatory Process; No Assurance of Regulatory Approvals

The testing, manufacturing, labeling, advertising, promotion, export, and marketing, among other things, of IDEC Pharmaceuticals Corporation's ("IDEC Pharmaceuticals" or the "Company") products are subject to extensive regulation

by governmental authorities in the United States and other countries. In the United States, pharmaceutical products are regulated by the United States Food and Drug Administration ("FDA") under the Federal Food, Drug, and Cosmetic Act and other laws, including, in the case of biologics, the Public Health Service Act. At the present time, with the exception of 9-aminocamptothecin, the Company believes that its products will be regulated by the FDA as biologics. Manufacturers of biologics may also be subject to state regulations.

The steps required before a biologic may be approved for marketing in the United States generally include (i) preclinical laboratory tests and animal tests, (ii) the submission to the FDA of an Investigational New Drug application ("IND") for human clinical testing, which must become effective before human clinical trials may commence, (iii) adequate and well-controlled human clinical trials to establish the safety and efficacy of the product, (iv) the submission to the FDA of a Biological License Application ("BLA"), (v) FDA review of the BLA, and (vi) satisfactory completion of a FDA inspection of the manufacturing facility or facilities at which the product is made to assess compliance with current Good Manufacturing Practices ("cGMP"). The testing and approval process requires substantial time, effort and financial resources and there can be no assurance that any approval will be granted on a timely basis, if at all. The FDA may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable safety risk.

The results of the preclinical studies and clinical studies, together with detailed information on the manufacture and composition of the product, are submitted to the FDA in the form of a BLA requesting approval to market the product. Before approving a BLA, the FDA will inspect the facilities at which the product is manufactured, and will not approve the product unless safety and efficacy criteria and cGMP compliance is satisfactory. The FDA may deny a BLA if applicable regulatory criteria are not satisfied, may require additional testing or information, and/or may require postmarketing testing and surveillance to monitor the safety or efficacy of a product. There can be no assurance that FDA approval of any BLA submitted by the Company will be granted on a timely basis, if at all. Also, if regulatory approval of a product is granted, such approval may entail limitations on the indicated uses for which the product may be marketed.

Both before and after approval is obtained, violations of regulatory requirements may result in various adverse consequences, including the FDA's delay in approving or refusal to approve a product, withdrawal of an approved product from the market, and/or the imposition of criminal penalties against the manufacturer and/or license holder. For example, license holders are required to report certain adverse reactions among patients who use the Company's products to the FDA, and to comply with certain requirements concerning advertising and promotional labeling for their products. Also, quality control and manufacturing procedures must continue to conform to cGMP regulations after approval, and the FDA periodically inspects manufacturing facilities to assess compliance with cGMP. Accordingly, manufacturers must continue to expend time, monies and effort in the area of production and quality control to maintain cGMP compliance. In addition, discovery of problems may result in restrictions on a product, manufacturer or holder, including withdrawal of the product from the market. Also, new government requirements may be established that could delay or prevent regulatory approval of the Company's products under development.

The Company will also be subject to a variety of foreign regulations governing clinical trials and sales of its products. Whether or not FDA approval has been obtained, approval of a product by the comparable regulatory authorities of foreign countries must be obtained prior to the commencement of marketing of the product in those countries. The approval process varies from country to country and the time may be longer or shorter than that required for FDA approval. At least initially, the Company intends, to the extent possible, to rely on foreign licensees, other than in Canada, to obtain regulatory approval for marketing its products in foreign countries.

In February 1997, the Company and Genentech, Inc. ("Genentech") submitted BLAs to the FDA for Rituxan(TM) (formerly IDEC-C2B8) as a single agent therapy for the treatment of relapsed low grade or follicular non-Hodgkin's lymphoma and in July 1997, Rituxan was recommended unanimously for marketing clearance by the Biological Response Modifiers Advisory Committee to the FDA. F. Hoffmann-La Roche Ltd ("Hoffmann-La Roche"), also submitted, through one of its subsidiaries in the European Union, a Marketing Authorization Application ("MAA")

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with the European Medicines Evaluation Agency ("EMEA") for marketing Rituxan in Europe. There can be no assurance that the FDA and the EMEA approval of the BLAs and MAA submitted by the Company, Genentech and Hoffmann-La Roche will be granted on a timely basis, if at all, and delays in receipt or failure to receive regulatory approval could have a material adverse effect on the Company's business, financial condition and results of operations.

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

In 1994, the Company obtained orphan drug designation for Rituxan, IDEC-Y2B8 and IDEC-In2B8 from the FDA to treat low grade B-cell lymphoma. There can be no assurance that any of these compounds will receive orphan drug status for the low grade B-cell lymphoma indication, and it is possible that competitors of the Company could obtain approval, and attendant orphan drug status, for these same compounds for the low grade B-cell lymphoma indication, thus precluding the Company from marketing its products for the same indication in the United States. In addition, even if the Company does obtain orphan drug status for any of its compounds for low grade B-cell lymphoma, there can be no assurance that competitors will not receive approval of other, different drugs or biologics for low grade B-cell lymphoma. Although obtaining FDA approval to market a product with orphan drug status can be advantageous, there can be no assurance that the scope of protection or the level of marketing exclusivity that is currently afforded by orphan drug status will remain in effect in the future.

Reliance on Third Party Development and Marketing Efforts

The Company has adopted a research, development and product commercialization strategy that is dependent upon various arrangements with strategic partners and others. The success of the Company's products is substantially dependent upon the success of these outside parties in performing their obligations, which include, but are not limited to, providing funding, performing research and development, fulfilling long term manufacturing demands and marketing, distribution and sales with respect to the Company's products. The Company's strategic partners may also develop products that may compete with the Company. Although the Company believes that its partners have an economic incentive to succeed in performing their contractual obligations, the amount and timing of resources that they devote to these activities is not within the control of the Company. There can be no assurance that these parties will perform their obligations as expected or that any revenue will be derived from such arrangements. The Company has entered into collaborative research and development and license agreements with Genentech, Zenyaku Kogyo, Ltd. ("Zenyaku"), SmithKline Beecham p.l.c. ("SmithKline Beecham"), Mitsubishi Chemical Corporation ("Mitsubishi"), Seikagaku Corporation ("Seikagaku") and Eisai Co., Ltd. ("Eisai"). These agreements generally may be terminated at any time by the strategic partner, typically on short notice to the Company. If one or more of these partners elect to terminate their relationship with the Company, or if the Company or its partners fail to achieve certain milestones, it could have a material adverse effect on the Company's ability to fund the related programs and to develop and market any products that may have resulted from such collaborations. There can be no assurance that these collaborations will be successful. In addition, some of the Company's current partners have certain rights to control the planning and execution of product development and clinical programs, and there can be no assurance that such partners' rights to control aspects of such programs will not impede the Company's ability to conduct such programs in accordance with the schedules currently contemplated by the Company for such programs and will not otherwise impact the Company's strategy.

Limited Manufacturing Experience and Dependence on Contract Manufacturer

The Company has not yet commercialized any therapeutic products. To conduct clinical trials on a timely basis, to obtain regulatory approval and to be commercially successful, the Company must manufacture its products either directly or through third parties in commercial quantities in compliance with regulatory requirements and at an acceptable cost. Although the Company has produced its products in the laboratory, scaled its production process to pilot levels and has the ability to manufacture limited commercial bulk quantities of certain of its products, the Company

has not received regulatory approval for such commercial production. The Company anticipates that production of its products in commercial quantities will create technical as well as financial challenges for the Company. The Company has limited experience in manufacturing and no fill/finish experience and capacity.

No assurance can be given as to the ultimate performance of the Company's manufacturing facility in San Diego, its suitability for approval for commercial production or the Company's ability to make a successful transition to commercial production.

The Company is dependent upon Genentech to fulfill long term manufacturing demands for Rituxan and SmithKline Beecham to fulfill all of the manufacturing requirements for IDEC-CE9.1 and IDEC-151. Genentech is currently constructing a larger manufacturing plant to satisfy long term demands for Rituxan and SmithKline Beecham has constructed a larger manufacturing plant for IDEC-CE9.1 and IDEC-151. The Company is considering the addition of another manufacturing facility to meet its long term requirements for additional products under development. Failure by the Company or its strategic partners to establish additional manufacturing capacity on a timely basis would have a material adverse effect on the Company.

In November 1996, the Company contracted with Covance Biotechnology Services, Inc. ("Covance") for the manufacture of the Company's antibody used in its IDEC-Y2B8 and IDEC-In2B8 products, which are radiolabeled for the treatment of non-Hodgkin's lymphoma. The Company is also developing this product in partnership with Genentech. The Company is dependent upon Covance to fulfill its manufacturing demands for clinical quantities of IDEC-Y2B8 and IDEC-In2B8. There can be no assurance that Covance will be able to complete any such manufacturing contract in a timely or cost-effective manner, if at all, or that the Company could obtain such capacity from others. Failure by Covance to meet the Company's manufacturing needs will result in delayed clinical trials for IDEC-Y2B8 and IDEC-In2B8 and may have a material adverse effect on the Company.

Patents and Proprietary Rights

The Company's success will depend, in large part, on its ability to maintain a proprietary position in its products through patents, trade secret and orphan drug status. The Company has title or exclusive rights to two issued and nine allowed United States patents, 27 United States patent applications and numerous corresponding foreign patent applications, and has licenses to patents or patent applications of other entities. No assurance can be given, however, that the patent applications of the Company or the Company's licensors will be issued or that any issued patents will provide competitive advantages for the Company's products or will not be successfully challenged or circumvented by its competitors. Moreover, there can be no assurance that any patents issued to the Company or the Company's licensors will not be infringed by others or will be enforceable against others. In addition, there can be no assurance that the patents, if issued, would not be held invalid or unenforceable by a court of competent jurisdiction. Enforcement of the Company's patents may require substantial financial and human resources. Moreover, the Company may have to participate in interference proceedings if declared by the United States Patent and Trademark Office to determine priority of inventions, which typically take several years to resolve and could result in substantial cost to the Company.

A substantial number of patents have already been issued to other biotechnology and biopharmaceutical companies. Particularly in the monoclonal antibody field, competitors may have filed applications for or have been issued patents and are likely to obtain additional patents and proprietary rights relating to products or processes competitive with or similar to those of the Company. To date, no consistent policy has emerged regarding the breadth of claims allowed in biopharmaceutical patents, however, patents may issue with claims that conflict with the Company's own patent filings or read on its own products. There can be no assurance that patents do not already exist in the United States or in foreign countries or that patents will not be issued that would entail substantial costs to challenge and that, if unsuccessfully challenged, would have a material adverse effect on the Company's ability to market its products. Specifically, the Company is aware of several patents and patent applications which may affect the Company's ability to make, use and sell its products. Accordingly, the Company expects that commercializing monoclonal antibody-based products may require licensing and/or cross-licensing of patents with other companies in this field. There can be no assurance that the licenses, which might be required for the Company's processes or products, would be available, if at all, on commercially acceptable terms. The ability to license any such patents and the likelihood of successfully contesting infringement or validity of such patents are uncertain and the costs associated therewith may be significant. If the Company is required to acquire rights to valid and enforceable patents but cannot do so at a reasonable cost, the Company's ability to manufacture or market its products would be materially adversely affected.

The owners, or licensees of the owners, of these patents may assert that one or more of the Company's products infringe one or more claims of such patents. If legal action is commenced against the Company to enforce any of

prevented from practicing the subject matter claimed in such patents. In such event or under other appropriate circumstances, the Company may attempt to obtain licenses to such patents. However, no assurance can be given that any owner would license the patents to the Company at all or on terms that would permit commercialization of the Company's products. An inability to commercialize such products could have a material adverse effect on the Company's operations and ability to pursue its long term objectives.

Limited Sales and Marketing Experience

Commercialization of the Company's products is expensive and time-consuming. The Company has adopted a strategy of pursuing collaborative agreements with strategic partners that provide for co-promotion of certain of the Company's products. In the event that the Company elects to participate in co-promotion efforts in the United States or Canada, and, in those instances where the Company has retained exclusive marketing rights in specified territories, the Company will need to build a sales and marketing capability in the targeted markets. The Company currently has limited marketing and sales personnel. There can be no assurance that the Company will be able to establish a successful direct sales and marketing capability in any or all targeted markets or that it will be successful in gaining market acceptance for its products. To the extent that the Company enters into co-promotion or other licensing arrangements, any revenues received by the Company will be dependent on the efforts of third parties and there can be no assurance that such efforts will be successful. Outside of the United States and Canada, the Company has adopted a strategy to pursue collaborative arrangements with established pharmaceutical companies for marketing, distribution and sale of its products. There can be no assurance that any of these companies or their sublicensees will successfully market, distribute or sell the Company's products or that the Company will be able to establish and maintain successful co-promotion or distribution arrangements. Failure to establish a sales capability in the United States or outside the United States may have a material adverse effect on the Company.

Uncertainties Associated with Clinical Trials

The Company has conducted and plans to continue to undertake extensive and costly clinical testing to assess the safety, efficacy and applicability of its potential products. The rate of completion of the Company's clinical trials is dependent upon, among other factors, the rate of patient enrollment. Patient enrollment is a function of many factors, including the nature of the Company's clinical trial protocols, existence of competing protocols, size of the patient population, proximity of patients to clinical sites, changes in managed care and eligibility criteria for the study. Delays in patient enrollment will result in increased costs, which could have a material adverse effect on the Company. The Company cannot ensure that patients enrolled in the Company's clinical trials will respond to the Company's product candidates. Setbacks are to be expected in conducting human clinical trials. Failure to comply with the FDA regulations applicable to such testing can result in delay, suspension or cancellation of such testing, and/or refusal by the FDA to accept the results of such testing. In addition, the FDA may suspend clinical trials at any time if it concludes that the subjects or patients participating in such trials are being exposed to unacceptable health risks. Thus, there can be no assurance that Phase I, Phase II or Phase III testing will be completed successfully within any specific time period, if at all, with respect to any of the Company's potential products. Further, there can be no assurance that human clinical testing will show any current or future product candidate to be safe and effective or that data derived therefrom will be suitable for submission to the FDA or will support the Company's submission of a BLA.

Additional Financing Requirements and Uncertain Access to Capital Markets

The Company has expended and will continue to expend substantial funds to complete the research, development, manufacturing and marketing of its products. The Company may seek additional funding for these purposes through a combination of new collaborative arrangements, strategic alliances, additional equity or debt financings or from other sources. There can be no assurance that such additional funds will be available on acceptable terms, if at all. Even if available, the cost of funds may result in substantial dilution to current stockholders. If adequate funds are not available from operations or additional sources of financing, the Company's business could be materially and adversely affected.

History of Operating Losses; Accumulated Deficit

The Company has incurred annual operating losses since its inception in 1985. As of June 30, 1997, the Company's accumulated deficit was approximately \$97.9 million.

with the Company's research and development, clinical and manufacturing activities. The Company has not generated operating profits from the sale of its products. All revenues to date have resulted from collaborative research, development and licensing arrangements, contract manufacturing arrangements, research grants and interest income. The Company has no products approved by the FDA or any foreign authority and does not expect to achieve profitable operations on an annual basis unless product candidates now under development receive FDA or foreign regulatory approval and are thereafter commercialized successfully.

Possible Volatility of Stock Price

The stock market has from time to time experienced significant price and volume fluctuations that may be unrelated to the operating performance of particular companies. In addition, the market price of the Company's common stock, like the stock prices of many publicly traded biotechnology companies, has been highly volatile. Announcements of technological innovations or new commercial products by the Company or its competitors, developments or disputes concerning patent or proprietary rights, publicity regarding actual or potential medical results relating to products under development by the Company or its competitors, regulatory developments in both the United States and foreign countries, public concern as to the safety of biotechnology products and economic and other external factors, as well as period-to-period fluctuations in financial results may have a significant impact on the market price of the Company's common stock. It is likely that, in some future quarter, the Company's operating results will be below the expectations of public market analysts and investors. In such event, the price of the Company's common stock would likely be materially adversely affected.

Uncertainties Regarding Health Care Reimbursement and Reform

The future revenues and profitability of biopharmaceutical companies as well as the availability of capital may be affected by the continuing efforts of government and third party payors to contain or reduce costs of health care through various means. For example, in certain foreign markets pricing or profitability of prescription pharmaceuticals is subject to government control. In the United States, there have been, and the Company expects that there will continue to be, a number of federal and state proposals to implement similar government controls. While the Company cannot predict whether any such legislative or regulatory proposals will be adopted, the announcement or adoption of such proposals could have a material adverse effect on the Company's business, financial condition or prospects.

The Company's ability to commercialize its products successfully will depend, in part, on the extent to which appropriate reimbursement levels for the cost of such products and related treatment are obtained from governmental authorities, private health insurers and other organizations, such as health maintenance organizations ("HMOs"). Third party payors are increasingly challenging the prices charged for medical products and services. Also, the trend toward managed health care in the United States and the concurrent growth of organizations such as HMOs, which could control or significantly influence the purchase of health care services and products, as well as legislative proposals to reform health care or reduce government insurance programs may all result in lower prices for the Company's products. The cost containment measures that health care payors and providers are instituting and the effect of any health care reform could materially adversely affect the Company's ability to operate profitably.

Product Liability Exposure

Clinical trials, manufacturing, marketing and sale of any of the Company's or its strategic partners' pharmaceutical products or processes licensed by the Company may expose the Company to product liability claims. The Company currently carries limited product liability insurance. There can be no assurance that the Company or its strategic partners will be able to continue to maintain or obtain additional insurance or, if available, that sufficient coverage can be acquired at a reasonable cost. An inability to obtain sufficient insurance coverage at an acceptable cost or otherwise protect against potential product liability claims could prevent or inhibit the commercialization of pharmaceutical products developed by the Company or its strategic partners. A product liability claim or recall would have a material adverse effect on the business and financial condition of the Company.

15 Environmental Concerns

The Company's research and development involves the controlled use of hazardous materials, chemicals and radioactive compounds. Although the Company believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, the Company could be held liable

for any damages that result and any such liability could exceed the resources of the Company. In addition, disposal of radioactive materials used by the Company in its research efforts may only be made at approved facilities. Approval of a site in California has been delayed indefinitely. The Company currently stores such radioactive materials on site. The Company may incur substantial cost to comply with environmental regulations.

PART II -- OTHER INFORMATION

- ITEM 1. LEGAL PROCEEDINGS. None
- ITEM 2. CHANGES IN SECURITIES. None
- ITEM 3. DEFAULTS UPON SENIOR SECURITIES. None
- ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

On May 22, 1997, the Company held its Annual Meeting of Stockholders at which the stockholders approved all of the proposals listed below except for proposal number 2:

- (1) The election of William H. Rastetter, Ph.D., Charles C. Edwards, M.D., Alan B. Glassberg, M.D., John Groom, Kazuhiro Hashimoto, Franklin P. Johnson, Jr., Lynn Schenk, and William D. Young to the Board of Directors and to serve until the next annual meeting, or until their successors shall have been duly elected or appointed.
- (2) The amendment to IDEC Pharmaceuticals Corporation's California Amended and Restated Articles of Incorporation providing for the classification of the Board of Directors into three classes, with members of each class serving for staggered terms.
- (3) The amendment to change the state of incorporation from the State of California to the State of Delaware by means of a merger of the Company with and into a wholly-owned Delaware subsidiary of the Company.
- (4) A series of amendments to the 1988 Stock Option Plan (the "Option Plan") of IDEC Pharmaceuticals Corporation, including (i) an increase in the total number of common stock authorized for issuance thereunder from 4,680,000 shares to a total of 5,480,000 shares and (ii) the extension of the term of the Option Plan from July 19, 1998 to December 31, 2002.
- (5) The amendment to the Company's 1995 Employee Stock Purchase Plan to increase the total number of common stock authorized for issuance thereunder from 345,000 shares to a total of 495,000 shares.
- (6) The selection of KPMG Peat Marwick LLP as the Company's independent public accountants for the fiscal year ending December 31, 1997.

The following directors received the number of votes set opposite their respective names:

	For Election -----	Withheld -----
William H. Rastetter, Ph.D.	17,137,813	146,435
Charles C. Edwards, M.D.	17,137,813	141,985
Alan B. Glassberg, M.D.	17,137,813	150,003
John Groom	17,137,813	2,038,394
Kazuhiro Hashimoto	17,137,813	2,490,704
Franklin P. Johnson, Jr.	17,137,813	3,112,103
Lynn Schenk	17,137,813	146,475
William D. Young	17,137,813	159,985

The proposal to amend and restate the California articles of incorporation to provide for classification of the Board of Directors into three classes received 8,197,925 affirmative votes (for the amendment and restatement), 6,347,460 negative votes (against the amendment and restatement), 2,680,328 broker non-votes and 51,305 votes abstained.

The proposal to change the state of incorporation from the State of California to the State of Delaware received 9,572,194 affirmative votes (for the reincorporation), 4,598,045 negative votes (against the reincorporation), 3,079,813 broker non-votes and 26,966 votes abstained.

The proposal to amend the Option Plan received 10,748,251 affirmative votes (for the amendment), 6,085,606 negative votes (against the amendment), 387,913 broker non-votes and 55,248 votes abstained.

The proposal to amend the 1995 Employee Stock Purchase Plan received 13,814,602 affirmative votes (for the amendments), 2,847,988 negative votes (against the amendments), 545,431 broker non-votes and 68,997 votes abstained.

The proposal to select KPMG Peat Marwick LLP as the Company's independent public accountants received 17,201,504 affirmative votes (for the selection), 48,007 negative votes (against the selection), and 27,507 votes abstained. This proposal did not receive any broker non-votes.

ITEM 5. OTHER INFORMATION. None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

The following exhibits are referenced.

Exhibit Number -----	Description -----
10.69*	9-AC Asset Transfer Agreement between the Company, Pharmacia & Upjohn S.p.A. and Pharmacia & Upjohn Company dated February 10, 1997.
10.70(1)	Amended and Restated 1988 Stock Option Plan (Amended and Restated through May 22, 1997)
10.71(1)	1995 Employee Stock Purchase Plan (Amended through May 22, 1997)
27.1	Financial Data Schedule.

* Confidential treatment requested as to certain portions of this agreement.

(1) Incorporated by reference to exhibits 99.1 and 99.4, respectively, to the Company's Registration Statement on Form S-8, File No. 333-2969.

b) Report on Form 8-K.

On June 16, 1997, the Company filed a current report on Form 8-K reporting the reincorporation of the Company to the State of Delaware by merging into IDEC Pharmaceuticals Corporation, a Delaware corporation ("IDEC Delaware"), pursuant to the terms of an Agreement and Plan of Merger between the Company and IDEC Delaware. There has been no change in the name, business, management, fiscal year, location of principal facilities, assets or liabilities of the Company as a result of the merger.

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.

IDEC PHARMACEUTICALS CORPORATION

Date: August 12, 1997

By: /s/ William H. Rastetter

William H. Rastetter
Chairman of the Board, President and
Chief Executive Officer
(Principal Executive Officer)

Date: August 12, 1997

By: /s/ Phillip M. Schneider

Phillip M. Schneider
Vice President and
Chief Financial Officer
(Principal Financial and Accounting
Officer)

9-AC ASSETS TRANSFER AGREEMENT

THIS AGREEMENT is entered into as of this 10th day of February, 1997 between IDEC PHARMACEUTICALS CORPORATION, a corporation organized and existing under the laws of the State of California and having its principal place of business at San Diego, California ("IDEC"); PHARMACIA & UPJOHN S.P.A., a corporation organized and existing under the laws of Italy and having its principal place of business at Milano, Italy ("P&U SPA") and PHARMACIA & UPJOHN COMPANY, a company organized and existing under the laws of the State of Delaware and having its principal place of business at Kalamazoo, Michigan ("P&U CO") (collectively, P&U SPA and P&U CO are referred to herein as "Pharmacia").

BACKGROUND

Pharmacia possesses certain intellectual property rights and other assets relating to 9-amino-20(S)-camptothecin, including patent rights and rights under a Cooperative Research and Development Agreement with the National Cancer Institute ("NCI"). As a consequence of the combination of Pharmacia AB with The Upjohn Company (collectively, "Pharmacia & Upjohn"), Pharmacia & Upjohn entered into an agreement containing a consent order with the United States Federal Trade Commission ("FTC") under which Pharmacia is required to divest its rights to sell 9-amino-20(S)-camptothecin in the United States. Additionally, Pharmacia offered IDEC the related rights to sell 9-amino-20(S)-camptothecin outside the United States. IDEC desires to acquire all such rights to 9-amino-20(S)- camptothecin and related assets. Subject to the approval of the NCI, FTC and other third parties as provided for herein, the parties have agreed for IDEC to acquire such rights and assets on the terms set forth below.

NOW, THEREFORE, in consideration of the mutual promises contained herein and intending to be legally bound, the parties agree as follows:

*Indicates that material has been omitted and confidential treatment has been requested therefor. All such omitted material has been filed separately with the Secretary of the Commission in the Company's Application Requesting Confidential Treatment pursuant to Rule 246-2 under the Securities Exchange Act of 1934, as amended.

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1. DEFINITIONS

1.1 GENERAL DEFINITIONS.

For all purposes of this Agreement, except as otherwise expressly provided:

(a) the terms defined in this Agreement include the plural as well as the singular,

(b) all references in this Agreement to designated "Articles," "Sections," "Subsections" and other subdivisions are to the designated Articles, Sections, Subsections and other subdivisions of the body of this Agreement,

(c) all references in this Agreement to "Exhibits" or "Schedules" are to the Exhibits or Schedules attached to this Agreement,

(d) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms, and

(e) the words "herein", "hereof" and "hereunder" and other words of a similar import refer to this Agreement as a whole and not to any particular Article, Section, Subsection or other subdivision.

1.2 SPECIFIC DEFINITIONS.

As used in this Agreement and the Exhibits and Schedules, the following definitions shall apply:

(a) "Affiliate" means, as to any entity, any other entity that,

directly or indirectly, controls, or is controlled by, or is under common control with, such entity. For purposes of the foregoing definition, "control" shall mean the direct or indirect ownership of at least fifty percent (50%) of the voting interest in such other entity or the power to direct the management of such other entity.

(b) "Agreement" means this 9-AC Assets Transfer Agreement by and between IDEC and Pharmacia, as the same may be amended or supplemented in writing signed by duly authorized representatives of both parties in accordance with Section 12.5, together with all the Exhibits and Schedules.

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(c) "Approval" means any approval, authorization or consent, or any waiver of any of the foregoing, required to be obtained from, or any notice, statement or other communication required to be filed with or delivered to, each of the entities described in Section 4.2, the receipt of which is necessary to the transfer of the 9-AC Assets (as defined below).

(d) "Assumed Contract" means any contract assumed by IDEC pursuant to Section 2.2.

(e) "Closing" means the consummation of the transaction contemplated by this Agreement; the Closing shall be deemed to have occurred effective as of 12:01 a.m. on the date on which the Closing occurs.

(f) "Closing Date" means the date on which the Closing occurs, which will be as soon as possible after this Agreement is executed and all conditions precedent are satisfied or waived but no later than three business days after receiving approval of the FTC, or such later date as the parties may set by written agreement.

(g) "CRADA" shall have the meaning set forth in Section 2.1(a)(1).

(h) "FDA" means the United States Food and Drug Administration.

(i) "FTC Consent Order" means that certain agreement containing a consent order, dated as of February 8, 1996, among the United States Federal Trade Commission, Pharmacia AB and The Upjohn Company (FTC File No. 951-0140).

(j) "Governmental Authority" means any administrative body, agency, authority, bureau, commission, court, department or other instrumentality of any federal, state or local government, foreign or domestic, unless otherwise indicated in this Agreement.

(k) "Know How" means all design, product, manufacturing and other specifications, methods, processes, and other information, 9-AC assay methods and written protocols, clinical trial test data, quality assurance procedures, regulatory submissions and other scientific, medical, technical and marketing information, know-how, inventions and trade secrets, which now exist and which: (1) are owned or licensed by Pharmacia (or any of their Affiliates) and (2) that are reasonably necessary for the development, manufacture, use or sale of 9-AC.

(l) "Loss" means any action, cost, damage, disbursement, expense, liability,

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loss, deficiency, diminution in value, obligation, penalty, fine, assessment or settlement of any kind or nature, whether foreseeable or unforeseeable, including but not limited to, interest or other carrying costs, penalties, legal, accounting or other professional fees or expenses incurred in the investigation, collection, prosecution or defense of claims, inquiries, hearings or other legal or administrative proceedings, and amounts paid in settlement, that may be imposed on or otherwise incurred or suffered by the specified person.

(m) "Patent Rights" means all patent applications heretofore filed in any country, including any divisionals, continuations and continuation-in-part applications, which are owned by Pharmacia (or any of their Affiliates) which claim 9-AC, its composition or formulation or its method of manufacture or use, together with any and all patents that have issued or in the future issue therefrom.

(n) "Supply Agreement" means the agreement attached hereto as EXHIBIT A.

(o) "9-AC" means the compound 1-pyrano [3',4':6,7] indolizino [1,2-b] quinoline-3,14 (4H,12H)-dione, 10-amino-4-ethyl-4-hydroxy-(S) in respect of its therapeutic indication for the treatment of cancer.

(p) "9-AC Assets" means the intellectual property, contractual and other rights and assets transferred to IDEC pursuant to Section 2.1.

2. TRANSFER OF 9-AC ASSETS AND ASSUMPTION OF LIABILITIES

2.1 SALE AND LICENSE OF 9-AC ASSETS.

(a) Assigned Assets. Subject to the receipt of the Approvals and the satisfaction of the other conditions set forth below in Article 4, Pharmacia hereby sells, conveys, assigns, transfers and agrees to deliver to IDEC, and IDEC hereby purchases, acquires and agrees to accept from Pharmacia, the following assets (which, together with the rights and assets licensed under Subsection 2.1(b), shall constitute the "9-AC Assets"):

- (1) all of P&U SPA's rights under that certain Cooperative Research and Development Agreement *_____* , dated *_____* , as amended, between P&U SPA (as assignee of P&U CO, successor in interest to Adria Laboratories Division of Erbamont Inc.) and the National Cancer Institute (the "CRADA");
- (2) all of Pharmacia's rights under the CRADA to use any of the National

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Cancer Institute's patents, trade secrets, technology, know-how, specifications, designs, drawings, processes, testing and quality control data, research materials, technical information, stored on management information systems (and specifications sufficient for the IDEC to use such information), proprietary software used in connection with 9-AC and all data, contractual rights, materials and information relating to obtaining FDA approvals and other

government or regulatory approvals for 9-AC (the "NCI Data");

- (3) all of P&U CO's rights under that certain Patent License Agreement, dated as of *_____* , among *_____* . (which was subsequently merged into P&U CO) (the "Consortium License");
- (4) all of P&U CO's rights under that certain Patent License Agreement, dated as of *_____* , between *_____* . (which was subsequently merged into P&U CO (the "*_____* License"); and
- (5) all of P&U CO's rights under the Patent Rights listed in SCHEDULE 2.1(A).

(b) Licensed Assets. Subject to the receipt of the Approvals and the satisfaction of the other conditions set forth below in Article 4, the following licenses are hereby granted to IDEC:

- (1) P&U CO hereby grants to IDEC, and IDEC hereby accepts, an exclusive, worldwide, paid up license (with right to sublicense) to practice *_____* to develop, make, have made, use, import, offer to sell and sell pharmaceutical products containing 9-AC. P&U CO reserves the right to practice (and to assign to or grant third parties the right to practice) *_____* .
- (2) P&U SPA hereby grants to IDEC, and IDEC hereby accepts, an exclusive, worldwide, paid up license (with right to sublicense) to practice the 9-AC Production Technology to develop, make, have made, use, import, offer to sell and sell pharmaceutical products containing 9-AC. P&U SPA reserves the right to practice (and to assign to or grant third parties the right to practice) the 9-AC Production Technology for all other uses not related to the manufacture, use or sale of 9-AC. "9-AC Production Technology" means all Know How and Patent Rights owned by Pharmacia relating to *_____* together with all improvements thereof developed by P&U SPA during the course of performing its obligations under the Supply Agreement.
- (3) Each of P&U CO and P&U SPA hereby grants to IDEC, and IDEC hereby accepts, an exclusive, worldwide, paid up license (with right to sublicense) to use all of its (A) Know-How, formulations, patents, trade secrets,

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technology, specifications, designs, drawings, processes, testing and quality control data, research data, stability test data, technical information stored on management information systems (and specifications sufficient for the IDEC to use such information), and proprietary software used by it in connection with the research and development and clinical testing of 9-AC, and (B) data, contractual rights, materials and information relating to obtaining FDA approvals and other government or regulatory approvals for 9-AC.

- (4) To the extent required to conduct clinical testing of 9-AC supplied by P&U SPA under the Supply Agreement, Pharmacia hereby grants IDEC a right to reference its drug master files relating to such 9-AC. Such drug master files shall be

maintained in accordance with all applicable FDA requirements.

(c) Excluded Assets. No other assets of Pharmacia are included in the 9- AC Assets and no rights in connection with such other assets are to be transferred pursuant to this Agreement. Notwithstanding anything to the contrary in Subsections 2.1(a) or (b), the 9-AC Assets do not include:

- (1) * _____ *
- (2) any know how or inventions not existing on the Closing Date, other than the improvements referred to in the last sentence of Section 2.1(b) (2).

(d) Reservation of Rights. Pharmacia hereby reserves the non-exclusive right and license to practice any of the Know How or Patent Rights described in Sections 2.1(a) and (b) to make, have made and sell to IDEC and the National Cancer Institute such quantities of 9-AC as are required to fulfill Pharmacia's obligations under each of the Supply Agreement, the FTC Consent Order and the CRADA (collectively, the "9-AC Supply Obligations").

2.2 ASSUMPTION OF CERTAIN LIABILITIES. Effective at the Closing, IDEC hereby assumes the following obligations and liabilities of Pharmacia (the "Assumed Liabilities"):

(a) all obligations and liabilities under the CRADA, as amended and as shall be amended on or prior to the Closing, only to the extent such obligations arise and are to be performed on and after the Closing Date; and

(b) all obligations under the * _____ * Licenses, as amended and as

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shall be amended on or prior to the Closing, only to the extent such obligations arise and are to be performed on and after the Closing Date.

2.3 MONETARY CONSIDERATION. Pharmacia has expended substantial sums to support the CRADA, develop 9-AC formulations and production methods and to conduct additional clinical trials. As partial reimbursement of such expenditures, and as the total monetary consideration to be paid to Pharmacia by IDEC for the 9-AC Assets, IDEC shall pay P&U SPA * _____ *, payable as follows:

- (a) 3 MUSD on the Closing Date after receipt of the Approvals
- (b) * _____ *
- (c) * _____ *

All payments shall be made * _____ * to a bank account to be designated in writing by P&U SPA. If payments are not made when due, IDEC shall pay, in addition to the overdue payment, a late charge equal to the lesser of * _____ * or the highest applicable rate allowed by law on all such overdue amounts.

3. CLOSING

3.1 CLOSING DATE. The Closing shall take place on the Closing Date at P&U SPA in Milano, Italy, or at such other place as the parties may agree.

3.2 ITEMS TO BE DELIVERED AT THE CLOSING BY PHARMACIA. At the Closing,

Pharmacia shall deliver or cause to be delivered to IDEC at Pharmacia's cost and expense:

- (a) Evidence of all Approvals;
- (b) Assignment of the CRADA in the form reasonably acceptable to both parties; and
- (c) Assignments of the *_____* License and of the *_____* License in the forms reasonably acceptable to both parties.

3.3 ITEMS TO BE DELIVERED AT THE CLOSING BY IDEC. At the Closing, IDEC shall deliver or cause to be delivered to P&U SPA:

- (a) the cash amount *_____*

*Indicates that material has been omitted and confidential treatment has been requested therefor. All such omitted material has been filed separately with the Secretary of the Commission in the Company's Application Requesting Confidential Treatment pursuant to Rule 246-2 under the Securities Exchange Act of 1934, as amended.

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- (b) Assumption of the CRADA in the form reasonably acceptable to both parties; and
- (c) Assumption of the *_____* License and of the *_____* License in the forms reasonably acceptable to both parties.

3.4 ASSURANCES. At the Closing and thereafter: (1) Pharmacia shall perform, or cause to be performed, all such other actions and shall execute, acknowledge and deliver, or cause to be executed, acknowledged or delivered, all such other assignments, transfers, consents and other documents as IDEC may reasonably request to vest in IDEC, and protect IDEC's right, title and interest in, and enjoyment of the 9-AC Assets; and (2) IDEC shall similarly perform, or cause to be performed, all such other action and shall execute, acknowledge and deliver, or cause to be executed, acknowledged or delivered, such other documents as Pharmacia may reasonably request to perfect and protect Pharmacia's rights under this Agreement. At least 10 days prior to the Closing Date, Pharmacia shall also deliver a list containing its reasonable determination of the internal reports, other documents and tangible assets which shall be delivered to IDEC as part of the Know How to be transferred hereunder.

4. CONDITIONS PRECEDENT

The obligations of IDEC and of Pharmacia under this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions, unless waived in writing by IDEC or Pharmacia, respectively:

4.1 REPRESENTATIONS TRUE AT THE CLOSING DATE. The representations and warranties of the other party contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date, as if made on and as of such date, and the other party shall have performed and fulfilled all covenants, obligations and conditions of this Agreement required to be performed or fulfilled by them as of the Closing.

4.2 APPROVALS. All Approvals from each of the following shall have been obtained:

- (a) National Cancer Institute in respect to the assignment of the CRADA (including the execution of the pending amendment);
- (b) United States Federal Trade Commission pursuant to the FTC Consent Order;

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- (c) * _____ * in respect to assignment of the * ___ * License;
and
- (d) each of the * _____ * in
respect to assignment of the Consortium License.

4.3 LEGAL PROCEEDINGS. No statute, rule or regulation shall have been enacted or promulgated and no injunction or other order shall have been entered after the date hereof, and not vacated, in any proceeding or action, which enjoins, restrains, makes illegal or prohibits consummation of the transactions contemplated hereby or places material restrictions on IDEC's ownership or use of the 9-AC Assets, and no action shall be pending or threatened which seeks to do any of the foregoing. Each party shall advise the other party promptly of any information with respect to any such action.

4.4 CLOSING DOCUMENTS. All items required to be delivered by the other party pursuant to Subsections 3.2 or 3.3 shall have been delivered.

5. REPRESENTATION AND WARRANTIES OF PHARMACIA

Each of P&U CO and P&U SPA represents, warrants and agrees as of the date hereof (except as otherwise indicated) as follows:

5.1 ORGANIZATION AND RELATED MATTERS. It is a corporation and is duly organized, validly existing and in good standing under the laws of its respective jurisdiction. It has all necessary corporate power and authority to own and use the 9-AC Assets it owns, and is duly qualified or licensed to do business and is in good standing in all jurisdictions where the 9-AC Assets are used, or are subject to no material liability or disability by reason of the failure to be so qualified in any such jurisdiction.

5.2 POWER AND AUTHORIZATION. It has full corporate power and authority to carry out the transactions contemplated by this Agreement, and has taken all necessary and proper corporate action authorizing the execution, delivery and performance of this Agreement and the Supply Agreement. This Agreement has been duly executed and delivered by it and this Agreement constitutes, and the Supply Agreement, upon execution, will constitute, valid and binding obligations of it enforceable in accordance with its terms.

5.3 LITIGATION. There are no actions, suits, arbitrations or proceedings pending against it, or to the best of its knowledge, threatened against it, by or before any Governmental Authority or private arbitration tribunal which, if adversely decided, could

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have an adverse effect on the 9-AC Assets, or which seek to prohibit, restrict or delay consummation of this Agreement or any transaction contemplated hereby or to limit in any manner its right to control or use any 9-AC Assets.

5.4 TITLE TO ASSETS. It has good and marketable title to all of the 9-AC Assets to be assigned by it to IDEC hereunder, free of any mortgages, liens, pledges, charges or encumbrances which could, individually or in the aggregate, prohibit its transfer of the 9-AC Assets. It makes no representation in this Article 5 about the NCI Data. The 9-AC Assets to be assigned to IDEC hereunder constitute all material rights owned or otherwise held by Pharmacia with respect to the development, manufacture or sale of 9-AC, except for its physical facilities and other tangible assets, and the drug master file relating to the 9-AC production facilities.

5.5 INTELLECTUAL PROPERTY RIGHTS. Except for the FTC Consent Order and the Assumed Contracts, to the best of its knowledge, there are no claims or demands of any person, firm or corporation pertaining to its rights in the 9-AC Assets, and no proceedings have been instituted or are pending or threatened against it, which challenge its rights in respect thereof, and none of the 9-AC Assets is subject to any outstanding order, decree, judgment, injunction, or agreement to which it is bound that restricts its use by it. To the best of its knowledge, there are no inventorship disputes concerning any of the Patent Rights owned by Pharmacia and no opposition, interference, re-examination or revocation proceedings pending in respect to any of such Patent Rights. To the best of P&U SPA's knowledge, no third party infringes any of the United States Patent Rights and * _____* does not infringe any existing United States patent rights of third parties.
* _____*.

5.6 CONTRACTS AND OTHER AGREEMENTS. Complete copies of each of the Assumed Contracts were provided to IDEC or its counsel. Each of the Assumed Contracts is in full force and effect, and Pharmacia is not aware of any default thereunder.

5.7 COMPLIANCE WITH INSTRUMENTS; NO DEFAULTS. Neither the execution and delivery of this Agreement nor the consummation at the Closing by it of the transactions contemplated hereby will (a) violate or conflict with, result in the acceleration or termination of, or loss of a material benefit with respect to, or constitute a default under (i) its Certificates of Incorporation or By-laws (or equivalent governing instrument) or (ii) subject to the receipt of the Approvals, any term or provision of any note, bond, indenture, mortgage, license, permit, approval, agreement, contract, lease, or other instrument or any statute, rule, regulation, writ, judgment, ordinance, decree, order or other restriction binding upon or applicable to it or any of the 9-AC Assets, or (b) result in the creation at or after the Closing Date of any mortgage, lien, charge or encumbrance upon all or any part of the 9-AC Assets.

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5.8 GOVERNMENTAL CONSENTS. Except for the Approvals, to the best of its knowledge, no consents, approvals or authorizations of, declarations or filings with, any Governmental Authority in connection with the execution, delivery or performance of this Agreement are required by it.

5.9 LIMITATIONS OF WARRANTIES. NOTWITHSTANDING ANYTHING TO THE CONTRARY UNDER THIS AGREEMENT, EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT AND THE SUPPLY AGREEMENT, PHARMACIA MAKE NO OTHER REPRESENTATIONS AND WARRANTIES, AND DISCLAIM ANY WARRANTIES IMPLIED BY LAW.

6. REPRESENTATIONS AND WARRANTIES OF IDEC

IDEC hereby represents and warrants to Pharmacia as follows:

6.1 ORGANIZATION. IDEC is a corporation duly organized, validly existing and in good standing under the laws of the State of California.

6.2 CORPORATE POWER AND AUTHORIZATION. IDEC has full corporate power

and authority to carry out the transactions contemplated by this Agreement and has taken all necessary and proper action authorizing the execution, delivery and performance of this Agreement and the Supply Agreement and the consummation of the transactions contemplated hereby. This Agreement has been duly executed and delivered by IDEC and this Agreement constitutes and the Supply Agreement, upon execution, will constitute valid and binding obligations of IDEC, enforceable in accordance with their terms.

6.3 COMPLIANCE WITH INSTRUMENTS; NO DEFAULTS. Neither the execution and delivery of this Agreement nor the consummation at the Closing by IDEC of the transactions contemplated hereby will violate or conflict with, result in the acceleration or termination of, or loss of a material benefit with respect to, or constitute a default under (i) the Certificates of Incorporation or By-laws (or equivalent governing instrument) of IDEC or (ii) any term or provision of any note, bond, indenture, mortgage, license, permit, approval, agreement, contract, lease, or other instrument or any statute, rule, regulation, writ, judgment, ordinance, decree, order or other restriction binding upon or applicable to IDEC.

6.4 GOVERNMENTAL CONSENTS. Except for the Approvals, to the best of IDEC's knowledge, no consents, approvals or authorizations of, declarations or filings

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with, any Governmental Authority in connection with the execution, delivery or performance of this Agreement are required by IDEC.

7. COVENANTS OF PHARMACIA

Pharmacia covenant that:

7.1 CONDUCT PENDING CLOSING. Pharmacia shall not take any actions prior to the Closing which are likely to cause any of its representations or warranties contained in the Agreement to be untrue in any material respect.

7.2 ACCESS. From the date hereof until the Closing, Pharmacia shall make available to and allow IDEC and its authorized agents, accountants and advisors access to all of the 9-AC Assets, and cause the employees of Pharmacia to cooperate with IDEC in an examination of the 9-AC Assets and to disclose to and discuss with IDEC any matters related to the 9-AC Assets.

7.3 TECHNICAL ASSISTANCE.

(a) Upon reasonable notice and request from the IDEC to P&U SPA, P&U SPA shall provide information, technical assistance and advice to the IDEC with respect to 9-AC Assets such that the IDEC will be capable of continuing the research and development currently conducted by P&U SPA. Such assistance shall include reasonable consultation with knowledgeable employees of P&U SPA and training at the IDEC's facility for a period of time sufficient to satisfy the IDEC's management that its personnel are adequately knowledgeable about the 9-AC Assets. However, P&U SPA shall not be required to continue providing such assistance * _____*.

(b) Upon reasonable notice and request from the IDEC, P&U SPA shall provide information, technical assistance and advice sufficient to assist the IDEC in obtaining all necessary FDA approvals to manufacture 9-AC for use in clinical trials in the United States. Upon reasonable notice and request from the IDEC, P&U SPA shall also provide consultation with knowledgeable employees of P&U SPA and training at the IDEC's facility for a period of time, * _____* from the Closing Date, sufficient to satisfy the IDEC's management that its personnel are adequately trained in the manufacture

of 9-AC. P&U SPA further agrees to continue to provide such technical assistance and advice for up to * _____*; provided, that IDEC compensates P&U SPA for all such services at the rate of * _____*.

(c) IDEC shall reimburse P&U SPA for * _____*.

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All such payments shall be made within 30 days after receipt of invoice.

(d) P&U SPA shall not be required to provide technical assistance: (1) in a manner which unreasonably interferes with P&U SPA's performance of its obligations under this Agreement or the Supply Agreement; or (2) of more than * _____*.

(e) To the extent personnel are then available, P&U SPA shall also provide reasonable consultation to assist IDEC in compiling the manufacturing data required in connection with the preparation of PLA's or other regulatory submissions * _____* provided, that IDEC compensates P&U SPA for all such services at the rate of * _____*.

7.4 9-AC SUPPLY AGREEMENT. P&U SPA shall manufacture or have manufactured and supply to IDEC 9-AC in accordance with the terms set forth in the Supply Agreement attached as EXHIBIT C.

8. COVENANTS OF IDEC

IDEC covenants that:

8.1 CLINICAL PROGRESS. Prior to the full payment of the amounts required under Section 2.3, IDEC shall provide Pharmacia biannual progress reports of the development of 9-AC, including summary reports of the clinical studies conducted by NCI under the CRADA and information sufficient to indicate the extent of progress, if any, toward demonstration of Clinical Efficacy and submission and approval of the NDA for 9-AC.

8.2 AMENDMENT OF THE CRADA. IDEC shall not amend the CRADA in any manner which adversely affects Pharmacia's 9-AC Supply Obligations without the prior written consent of Pharmacia. IDEC shall not transfer its rights under the CRADA without the consent of Pharmacia, which consent shall not be unreasonably withheld, unless Pharmacia is released from its 9-AC Supply Obligations.

8.3 CLINICAL EFFICACY. "Clinical Efficacy" shall mean * _____*. The "Registration Trial" shall mean * _____*. Promptly after its agreement with the FDA, IDEC shall submit to P&U SPA a copy of * _____*. If a * _____* with the FDA, the parties shall agree upon reasonable alternative criteria to demonstrate clinical efficacy in any tumor type. IDEC shall promptly notify Pharmacia upon the occurrence of Clinical Efficacy. If Pharmacia has reasonable reason to believe that Clinical

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Efficacy has occurred prior to receipt of such notice from IDEC, it shall so notify IDEC and explain the basis for its conclusion. IDEC shall allow Pharmacia to review all clinical investigator reports, patient case forms and other records and data relevant to determining whether Clinical Efficacy was achieved.

9. ADDITIONAL COVENANTS AND RIGHTS

9.1 APPROVALS. (a) Pharmacia and IDEC each agree to cooperate and use commercially reasonable efforts to obtain (and will promptly prepare all filings and applications, requests and notices preliminary to obtaining) all Approvals, including:

- (1) each party shall prepare and submit (jointly, if deemed preferable by Pharmacia or NCI) such statements of qualifications or other information as the NCI may require to approve of the assignment of the CRADA to IDEC; and
- (2) IDEC shall provide such business and financial information as Pharmacia may reasonably request to prepare a petition to the FTC seeking its approval of the transactions contemplated under this Agreement and the divestment of the 9-AC Assets to IDEC.

(b) IDEC shall participate in any presentations, hearings or other meetings with the FTC or the NCI requested by Pharmacia or the NCI or FTC for the purpose of obtaining the approval of such agencies. IDEC shall respond promptly and fully to all direct inquiries from such agencies.

(c) Any amendment of this Agreement, the Supply Agreement or the CRADA required by the NCI or FTC shall require the written consent of all parties hereto.

(d) Each party shall cooperate in a similar manner to obtain consents to assign the * _____ * License and the * _____ * License.

9.2 LITIGATION ARISING FROM THE 9-AC ASSETS. The parties recognize that, in the future, litigation may arise relating to the 9-AC Assets which may relate in part, directly or indirectly, both to the period prior to the Closing and the period subsequent to the Closing. Each of the parties agrees that, to the extent the parties' interests are similar or not adverse and at the request of the other party, it will provide to the other party information, records and documents in its possession relating to the 9-AC Assets to assist the other party in connection with any such litigation or potential litigation in which such other party is involved. The foregoing obligation shall in no way limit any party's discovery rights in such litigation or potential litigation.

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9.3 ACCESS TO RECORDS. Pharmacia agree that upon reasonable request and as required to respond to any court order, subpoena, inquiry, investigation, audit or any other proceeding of any Governmental Authority, Pharmacia will provide to IDEC reasonable access to information from the books and records in their possession relating to the 9-AC Assets prior to the Closing Date (the "Records"). Pharmacia agree to preserve the Records in their possession for a period consistent with their document retention policies and procedures followed in the regular course of business. IDEC shall provide similar access to Pharmacia in respect to all of IDEC's books and records relating to the 9-AC Assets, including any books and records acquired from Pharmacia hereunder.

9.4 CONFIDENTIALITY. "Proprietary Information" means: all technical, scientific, marketing and financial information and data which is either

non-public, confidential or proprietary in nature (disclosed, directly or indirectly, by either party (the "Disclosing Party") to the other party (the "Recipient")), unless such information: (1) is or becomes public knowledge through no fault of the Recipient; (2) is in the future legally received by the Recipient from a third party, which the Recipient reasonably believes is free of any obligation to keep it confidential; or (3) is known by the Recipient prior to receipt from the Disclosing Party, which fact may be proven only by documentary evidence. All Proprietary Information disclosed, directly or indirectly, by either party to the other party shall remain the property of the Disclosing Party. Without limiting any obligation arising under law, during the duration of this Agreement and for at least ten (10) years thereafter, neither party shall disclose to third parties any Proprietary Information of the other party. Each party shall take all reasonable steps to minimize the risk of disclosure of Proprietary Information of the other party.

9.5 LICENSED PATENTS.

(a) Responsibility for Patent Filings. Pharmacia will continue to prosecute and maintain the Patent Rights described on Schedule 2.1(b) (the "Licensed Patents"). Pharmacia will endeavor to provide promptly IDEC drafts and copies of all such Patents and related material Patent prosecution documents. As soon as practical subsequent to any filing of a material patent prosecution document relating to 9-AC, Pharmacia will provide promptly IDEC a copy of any such filings. In addition, Pharmacia will provide IDEC copies of any substantive official action and Pharmacia's material submissions of responses thereto with respect to such Patents. Should Pharmacia determine not to prosecute or maintain a Licensed Patent, Pharmacia will notify promptly IDEC of that determination and, upon IDEC's written request and within thirty (30) calendar days of receipt of such written request, grant in writing any necessary authority to IDEC to prosecute or maintain such Patent in the name of IDEC at IDEC's expense. IDEC shall reimburse Pharmacia for * _____*.

(b) Enforcement Rights. Upon learning of the possible infringement of any of the Licensed Patents by a third party making, using or sell 9-AC, each party hereto shall immediately

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inform the other party of that fact, and shall supply the other party with any evidence available to it pertaining to the possible infringement. Pharmacia may at its sole expense and discretion take all necessary steps to enjoin the infringement and recover damages therefor, and shall be entitled to retain all damages recovered; provided, that Pharmacia may, at its discretion, offer IDEC the opportunity to join in any legal proceedings relating to the possible infringement and if IDEC joins in such legal proceedings, IDEC shall share equally in the expenses and the recovery, if any, but control of the conduct of the litigation shall remain with Pharmacia. If Pharmacia fails or refuses within a reasonable time not to exceed ninety (90) days after receipt of written notice from IDEC to institute legal action against any alleged infringer, IDEC shall then have the right, but not the obligation, to institute appropriate legal action in the name of Pharmacia (or as its assignee of such infringement claim). IDEC shall retain all sums recovered in such legal action. In any such legal action, whether instituted by either party, both parties shall fully cooperate with the other in the preparation and signing of documents and in providing (at each party's respective expense) reasonable assistance, including technical and management witnesses, technical assistance and all relevant records, reports, data and other information.

(c) Infringement of Third Party Patents. If any third party asserts a claim of patent infringement against IDEC on account of IDEC's use, manufacture, or sale of Licensed Products, IDEC shall promptly notify Pharmacia of the existence and details of such claim. Pharmacia shall reasonably cooperate with IDEC, at IDEC's expense and request, in defending against such claim.

10. SURVIVAL AND INDEMNITY; REMEDIES

(c) SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations and warranties provided for or made pursuant to this Agreement shall survive the Closing Date for a * _____ *

10.2 INDEMNIFICATION BY PHARMACIA. Pharmacia agrees to indemnify and hold IDEC, its Affiliates, owners, officers, directors, agents and representatives harmless against and in respect of all Losses (including reasonable attorneys' fees) incurred by any of them as a result of (a) any misrepresentation or breach by Pharmacia of any of their representations and warranties contained herein or (b) any failure by Pharmacia to perform their covenants and agreements contained herein or the Supply Agreement or in any Schedule, Exhibit or instrument delivered pursuant hereto.

10.3 INDEMNIFICATION BY IDEC. IDEC agrees to indemnify and hold Pharmacia, their Affiliates, officers, directors, agents and representatives harmless against and in respect of all Losses (including reasonable attorneys' fees) incurred by any of them as a result of (a) any misrepresentations or breach by IDEC of any of its representations and warranties contained herein or (b) of any failure of IDEC to perform its covenants and agreements contained herein or

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the Supply Agreement or in any Schedule, Exhibit or instrument delivered pursuant hereto, or (c) any claim (including patent infringement and products liability) arising out of the use of the 9-AC Assets after the Closing, including any claim arising out of the clinical testing, development, marketing, promotion, advertising, sale, supply, use or misuse (including failure to warn) of 9-AC (or products containing 9-AC), except as provided in the Supply Agreement or (d) any Assumed Liabilities.

10.4 LIMITATIONS. Neither party shall be required to indemnify under clause (a) of Section 10.2 or 10.3 unless and until the aggregate amount of all such indemnifiable claims * _____ *.

10.5 EMPLOYEES. Each party shall indemnify and hold the other parties harmless, and hereby forever releases and discharges the other parties, from and against all claims, demands, liabilities, damages and expenses (including attorney's fees) arising out of personal injury (including death) or property damage incurred or suffered by employees or consultants of the indemnifying party, its Affiliates or contractors in the performance of or under this Agreement or the Supply Agreement (including providing or obtaining technical assistance or training at either party's facilities), except to the extent caused by the sole negligence, recklessness or willful misconduct of such other party, its employees or agents.

10.6 CLAIM PROCEDURE. Upon obtaining knowledge of the institution of any action, proceeding, or other claim or demand of indemnity hereunder, the party seeking indemnification (the "Indemnified Party") shall promptly notify in writing the other party thereof (the "Indemnifying Party"). If such claim or demand relates to a claim or demand asserted by a third party, the Indemnifying Party shall have the right at its expense to employ counsel to defend such claim or demand and the Indemnified Party shall have the right, but not the obligation, at its expense to participate in the defense of any such claim or demand. So long as the Indemnifying Party is defending such claim or demand in good faith, the Indemnified Party will not settle such claim or demand without the Indemnifying Party's consent. The Indemnified Party shall make available to the Indemnifying Party all records and other materials reasonably required by it in contesting a claim or demand asserted by a third party against the

Indemnified Party and shall cooperate in the defense thereof.

10.7 INSURANCE. * _____*.

10.8 LIMITATIONS. IN NO EVENT SHALL EITHER PARTY, OR ANY OF ITS AFFILIATES BE LIABLE FOR SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, WHETHER IN CONTRACT, WARRANTY, TORT (INCLUDING, BUT NOT LIMITED TO, NEGLIGENCE, FAILURE TO WARN OR FAILURE TO TEST), STRICT LIABILITY OR OTHERWISE, including, but not limited to, loss of profits or revenue, cost of capital, cost of substitute equipment, facilities or services,

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downtime costs, delays, or claims of customers or other third parties for such loss or damage.

11. TERMINATION

11.1 PRIOR TO CLOSING. This Agreement may, by notice given on or prior to the Closing Date, in the manner hereinafter provided, be terminated and abandoned:

(a) by Pharmacia or IDEC if there has been a material misrepresentation or a material default or breach by any other party with respect to its representations in this Agreement or in any ancillary document or the due and timely performance of any of its covenants and agreements contained in this Agreement or in any ancillary document, and such misrepresentation, default or breach shall have not been cured within ten business days after receipt of notice specifying particularly such misrepresentation, default or breach; or

(b) by mutual written consent of Pharmacia and IDEC; or

(c) by either party if the Approval of the NCI or FTC is not received on or prior to May 15, 1997 or such later date as the parties may agree in writing, and the FTC then elects to appoint a trustee under the terms of the FTC Consent Order or proceed with other available remedies.

11.2 EFFECT OF TERMINATION. In the event this Agreement is terminated pursuant to Section 11.1, all further obligations of the parties hereunder shall terminate, except that nothing in this Section 11.2 shall relieve any party hereto of any liability for breach of this Agreement.

12. GENERAL PROVISIONS

12.1 EXPENSES. Each party hereto shall bear its own expenses incident to or incurred in connection with the transactions contemplated hereby, regardless of whether such contemplated transactions are consummated or fail to be consummated, for any reason whatsoever.

12.2 NOTICES. All notices which are permitted or required under this Agreement shall be in writing and shall be deemed given when delivered personally, two (2) business days after being sent by overnight air courier, one (1) business day after being sent by facsimile transmission, or if sent by mail, five (5) business days after being mailed by registered or certified mail, postage prepaid, addressed as follows, or to such other person or address as may be designated by notice to the other party:

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Secretary of the Commission in the Company's Application Requesting Confidential Treatment pursuant to Rule 246-2 under the Securities Exchange Act of 1934, as amended.

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If to IDEC:

IDEC Pharmaceuticals Corporation
11011 Torreyana Road
San Diego, CA 92121
Attn: Secretary
Fax: (619) 550-8755

with a copy to:

IDEC Pharmaceuticals Corporation
11011 Torreyana Road
San Diego, CA 92121
Attn: President
Fax: (619) 550-8750

If to Pharmacia:

Pharmacia & Upjohn S.p.A.
Via Robert Koch 1.2
20152 Milano
ITALY
Attn: Managing Director
Fax: +39 2 4838 2023

with a copy to:

James F. Farrington, Jr.
Wiggin & Dana
301 Tresser Blvd.
Stamford, Connecticut 06901
Fax: (203) 363-7676

12.3 PUBLIC DISCLOSURE. Except in connection with obtaining the Approvals, the parties will advise and confer with each other prior to the issuance of any reports, releases or other disclosures of the terms of this Agreement and the implementation hereof and no press release or other written statement or other disclosures, whether or not written, relating to the transactions contemplated by this Agreement shall be disseminated publicly or delivered to any other person without the specific consent of the other parties, except to the extent such public disclosure is required by any law, or rule or regulation of any Governmental Authority, including without limitation, the United States Securities and Exchange Commission or any securities

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exchange on which securities of the disclosing party are then listed; provided, that in the case of any such disclosure, the disclosing party shall endeavor to obtain confidential treatment of information to be disclosed to the extent reasonably requested by the other party. Notwithstanding the foregoing, the parties shall agree upon the text of a press release which each party may publicly release.

12.4 BENEFIT. Neither party or its sublicensees shall assign this Agreement nor any of their respective rights or obligations hereunder without

the prior written consent of the other party, which consent shall not be withheld unreasonably. The foregoing shall not restrict IDEC in the sublicensing of its rights as permitted under Section 2.1(b). Any such attempted assignment without such consent shall be void. Notwithstanding the foregoing, either party or its sublicensees may assign this Agreement to a third party without such consent upon thirty (30) days' prior notice, if such third party (a) acquires (by purchase or merger) all or substantially all of such party's business, stock or assets to which this Agreement pertains, and (b) assumes all of the obligations of such party hereunder. When duly assigned in accordance with the foregoing, this Agreement shall be binding upon and inure to the benefit of P&U SPA, IDEC and their respective successors and permitted assigns. Any assignment by IDEC of the 9-AC Assets shall require the assignment of this Agreement; provided, that IDEC shall not be released from its obligations hereunder without the prior written consent of Pharmacia.

12.5 INTERPRETATION OF THIS AGREEMENT. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. Any provision of the Agreement which is invalid or unenforceable shall be ineffective to the extent of such invalidity or unenforceability, without affecting in any way the remaining provisions hereof. This Agreement, including all Schedules and Exhibits hereto, and the Supply Agreement, constitute the entire agreement of the parties, superseding and extinguishing all prior agreements and understandings, representations and warranties, relating to the subject matter hereof, except for the Confidentiality Agreement, among Pharmacia & Upjohn, Inc., NCI and IDEC, dated as of October 29, 1996. This Agreement may not be modified, amended or terminated except by written agreement specifically referring to this Agreement signed by the parties hereto. No waiver of a breach or default hereunder shall be considered valid unless in writing and signed by the party giving such waiver, and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

12.6 GOVERNING LAW. This Agreement shall be governed by the laws of State of New York applicable to contracts made and to be performed therein, without giving effect to the conflicts of laws provisions thereof.

12.7 DISPUTES. Any dispute arising between the parties relating to, arising out of or in any way connected with this Agreement or any term or condition hereof, the performance by either party of its obligations hereunder, whether before or after termination of this Agreement, shall be first referred to the CEO's or principal executive of IDEC and P&U SPA for negotiation

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and resolution. If such matter is not resolved within 90 days after notice from either party calling for such procedure, then such matter shall be finally resolved by binding arbitration. Whenever a party shall decide to institute arbitration proceedings, it shall give notice to that effect to the other parties. The party giving such notice shall refrain from instituting the arbitration proceeding for a period of sixty (60) calendar days following such notice. Any arbitration hereunder shall be conducted in Washington, D.C., under the then current Commercial Arbitration Rules of the American Arbitration Association. Each such arbitration shall be conducted in the English language by a panel of three arbitrators appointed in accordance with such rules. The arbitrators shall have the authority to grant specific performance, and to allocate between the parties the fees and expenses in such equitable manner as they determine. Any monetary award shall bear interest at a rate fixed by the arbitrators from the date of arbitration proceeding is commenced to the date on which the award is paid in full. Judgment upon the award so rendered may be entered in any court having jurisdiction or application may be made to such court for judicial acceptance of any award and an order of enforcement, as the case may be.

12.8 COUNTERPARTS. This Agreement may be executed simultaneously in several counterparts, by manual or facsimile signature, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement shall be deemed to have been executed upon receipt by each party hereto of a signature page, as aforesaid, signed by the other party.

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IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

IDEC PHARMACEUTICALS CORPORATION

By: /s/ William R. Rohn

PHARMACIA & UPJOHN S.P.A

By: /s/ Lamberto Andreotti

PHARMACIA & UPJOHN COMPANY

By: /s/ Jack J. Jackson

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SCHEDULE 2.1(a)
ANNEX A

9-AC FORMULATION (COLLOIDAL DISPERSION)

Patent Application Number	Filing date	Country
------------------------------	-------------	---------

* _____ *

*Indicates that material has been omitted and confidential treatment has been requested therefor. All such omitted material has been filed separately with the Secretary of the Commission in the Company's Application Requesting Confidential

Treatment pursuant to Rule 246-2 under the Securities Exchange Act of 1934, as amended.

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* _____ * SCHEDULE 2.1(b)
* _____ *

* _____ * Title: Prep. of 9-Aminocamptothecin 9-Amino Camptothecin/

Type	Country	Application No.	Filing Date	Patent No.	Issue Date	Expiration Date

* _____ *

*Indicates that material has been omitted and confidential treatment has been requested therefor. All such omitted material has been filed separately with the Secretary of the Commission in the Company's Application Requesting Confidential Treatment pursuant to Rule 246-2 under the Securities Exchange Act of 1934, as amended.

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* _____ * SCHEDULE 2.1(b)
* _____ *

* _____ * Title: Prep. of 9-Amino camptothecin 9-Amino Camptothecin/Process

Type	Country	Application No.	Filing Date	Patent No.	Issue Date	Expiration Date

* _____ *

*Indicates that material has been omitted and confidential treatment has been requested therefor. All such omitted material has been filed separately with the Secretary of the Commission in the Company's Application Requesting Confidential Treatment pursuant to Rule 246-2 under the Securities Exchange Act of 1934, as amended.

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* _____ * SCHEDULE 2.1(b)
* _____ *

* _____ * Title: Method form PRPN 9-Amino campt. Process 9-Amino Camptothecin

Type	Country	Application No.	Filing Date	Patent No.	Issue Date	Expiration Date
------	---------	-----------------	-------------	------------	------------	-----------------

* _____ *

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SUPPLY AGREEMENT

THIS AGREEMENT, dated as of February 10, 1997, but effective as of the Effective Date (as provided for in Section 1 below) between IDEC PHARMACEUTICALS CORPORATION, a corporation organized and existing under the laws of the State of California and having its principal place of business at San Diego, California ("IDEC"); and PHARMACIA & UPJOHN S.P.A., a corporation organized and existing under the laws of Italy and having its principal place of business at Milano, Italy ("P&U SPA").

BACKGROUND

Pharmacia possesses certain intellectual property rights and other assets relating to 9- amino-20(S)-camptothecin, including patent rights and rights under a Cooperative Research and Development Agreement with the National Cancer Institute ("NCI"). As a consequence of the combination of Pharmacia AB with The Upjohn Company (collectively, "Pharmacia & Upjohn"), Pharmacia & Upjohn entered into an agreement containing a consent order with the United States Federal Trade Commission ("FTC") under which Pharmacia is required to divest its rights to sell 9-amino-20(S)-camptothecin in the United States. Additionally, Pharmacia offered IDEC the related rights to sell 9-amino-20(S)- camptothecin outside the United States. IDEC desires to acquire all such rights to 9-amino-20(S)-camptothecin and related assets. Subject to the approval of the NCI, FTC and other third parties as provided for herein, the parties have agreed for IDEC to acquire such rights and assets on the terms set forth in that certain 9-AC Assets Transfer Agreement, dated as of the date hereof, among the parties hereto and Pharmacia & Upjohn Company (the "Transfer Agreement").

Pursuant to the FTC Consent Order (as such and other capitalized and otherwise undefined terms in this Agreement as defined in the Transfer Agreement), P&U SPA has agreed to supply 9-AC to IDEC to permit it to continue the research and development of 9- AC and to fulfill its obligations under the CRADA.

NOW, THEREFORE, the parties hereto agree as follows:

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SECTION 1. EFFECTIVE DATE.

1.1 EFFECTIVE DATE OF THIS AGREEMENT. This Agreement shall be legally effective upon the completion of the Closing on the Closing Date of the Transfer Agreement following the receipt of all Approvals and the satisfaction of all other conditions set forth in Article 4 of the Transfer Agreement. The Closing Date shall be referred to as the "Effective Date" hereunder.

1.2 TERMINATION PRIOR TO THE EFFECTIVE DATE. If the Transfer Agreement is terminated under Section 11.1 thereof, this Agreement shall be automatically void ab initio.

SECTION 2. SUPPLY AND PURCHASE OF PRODUCT.

2.1 P&U SPA SUPPLY. IDEC shall purchase, and P&U SPA shall supply, such quantities of 9-AC (as further described and specified in EXHIBIT A) in the forms described in EXHIBIT A (the "Product") as IDEC may order from time to time for use in its further research and development of 9-AC or in fulfilling its obligations to supply 9-AC to the NCI under the CRADA.

2.2 QUANTITIES. P&U SPA will manufacture the Product in its
* _____*.

2.3 NCI SUPPLY. P&U SPA acknowledges that IDEC is required under the CRADA to supply the Product to the NCI. P&U SPA's undertakings under this Agreement are intended, in part, to allow IDEC to fulfill those obligations to the NCI.

2.4 TERMS AND CONDITIONS. THE SUPPLY OF PRODUCT HEREUNDER IS EXPRESSLY LIMITED TO AND CONDITIONED UPON THE TERMS AND CONDITIONS OF SALE ATTACHED HERETO AS EXHIBIT B AND NO TERMS ADDITIONAL TO OR DIFFERENT FROM THOSE IN OR INCORPORATED BY REFERENCE IN THIS AGREEMENT ARE BINDING ON P&U SPA UNLESS AGREED TO IN WRITING BY P&U SPA.

2.5 MANUFACTURING LICENSE. Subject to the terms and conditions hereof, IDEC hereby grants to P&U SPA under the 9-AC Assets a non-exclusive right to make and have made for and sell to IDEC and NCI the Products as provided for herein. P&U SPA shall not grant any sublicenses (other than to Affiliates) without IDEC's prior written consent, except that it may permit third parties to formulate the bulk material into finished product and, if its production facilities are not available to manufacture 9-AC, it may permit third parties to manufacture the bulk material under a contract manufacturing arrangement. The license granted hereunder shall automatically terminate upon the termination of this Agreement, and the fulfillment of P&U SPA's

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obligations to supply 9-AC to IDEC and the NCI.

SECTION 3. DELIVERY.

3.1 ORDERS. (a) FORECASTS. At least 90 days prior to the beginning of each calendar quarter, IDEC shall furnish to P&U SPA a written report containing
* _____*.

(b) SUPPLY AND DELIVERY TIME. P&U SPA shall supply and deliver the Product * _____*.

3.2 DELIVERY. P&U SPA shall ship the Product to * _____*

3.3 ACCEPTANCE OF PRODUCT. In accordance with agreed upon testing procedures and within 60 days after delivery, IDEC shall test each lot of Product delivered to it to determine whether it conforms to the specifications attached hereto as Exhibit A. If any Product fails to conform to such specifications (other than for any of the reasons set forth in Paragraph 1(B) of Exhibit B), IDEC shall promptly inform P&U SPA. P&U SPA shall then promptly correct such nonconformity in the manner set forth in Paragraph 1(A) of Exhibit B. If the parties dispute whether the Product so fails to conform, the matter shall be referred to a mutually acceptable independent testing laboratory for

final resolution.

SECTION 4. PAYMENTS FOR PRODUCT.

4.1 PURCHASE PRICE. The purchase price for Product (the "Purchase Price") shall be * _____*.

SECTION 5. REGULATORY RESPONSIBILITY.

5.1 REGULATORY RESPONSIBILITY. P&U SPA shall be responsible, at its sole expense, for complying with all applicable regulatory requirements relating to the manufacture of the Products, including good manufacturing practices promulgated from time to time by the United States Food and Drug Administration. IDEC shall be responsible, at its sole expense, for complying with all other applicable regulatory requirements relating to the use or resale of the Products (including any other product incorporating the Product).

5.2 IMPORT AND EXPORT LAWS. With P&U SPA's reasonable assistance in respect to the execution of documents and other ministerial actions, IDEC shall comply with all export and import regulations and laws necessary to export and import the Products to IDEC, including, without limitation, procuring and maintaining all import and export licenses necessary to ship Products from the point of manufacture to IDEC in accordance herewith and the payment of all duties, tariffs, surcharges and other customs and other governmental fees levied in connection with the exportation and importation of the Products from P&U SPA to IDEC.

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SECTION 6. CONFIDENTIALITY.

6.1 "PROPRIETARY INFORMATION" means: all technical, scientific, marketing and financial information and data which is either non-public, confidential or proprietary in nature (disclosed, directly or indirectly, by either party (the "Disclosing Party") to the other party (the "Recipient")), unless such information: (a) is or becomes public knowledge through no fault of the Recipient; (b) is in the future legally received by the Recipient from a third party, which the Recipient reasonably believes is free of any obligation to keep it confidential; or (c) is known by the Recipient prior to receipt from the Disclosing Party, which fact may be proven only by documentary evidence. To the extent practical, the parties shall furnish their Proprietary Information in documentary or tangible form marked as proprietary or confidential; however, if disclosure of Proprietary Information is in nondocumentary form, or if the disclosure is first made orally or by visual inspection, the Disclosing Party shall have the right or, if requested by the Recipient, the obligation to confirm in writing the fact and general nature of such disclosure within a reasonable time after such disclosure is made.

6.2 CONFIDENTIALITY. All Proprietary Information disclosed, directly or indirectly, by either party to the other party shall remain the property of the Disclosing Party. The Recipient shall not acquire any proprietary rights or other interests therein, and nothing contained herein shall be construed as granting or implying any right or license to use any Proprietary Information. Without limiting any obligation arising under law, * _____*, neither party shall disclose to third parties any Proprietary Information of the other party. Each party shall take all reasonable steps to minimize the risk of disclosure of Proprietary Information of the other party, including without limitation:

(a) ensuring that only its employees and other representatives whose duties require them to possess such information or materials have access thereto;

(b) exercising at least the same degree of care that it uses for its own proprietary information; and

(c) providing proper and secure storage for the Proprietary Information. Upon request by the Disclosing Party, at any time, the Recipient shall return all Proprietary Information of the other in its possession and shall make no further use of such Proprietary Information.

6.3 INJUNCTIVE RELIEF. Each of the parties hereto agree that the disclosure of Proprietary Information without the Disclosing Party's express written permission will cause the Disclosing Party's irreparable harm and that any breach or threatened breach of this Agreement by the Recipient will entitle the Disclosing Party to injunctive relief, in addition to any other legal remedies available to it, in any court of competent jurisdiction.

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SECTION 7. TERM; TERMINATION.

7.1 TERM. Unless terminated earlier under the provisions of this Section 7, this Agreement shall expire *_____*

7.2 TERMINATION BY IDEC. IDEC may terminate this Agreement *_____*

7.3 TERMINATION FOR CAUSE. Without prejudice to any other rights it may have hereunder or at law or in equity, either party may terminate this Agreement immediately by written notice to the other party if, *_____*

7.4 RIGHTS AND DUTIES UPON TERMINATION.

(a) Notwithstanding anything to the contrary contained herein, termination of this Agreement, for whatever reason, shall not affect any rights or obligations accrued by either party prior to the effective date of termination, nor prejudice any other rights or remedies that either party may have at law or in equity.

(b) Upon any termination, both parties shall immediately cease using the other party's Proprietary Information and, at the request of the other party, shall return or destroy all such Proprietary Information.

(c) Section 4 of Exhibit B and Section E of Exhibit C shall survive any termination of this Agreement.

SECTION 8. MISCELLANEOUS.

8.1 CHOICE OF LAW. This Agreement and all purchase orders issued hereunder shall be governed by, and all rights and obligations of the parties shall be determined in accordance with the laws of the State of New York, U.S.A. without regard to its conflict of laws rules (and without limiting the foregoing, the United Nations Convention On Contracts for International Sale of Goods [1980] shall not govern this Agreement).

8.2 ARBITRATION. Any dispute arising between the parties relating to, arising out of or in any way connected with this Agreement or any term or condition hereof, the performance by either party of its obligations hereunder, whether before or after termination of this Agreement, shall be first referred to the CEO's or principal executive of IDEC and P&U SPA for negotiation and resolution. If such matter is not resolved within 90 days after notice from either party calling for such procedure, then such matter shall be finally resolved by binding arbitration. Whenever a party shall decide to institute arbitration proceedings, it shall give notice to that effect to the other

parties. The party giving such notice shall refrain from instituting the arbitration proceeding for a period of sixty (60) calendar days following such notice. *_____* . Each such arbitration shall be conducted in the English language by a panel of three arbitrators appointed in accordance with such rules. The arbitrators shall have the authority to grant specific performance, and to allocate between the parties the fees and expenses in such equitable manner as they

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determine. Any monetary award shall bear interest at a rate fixed by the arbitrators from the date of arbitration proceeding is commenced to the date on which the award is paid in full. Judgment upon the award so rendered may be entered in any court having jurisdiction or application may be made to such court for judicial acceptance of any award and an order of enforcement, as the case may be.

8.3 NOTICES. All notices which are permitted or required under this Agreement shall be in writing and shall be deemed given when delivered personally, two (2) business days after being sent by overnight air courier, one (1) business day after being sent by facsimile transmission, or if sent by mail, five (5) business days after being mailed by registered or certified mail, postage prepaid, addressed as follows, or to such other person or address as may be designated by notice to the other party:

If to IDEC:

IDEC Pharmaceuticals Corporation
11011 Torreyana Road
San Diego, CA 92121
Attn: Secretary
Fax: (619) 550-8755

with a copy to:

IDEC Pharmaceuticals Corporation
11011 Torreyana Road
San Diego, CA 92121
Attn: President
Fax: (619) 550-8750

If to Pharmacia:

Pharmacia & Upjohn S.p.A.
Via Robert Koch 1.2
20152 Milano
ITALY
Attn: Managing Director
Fax: +39 2 4838 2023

with a copy to:

James F. Farrington, Jr.
Wiggin & Dana
301 Tresser Blvd.
Stamford, Connecticut 06901
Fax: (203) 363-7676

8.4 BENEFIT. Neither party shall assign this Agreement nor any of their respective rights or obligations hereunder without the prior written consent of the other party, which consent shall not be withheld unreasonably. Any such attempted assignment without such consent shall be void. Notwithstanding the foregoing, either party may assign this Agreement to a third party without

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such consent upon thirty (30) days' prior notice, if such third party (a) acquires (by purchase or merger) all or substantially all of such party's business, stock or assets to which this Agreement pertains, and (b) assumes all of the obligations of such party hereunder. When duly assigned in accordance with the foregoing, this Agreement shall be binding upon and inure to the benefit of P&U SPA, IDEC and their respective successors and permitted assigns.

8.5 INTERPRETATION OF THIS AGREEMENT. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. Any provision of this Agreement which is invalid or unenforceable shall be ineffective to the extent of such invalidity or unenforceability, without affecting in any way the remaining provisions hereof. This Supply Agreement, including all Exhibits hereto, and the Transfer Agreement, constitute the entire agreement of the parties, superseding and extinguishing all prior agreements and understandings, representations and warranties, relating to the subject matter hereof, except the Confidentiality Agreement, among Pharmacia & Upjohn, Inc., NCI and IDEC, dated as of October 29, 1996. This Supply Agreement may not be modified, amended or terminated except by written agreement specifically referring to this Agreement signed by the parties hereto. No waiver of a breach or default hereunder shall be considered valid unless in writing and signed by the party giving such waiver, and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

8.6 COUNTERPARTS. This Agreement may be executed simultaneously in several counterparts, by manual or facsimile signature, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement shall be deemed to have been executed upon receipt by each party hereto of a signature page, as aforesaid, signed by the other party.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered as of the day and year first above written.

PHARMACIA & UPJOHN S.P.A.

By /s/ Lamberto Andreotti

IDEC PHARMACEUTICALS CORPORATION

By /s/ William R. Rohn

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* _____ *

* _____ *

Type II DMF for 9-Aminocamptothecin Colloidal Dispersion and Diluent

* _____ *

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EXHIBIT B

TERMS AND CONDITIONS OF SALE

1. WARRANTY. A. P&U SPA warrants to IDEC that the Product shall at the time of delivery conform with the specifications attached hereto as Exhibit A, and shall not be "adulterated" or, to the extent applicable to drugs used for only clinical testing, "misbranded" (as defined under 21 U.S.C. Section 351 and Section 352, respectively). IDEC represents THAT: (a) its further use of the Product shall be at its sole risk; (b) it has evaluated the use of the Product; and (c) its sole recourse to P&U SPA shall be as provided herein. Should any failure to conform with this warranty appear within one (1) year from its date of delivery, and if given prompt written notice by IDEC, but in no event later than ten (10) business days following the end of the warranty period, P&U SPA shall, promptly correct such nonconformity, at its option, by (i) replacement of the nonconforming Product; or (ii) crediting IDEC with the Purchase Price of the nonconforming Product.

B. Exclusions. These warranties shall not apply to any Product which, through no fault of P&U SPA, (i) has been tampered with or otherwise altered; (ii) has been subjected to misuse, negligence or accident; or (iii) has been stored, handled or used in a manner contrary to the specifications or P&U SPA's written instructions.

C. Limitations on Warranty. THE FOREGOING WARRANTIES ARE EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES OF QUALITY AND PERFORMANCE, WRITTEN, ORAL OR IMPLIED, AND ALL OTHER WARRANTIES, INCLUDING WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR FREEDOM FROM INFRINGEMENT, ARE HEREBY DISCLAIMED BY P&U SPA. Except as provided in Paragraph 4B below, replacement of nonconforming Product or credit of the purchase price therefor in the manner and for the period of time provided above shall be IDEC's exclusive remedy and shall constitute fulfillment of all liabilities of P&U SPA (including any liability for direct, indirect, special, incidental or consequential damages), whether in warranty, contract, negligence, tort, strict liability, or otherwise with respect to any non-conformance of or defect or deficiency in the Product.

2. LIMITATION OF LIABILITY. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, WHETHER IN CONTRACT, WARRANTY, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE including, but not limited to, loss of profits of revenue, delays, or claims of customers of the other party or its affiliates or other third parties for such or other damages. The foregoing shall not limit IDEC's liability for damages incurred by P&U SPA in fulfilling IDEC's obligations to supply 9-AC to the NCI.

3. TAXES. The price for the Product does not include any national, state or local property, license, privilege, sales, service, use, excise, value added, gross receipts, or other like taxes. IDEC agrees to pay or reimburse P&U SPA for any such taxes which P&U SPA is required to pay or collect or which are required to be withheld.

4. INDEMNITY. A. IDEC. IDEC shall indemnify and hold harmless P&U SPA from and against any and all liability, loss, damage, expense, causes of action, suits, claims or judgments arising from injury or death to persons or damage to property, of any nature whatsoever, resulting from: (a) the clinical testing or other use (or misuse) or resale of the Product (or any other product incorporating the Product), (b) IDEC's failure to comply with any applicable regulatory requirements, (c) the failure to provide adequate warnings concerning the use of the Product (or any product incorporating the Product), (d) any willful act or omission or negligence of IDEC or its employees or agents, or (e) any other act or omission of IDEC for which IDEC is liable to P&U SPA under the terms of this Agreement, except, in each case, to the extent caused by a breach by P&U SPA of the warranty provisions set forth in Paragraph 1 hereof; and IDEC shall defend or settle at its own expense any suit or action which may be brought against P&U SPA with respect to any such claim or liability; provided, that P&U SPA shall have given prompt notice in writing to IDEC of any such claim, and shall permit

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IDEC by its counsel to defend or settle the same.

B. P&U SPA. P&U SPA shall indemnify, defend and hold the IDEC harmless from any and all suits, claims, actions, demands, liabilities, expenses or losses alleged to result from (a) the failure of the Product manufactured for the IDEC by P&U SPA to meet the FDA specifications accepted by both parties or the product specifications attached as Exhibit A, (b) P&U SPA's failure to comply with any applicable regulatory requirements, or (c) any willful act or omission or negligence of P&U SPA or its employees or agents. This obligation shall be contingent upon IDEC giving P&U SPA prompt, adequate notice of such claim, cooperating fully in the defense of such claim, and permitting P&U SPA to assume the sole control of all phases of the defense and/or settlement of such claim, including the selection of counsel. This obligation shall not require P&U SPA to be liable for any negligent act or omission of IDEC or for any representations and warranties, express or implied, made by IDEC that exceed the representations and warranties made by P&U SPA to the IDEC.

5. FORCE MAJEURE. Neither party shall be liable for loss, damage, or delay, nor be deemed to be in default from causes beyond its reasonable control or from acts of God, fire, strikes, labor difficulties, acts or omissions of any third party, any governmental authority or of the other party, compliance with governmental regulations, insurrections or riots, embargoes, delays or shortages in transportation or inability to obtain necessary labor, materials or manufacturing facilities from usual sources, defects or delays in the performance of its suppliers or subcontractors due to any of the foregoing enumerated causes or any other cause similar or dissimilar to the foregoing. The foregoing shall not apply to failures or delays in the payment of sums of money.

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EXHIBIT C

* _____ *

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D. ACCOUNTING STANDARDS AND PROCEDURES.

Except as otherwise stated herein, Costs shall be determined in accordance with generally accepted cost accounting principles applied on a consistent basis. Within 60 days after the end of each calendar year, the parties shall determine the variance between the aggregate of the Actual Costs and the aggregate Costs paid by IDEC for the Product purchased during such year. If such variance is positive, IDEC shall pay such amount within * _____*; and if such variance is negative, P&U SPA shall issue IDEC a credit. Costs for the succeeding twelve months shall be based on the actual Costs at the end of the preceding year with appropriate standard cost adjustments for IDEC's purchase forecasts, planned manufacturing efficiencies, and expected cost variations in raw materials, labor and overhead.

Any method of allocating a particular cost under this Agreement shall be consistent with the method of allocating that cost for any other product manufactured at that same location. * _____*. In no event shall reimbursement for costs or overhead be duplicated in any manner.

E. BOOKS AND RECORDS

P&U SPA shall maintain adequate books and records to verify all items of cost in effect at any time and the calculation and derivation thereof. Such books and records shall be available for inspection by IDEC at reasonable times and on reasonable notice, * _____*.

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<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEETS AND CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS CONTAINED IN THE COMPANY'S QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS AND THE NOTES THERETO

</LEGEND>

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<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		(14,103)
<EPS-PRIMARY>		(0.76)
<EPS-DILUTED>		0